

COURSE: FUNDAMENTALS OF MARKETING

LECTURE 11: PROMOTION

LECTURER: DR LUCY KARIMI KIRIMA

Lecture learning outcomes:

At the end of the lecture, you will be able to:

- 1. Understand the concept of promotion**
- 2. Examine the aspects of promotion mix**

PROMOTION

According to Arunima Rudra Marketing Management , the term 'Promotion ' is originated from the Latin word 'promovere' which means to move forward. Marketers use the word 'promotion' as a communicative activity, the purpose of which is to move forward a product, service or idea in a channel of distribution. Promotion is concerned with effectively communicating the results of the marketing strategy to target audiences. Promotion is an active explicit form of marketing communication. Promotion highlights the marketing elements in order to increase the odds that consumers will buy and become committed to a product. Thus promotion can be defined as "the marketing function concerned with persuasively communicating to target audiences the components of the marketing program in order to facilitate exchange between the marketer and the consumer and to help satisfy the objectives of both". The basic purpose of promotion is to facilitate the movement of products and product-related information through the marketing network.

Promotion is the process of marketing communication involving information, persuasion and influence. Promotion is a form of “telling” and “selling”. It is a way of creating or influencing the sense of existed product through various means like advertising, sales promotion and personal selling.

According to Mc. Carthy, “promotion is concerned with any method that communicates to the target market about the right product to be sold in the right place at the right price, promotion encompasses sales promotion, advertising and personal selling.”

According to Philip Kotler, “promotion compasses all the tools in the marketing mix, whose major role is persuasive communication.”

Need for Promotion

As a key part of the marketing program promotion is essential in order to create customer awareness of a product and its characteristics

1. Promotion is essential to persuade consumers who have established product loyalties. As there are so many product choices consumers often settle on a particular 'satisfactory brand' and purchase it repeatedly to reduce the effort involved in choosing another product. Thus, the target market often includes people who have established product loyalties. To change the buying habits of such people promotion becomes essential for the marketer.
2. A second reason for the rising importance of promotion is the widening physical and emotional distance between producers and consumers. Once marketing intermediaries are involved it is not enough for a producer to communicate only with the ultimate consumers. Marketing intermediaries must also be informed about products. Wholesalers must promote products to retailers, and retailers must promote products to consumers.
3. Intense competition within and between industries has placed pressure on the promotional programs of individual sellers. Most colleges and universities, for example must deal directly with other colleges and universities as well as with all other organizations that offer people educational and vocational alternatives.
4. Consumers are beyond the need to fulfill their basic physiological requirements and are moving toward fulfilling their desires. As they allocate their limited resources to the purchase of desires rather than basic needs, they become more selective in their choices. A good promotional program helps consumers make these choices in a more satisfying way. The promotional effort is usually the largest part of the total marketing expense. Managers must be certain that the high level of expenditure produces the desired results.
5. Finally, during times of economic decline, product planning, distribution channels, and pricing structure change. Promotion is needed in order to maintain the level of sales and profit required for a firm's survival. Redesigning messages, advertising differently and smarter, and improving sales promotion offers are some of the ways to stimulate consumer.

Importance/role of promotion

Company promotions play many roles in marketing, designed to produce certain desired effects.

1) Increase Brand Awareness

Promotion such as television, radio and magazine advertising increase brand awareness. More people tend to learn about a particular company or its brands if they frequently see or hear about them.

2) Provide Information

Companies also use promotions to provide information. Marketers may use press releases, displays, pamphlets, in-store videos, demonstrations etc to convey information.

3) Increase customer traffic

Grocery stores, beauty salons and movie theaters use promotions such as frequency programs to increase customer traffic. Frequency card promotions are designed primarily to attract traffic among current customers. New customers also may be attracted to the promotion if they hear about it.

4) More employment

Promotional activity helps to increase more employment opportunities to the people who are unemployed, as the promotional activities cannot be performed without the help of an effective sales force and the specialists in various fields.

