



UNIT 1

ADVERTISING

1.1 Introduction

The word advertising comes from the Latin word "advertere meaning" to turn the minds of towards". Some of the definitions given by various authors are:

According to William J. Stanton, "Advertising consists of all the activities involved in presenting to an audience a non-personal, sponsor-identified, paid-for message about a product or organization."

According to American Marketing Association "advertising is any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor".

Advertising is used for communicating business information to the present and prospective customers.

1.2 Definitions of Advertising

1. American Marketing Association has defined advertising as "any paid form of non-personal presentation of ideas, goods and services by an identified sponsor".
2. According to Webster, "Advertising is to give public notice or to announce publicity".
3. According to Gardner, "Advertising is the means of mass selling that has grown up parallel with and has been made necessary to mass production".



1.3 Features of Advertising

1. Communication: Advertising is means of mass communication reaching the masses. It is a non-personal communication because it is addressed to masses.
2. Information: Advertising informs the buyers about the benefits they would get when they purchase a

1.4 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 the modern business enterprises for certain specific objectives which are listed below:

1. To introduce a new product by creating interest for it among the prospective customers.
2. To support personal selling programme. Advertising maybe used to open customers' doors for salesman.
3. To reach people inaccessible to salesman.
4. To enter a new market or attract a new group of customers.
5. To light competition in the market and to increase the sales as seen in the fierce competition between Coke and Pepsi.
6. To enhance the goodwill of the enterprise by promising better quality products and services.
7. To improve dealer relations. Advertising supports the dealers in selling the product. Dealers are attracted towards a product which is advertised effectively.
8. To warn the public against imitation of an enterprise's products.



1.5 Importance of Advertising

Advertising has become an essential marketing activity in the modern era of large scale production and serve competition in the market. It performs the following functions:

1. **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 wet as in the international markets.
2. **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 the prospective customers without the help of advertising. Advertising enables quick publicity in the market.
3. **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 competition in the market.
4. **Mass Production:** Advertising facilitates large-scale production. Advertising encourages production of goods in large-scale because the business firm knows that it will be able to sell on 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.
5. **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.



6. Education of People: Advertising educates the people about new products and their uses. Advertising message about the utility of a product enables the people to widen their knowledge. It is advertising which has helped people in adopting new ways of life and giving-up old habits. It has contributed a lot towards the betterment of the standard of living of the society.

7. Support to Press: Advertising provides an important source of revenue to the publishers and magazines. It enables 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 network. For instance, Doordarshan and Zee TV insert ads before, in between and after various programmes and earn millions of rupees through ads. Such income could be used for increasing the quality of programmes and extending coverage.

1.6 Budget Decision

Budget decisions depends upon

Nature of Product

Nature of media

Target of reaching the customers

Budget allotted

Group of customers demanding the product

The nature of the product determines the choice of the advertising media. For instance, cinema, television, color periodicals would be the obvious choice for products like fabrics and cosmetics.



Garments requiring visual presentation. In this connection, management should develop a product-media match.

While selecting advertising media, the company's market requirements should be considered. When they meet these requirements, they lend themselves to good use. For example, specialized high fashion color magazines would be the proper media for consumers with high income groups and sophisticated tastes. Similarly, outdoor media would be appropriate when consumer action is to be induced at the point of purchase.





UNIT-2 COPY DECISIONS

2.1 Introduction

According to the UK advertising guru, David Ogilvy, ‘people do read lengthy advertisements if they are skillfully written’. The most significant part of the copy is the headline, and sometimes even a small shift in the text brings magnanimous results. A short ad copy is the most popular in consumer-product advertising, or an artful, indigenous lengthy ad copy may work wonders too. An advertisement copy is mostly a result of extensive advertising and consumer research designed by professional copywriter’s employees by advertising agencies. Drafting an ad copy demands skill and effort. An ad copy involves a complete investigation of the target audience. There is a substantial effort that goes into making an ad copy. Companies outsource their ad campaigns. The advertisement industry flourishes when they succeed in delivering the advertisement just like its copy.

2.2 Visualization of Ad Layout - Elements of Ad Copy and

Essentials of a good advertisement copy

An ad copy is made of various principles, all of which are integrated into a few lines of the copy that the advertisers are allowed to engage. It combines search engine optimization with marketing strategies and is used in all kinds of advertisements, not only pay per click and contextual ads. The essentials of a good ad copy are as follows:

Credibility- An ad copy must focus on the credibility or the reliability of the ad. The copywriters should essentially flaunt an element of reliability in the ad so that the consumers are convinced to go ahead with the product. The credibility of an advertisement is the extent of honesty in the ad message. Misleading and misinterpreted ads harm the reputation of the selling house.