5) Effective sales support

Promotion helps in the sales support of the product. Sales promotion makes the salesman's effort more productive. It provides good support in selling the different types of goods. Sales of different types of goods in the market are very necessary to increase the market economy.

6) Increase speed of product acceptance

Most of the sales promotion devices such as contests, premium coupons, etc can be used faster than other promotion methods such as advertising. Increase in the speed of product acceptance is very important in the competitive market. So, it is necessary to increase the speed of product.

The Promotional Mix

The utilization of the common forms of promotion viz., advertising, personal selling public relations and sales promotion, in a manner that helps to achieve promotional objectives is referred to as the promotional mix. The concept of promotional mix assumes that there is variety of means for communicating with consumers and the final selection of them will depend on the jobs assigned to promotion and the environment in which these jobs are to be performed. The concept further assumes that while certain promotional types may be better suited for some task than others all promotional types are compatible and interchangeable.

The components of a promotional mix are variable depending on such matters as the task assigned to promotion and the environment in which the promotion must operate. Promotional mix consists of four basic constituents:

Advertising

Advertising is any paid form of non-personal communication and promotion of ideas, goods or services by an identified sponsor. Although some advertising (such as direct mail) is directed at specific individuals, most advertising messages are tailored to a group and use mass media such as radio, television, newspapers, magazines and outdoor. According to the American Marketing Association advertising may be defined as, "any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. It is non-personal as contrasted with personal selling, it is paid for by identified sponsor as contrasted with publicity.

Advertising is employed for promotion to large audiences. In fact, it is often referred to as mass selling. An important characteristic of advertising that usually distinguishes it from personal selling is the high degree of control that can be maintained over its promotional efforts.

The means through which advertisement may be presented are countless. The most expensive media are newspapers, direct mail, television, magazines and radio. The impact however, of such media as the programs of football games and outdoor signs may be just as great as that of the above five. The nature of the company's product will determine to a great extent, the degree to which advertising is employed in the promotional mix. Very expensive product as well as highly complex products are not very adaptable to advertising as a primary means of promotion. In general advertising is a good basic promotional tool for low-cost, mass consumed products. The word Advertising derived from *French word "advertir"* which means "*to notify or to inform*".

Advertising means informing the public of the existence of a particular product or service. In other words, advertising defined as "non personal forms of presentation and promotion of ideas, goods or services by an identified sponsor through paid sponsorship." Advertising is an attempt to make a particular product or service known to the public and to create demand for the same

Objectives of advertising

1) Getting Attention

Using highly readable print, color, diagrams and pictures can also attract the attention of users. Using sounds and jingles will attract attention of customers/users in radio and television ads.

2) Building sales and profits

Advertising is designed to increase sales and build profits gradually. People will try the products and they become repeat users and also they tell their family and friends, which is additional advertising for a company. Many companies budget their advertising by allocating a certain percentage of sales toward it.

3) Switching back

This objective is for the companies who have switched to their previous customers back. They attract the customers back like discount sale, new advertise, some reworking done on packaging etc.

4) Brand switch

The purpose of advertisement is to attract the customers of competitors. Here the advertisers try to convince the customers to switch from the existing brand.

5) Building brand awareness

Companies advertise to build brand awareness, which is when people know a particular brand. Brand awareness is usually calculated as a percentage. For example, if 1000 people out of 10000 in a market can identify concerned brand then the brand awareness is 10%.

6) Prompting immediate action

Different forms of advertising may also prompt people to act immediately. Including a coupon, deadlines, free trial etc will attract buyers to make purchase in a short period.

Advantages/merits of advertising

1) Expansion of market

It enables the manufacturer to expand his market. It helps in exploring new markets for the product and retaining the existing markets. It plays a sheet anchor role in widening the marketing for the manufacturer's products even by convey the customers living at the remote areas.

2) Increased sales

Advertisement facilitates mass production to goods and increase the volume of sales. In other words, sales can be increased with additional expenditure on advertising with every increase in sale, selling expenses will decrease.

3) Fights competition

Advertising is greatly helpful in fighting the forces of competition prevalent in the market. Continuous advertising is very essential in order to save the product from the clutches of the competitors.

4) Educates the consumers

Advertising is educational and dynamic in nature. It familiarizes the customers with the new products and their diverse uses and also educates them about the new uses of existing products.

5) Elimination of middlemen

It aims at establishing a direct link between the manufacturer and the consumer, thereby eliminating the marketing intermediaries. This increases the profits of the manufacturer and the consumer gets the products at lower prices.

6) Better quality products

Different goods are advertised under different brands names. A branded product assures a standard quality to the consumers. The manufacturer provides quality goods to the consumers and tries to win their confidence in his product.

7) Supports salesmanship

Advertising facilitates the work of a salesman. The customers are already familiar with the product which the salesman sells. The selling efforts of a salesman are greatly supplemented by advertising.

8) More employment opportunities

Advertising provides and creates more employment opportunities for many talented people like painters, photographers, singers, cartoonists, musician and people working in different advertising agencies.

Disadvantages/demerits of advertising

1) Add to costs

It is a medium for many advertisers to incur high cost compared to others. It increases cost of the products. To meet the expenditure the price of the product is raised.

2) Breaking up your favorite shows

Sometimes, people just want to watch that thriller shows straight through without having adverts but fortunately in between the shows the advertisement breaking up the action.

3) An online annoyance

Trying to stay absorbed in an online article when ads are popping up left, right and center can be very difficult.

4) A security risk

Sometimes accessing web pages or websites may also rise of “Adware”. Malicious software that plants risky ads in the user computers.

5) Confuses buyers

Many a time distorted version of reality is shown in the advertising. They come to realize later that the information given in the advertisement was something else whereas the actual product was quite different from it.

6) Some advertisement is in bad taste

Many times, foul language and objectionable pictures are used in advertising in order to attract particular class. It causes decay of social values.

Personal Selling

Personal selling, as contrasted to advertising, lends itself to the promotion of complex and expensive products. This type of promotion is unique, in as its name suggests, it is presented on a personal basis. Since it is personal, it has the highly desirable characteristic of flexibility. From the stand point of the nation's business expenditure, it is the most important type of promotion.

Personal selling is actually a general term, because there are different types of salesmen. They range from the cashier at the supermarket to the very aggressive door-to-door salesmen. Some salesmen, usually termed supporting salesmen, do no selling at all in the sense of actually accepting an order for their companies. Again, generalizing, it is usually desirable to have a highly trained, aggressive salesman for selling costly or specialty products. A clerk type salesman is more suitable for selling conventional goods. Supporting salesmen, or missionary salesmen, may be employed to pave the way for the regular salesman or to aid him in his presentation or other tasks such as installing point-of-purchase displays.

Like advertising, its degree of use in the promotional mix is variable and depends on such factors as the value of the product and its market. Employing personal salesmanship as the basic element of the promotional mix is a major undertaking. The recruitment, selection and hiring of salesmen usually entail extra personnel for performing these tasks. In addition, the functions of training, compensating and motivating the salesmen must be planned for.

Personal selling is where businesses use people to sell the product after meeting face-to-face with the customer.

According to Herbert N Casson, personal selling “is the art of understanding, appreciating and influencing other people for mutual benefits.”

In other words, it is a process of persuading and assisting a prospective customer to buy a commodity or service.

Importance of personal selling

1) Selling complex products

Companies that sell complex products must be able to demonstrate or explain products to potential customers and deal with questions or queries. Representatives of company's use their experience and skills to convince customers and grab their attention.

2) Focus on prospective customers

Personal selling method focuses on prospective customers. In personal selling, prospective customers are identified then efforts to sell goods or services to them. In this method, sales can be made at minimum cost, less efforts and less time.

3) Channel of communication

Seller plays two-way roles in communication process. He communicates information about features, quality, utility, price etc of the products to customers.

4) Social relations

Sellers establish social and living relationship with customers. As a result, this helps to develop positive attitude of customers towards the firm.

5) It provides feedback

It involves two-way flow of communication between the buyer and the seller. It is a useful method of understanding and getting the knowledge about the needs and behavior of customers, attitude, tastes, habits of customers.

Sales Promotion

Sales promotion is the term used in the business world to refer to any promotion, other than advertisement, personal selling and publicity, that supports and enhances advertising and personal selling activities. The term is misleading and has a general ring to it. A more appropriate term that can be used is 'supporting promotion'.

Often it is difficult to distinguish between sales promotion and advertising or between sales promotion and personal selling. Actually either the advertising or the sales organization could and often does handle the sales promotion task. But, more and more, sales promotion, like packaging, is gaining an independent status in firms, and specialists are developing in the field.

Sales promotion activities can be categorized on the basis of the market at whom they are aimed at.

1. **Consumer Sales promotion** : A good example of consumer sales promotion is sampling, i.e., placing a sample of a product in the hands of potential consumers at no charge. This activity supports both advertising and personal selling. It helps to convince consumers that what advertisements say about the product is true. And it, hopefully, causes consumers to go to the retailer for more, which in turn, makes it easier for manufacturers' salesmen to sell the product to retailers. Other types of consumer sales promotion by manufacturers include premiums attached to products, contests and demonstrations. Consumer sales promotion is also practiced by retailers and range from offering trading stamps to 'playing games' with the customers.
2. **Dealer Sales Promotion** : Producers rely on sales promotion to make selling and advertising to their middlemen more effective. Good retailers are often given premiums, for example, for each case of goods they buy. This promotion is intended to encourage large orders and repeat orders from the retailers. Trade shows, another type of dealer sales promotion, allow dealers and potential dealers to get a first hand look at products that have been referred to in the manufacturer's sales and advertising efforts. Contests, special store

fixtures, and sings are also good examples of sales promotion aimed at increasing sales to dealers.

3. **Sales force Sales promotion:** A significant amount of a company's sales promotional efforts often are aimed at the company's own sales force. The idea behind such activity is of course, to make the salesmen's efforts more effective. Sales promotion to the sales force may include contests, premiums, sales portfolios and visual aids to be used in sales presentations. Even sales meetings designed to spark interest in new products could be considered as sales promotion function.

Sales promotion is generally defined as those marketing activities that provide extra values or incentives to the sales force, the distributors, or the ultimate consumer and can stimulate immediate sales.

According to A.H.R Delen, sales promotion means “any steps that are taken for the purpose of obtaining or increasing sales. Often, this term refers specially to selling efforts that are designed to supplement personal selling and advertising and by coordination, help them to become more effective.”

In other words, sales promotion refers to those specialized activities other than personal selling and advertising that are taken by a firm for promoting its sales.

Tools of sales promotion

Sales promotion is generally broken into two major categories i.e. consumer oriented and trade oriented activities.

Consumer-oriented

The consumer-oriented promotion tools are aimed at increasing the sales to existing consumers, and to attract new customers to the firms. It is also called as *pull strategy*. It includes the following:

1) Free samples

Small units of free samples are delivered door to door, sent through direct mail, attached to another product, or given along with the purchase of some other product.

2) Coupons

This involves offering price reduction or saving to customers on the purchase of a specific product. The coupons may be mailed or enclosed along with other products, or inserted in a magazine or newspaper advertisement.

3) Exchange scheme

In this case, the customer exchanges the old product for a new one. This sales promotion tool is used by several companies for consumer durables.

4) Discounts

It refers to reduction in price on a particular item during a particular period. It is common during festival season or during off-season period.

5) Premium offers

These can be extra quantities of the same product at the regular price. For instance, Colgate offered 125g in a tube for the price of 100g.

6) Personality promotions

This type of promotion is used to attract the greater number of customers in a store and to promote sale of a particular item. For instance, a famous sports personality may be hired to provide autographs to customers visiting a sports shop.

7) Installment sales

In this case, consumers initially pay smaller amount of the price and the balance amount in monthly installments over a period of time. For example, consumer durables such as refrigerators and cars are sold on installment basis.

Trade-oriented

Trade-oriented sales promotion programmes are directed at the dealer network of the company to motivate them to sell more of the company's brand than other brands. It is also known as *push strategy*.

1) Cash bonuses

It can be in the form of one extra case for every five cases ordered, cash discounts or straight cash payments to encourage volume sales, product display, or in support of a price reduction to customers.

2) Stock return

Some firms take back partly or wholly the unsold stocks lying with the retailers, and distribute it to other dealers, where there is a demand for such stocks.

3) Credit terms

Special credit terms may provide to encourage bulk orders from retailers or dealers.

4) Dealer conferences

A firm may organize dealer conferences and thereby dealers can also provide valuable suggestions to the company at such conferences.

5) Dealer trophies

Some firms may institute a special trophy to the highest-performing dealer in a particular period of time. Along with the trophy, the dealer may get a special gift such as a sponsored tour within or outside the country.

Public Relations Often the terms 'Public Relations' and 'Publicity' are used interchangeably. While such practice is understandable, it may not be entirely correct. Publicity is a function of public relations. Public Relations is the broader term that "connotes the entire being of an organization with respect to

its self expression to the world" Public relations is concerned with creating and maintaining a favourable public attitude towards a company, its products, ideas, and personnel. Publicity is only one of the several ways of performing this task. Since both publicity and advertising may appear in the same media and both are developed to promote a company and its products, it may be difficult to distinguish between the two. Actually, the distinction between publicity and advertising is rather simple. According to Wright and Warner, "Publicity is information placed in media because of its news worthiness; the company benefiting there from does not pay for its appearance, nor is the company identified as the source. Advertising on the other hand, appears in the same media but the sponsor is identified and pays for the privilege of telling his story there".

Publicity is information about a company and its products that appears as a news article in such media as newspapers, magazines and radio and T.V. broadcasts. Unlike the other types of promotion, publicity is rarely placed in the hands of the marketing organization. As a rule, it is located at the top of a business organization, reporting to the president or one of his aids. Probably the greatest benefit of publicity lies in the people's reactions to it. Because it is viewed as a news item, and not as advertising, it possesses a high degree of believability. Because of this value, a company introducing a new product that possesses some unique characteristic usually will make a strong effort to get this characteristics talked about in news casts, newspapers and so on.

The word derived from French "*publicite*" means "*public*".

Publicity is gaining public visibility or awareness for a product, service or company name through media.

According to American Marketing Association, "publicity is a non-personal stimulation of demand for a product, service or business unit by planting commercially significant news about it in a published medium, or obtaining favourable presentation of it on radio, television or stage, that is not paid for by the sponsor." In other words, it is a non-personal stimulation of demand for a firm's product or service which is not paid for by the sponsor.

Types of publicity

1) News releases

An organization may issue news releases to mass media so that the media people can prepare interesting report on the new developments in the organizations and publish or broadcast them to general public.

2) Feature articles

An organization may use the service of an expert or a journalist to write interesting feature on the organization and its products. Once the feature article is ready it is forwarded to a specific media for publication.

3) Press conferences

An organization may request business reporters from important media to attend special press conferences where the new developments are communicated to the mass media.

4) Sponsorship of social events

An organization may receive a very good publicity if it sponsors social events like cultural gatherings, sporting events, seminars and many more.

Importance of publicity

1) To announce new products

Publicity is a major tool to build public awareness about a new product. Many newspapers and magazines have special column dedicated to new products. The organization can develop strong consumer awareness by placing communication on those columns.

2) To announce new policies

The organization may introduce new bonuses or incentives to resellers and communicate it through the mass media. Such communication helps the organization to build its image as a good caretaker of its partners in the market.

3) To counter negative rumors

Competitors often spread negative rumors about the organization's financial health, management problems or product defects. Publicity is a very effective tool to counter those negative rumors.

4) To announce technological breakthrough

When an organization adopts a new technology, it may announce it to the general public through the mass media. Such communication helps the organization to establish itself as a technological leader in the industry.

5) To report performance

An organization may communicate its performance to the stockholders through the mass media. Such communication may be based on current problems, future prospects, future plans, financial situation, profits etc.

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