Attention- The keywords, punch lines or phrases that seize the attention of the potential consumers or some component in the ad that attracts the target audience are essential in a good advertising copy.



Assurance of benefit– An advertisement copy must contain some promise of the benefits that the product offers if the consumer purchases and uses the product.

Brief and clear- An ad copy must be brief and clear, i.e. it must be to the point. It doesn't mean that the copy must omit the important elements of the ad. A clear copy is easy and quick to be read by the readers. It is self-explanatory, definite, and precise. Clarity makes way for interpretation.

Apt and conforming- The copy must be apt and must match the needs of the prospects. A copywriter has to use the most suitable USP. Every ad copy must meet the conforming standards and rules acceptable to the advertising media and the laws of the land. A copy that offends the morality challenges religious beliefs of the people is not welcomed by any media.

2.3 Principles of verbal versus visual thinkers

When people are strong visual thinkers, they think by seeing 'pictures' in their head – which is a bit like watching a movie. The speed of visual thinking is very fast – where there is a lot of information processed at once.

The other main way people think or process information in their head is to use verbal thinking. Verbal thinkers think with words – a bit like talking to yourself in your head. The words follow the linear structure of language, and verbal thinkers think at the same speed as when they speak out loud.

We can usually do both types of thinking, visual and verbal.

I'm a **verbal thinker**. I like to think by 'talking' to myself in my head. I can visualize too. If you asked me to visualize The Sydney Harbor Bridge, I could because I've seen it and have it recorded in my visual memory. But, if you asked me to visualize something I haven't seen, I couldn't do it.

We know what our preferred way of thinking is by knowing what we do under pressure. When I am under pressure, the conversation in my head is quicker and I talk to myself faster.

For visual thinkers, the pictures go faster. So how do you think?



If your child has had special education at school or had a remedial tutor and continues to struggle, there is help and hope. Don't wait for your child to struggle for another year.

2.4 5-Steps POWER Copywriting Method

1. Step 1: PREPARE. Good ad copy begins with good information. ...
2. Step 2: ORGANIZE. After you've answered these questions, you next need to organize your information. ...
3. Step 3: WRITE. Now that you've collected and organized your information, it's time to start writing your copy. ...
4. Step 4: EDIT. ...
- Step 5: REVIEW.

2.5 Copy Testing Techniques

There are seven main copy testing techniques namely-

1. Consumer Jury
2. Rating Scales
3. Portfolio tests
4. Psychological tests
5. Physiological tests
6. Sales tests
7. Day-after recall Tests



UNIT 3

MEDIA DECISIONS

3.1 Introduction

The most brilliant and original advertising ideas will be wasted if they are not presented through the right media in the right place at the right time to the right people. Hence the selection of right media is an important for achieving the objectives of advertising. However, before explaining the factors which should be kept in mind for selecting the right advertising media, it is essential that we must know the meaning of advertising media. An advertising media is a means or vehicle of delivering a definite message. It is a means through which an advertising message or information is passed on to the prospective customers, readers, viewers, listeners or passers-by. For instance, a producer seeks through advertisement media to keep in touch with old customers as well as to attract new customers. Medias are subject to intensive buying and selling activity. Examples of media are newspapers, magazines, radio, television, direct mail, posters, film, catalogues etc.

Media Planning and Selection

Selection of a right type of advertising media is a difficult task. Any media that is selected must be capable of accomplishing at least the three main objectives:

1. It must reach the largest number of people possible.
2. It must attract their attention.
3. It must be economical.

But in practice there is hardly any single media that satisfies the above three objectives. There are number of advertising media choices available to the company in India. However, the real managerial task is to identify from among them the one (s) which is relevant for the company. For this purpose the management should consider the following factors:



3.2 - Concepts of Reach

1. The Nature of the Product: The nature of the product determines the choice of the advertising media. For

Instance, cinema, television, color periodicals would be the obvious choice for products like fabrics and

Toilets requiring visual presentation. In this connection, management should develop a product-media match.

2. Market Requirements: While selecting advertising media, the company's market requirements should be considered. When they meet these requirements, they lend themselves to good use. For example, specialized high fashion color magazines would be the proper media for consumers with high income groups and sophisticated tastes. Similarly, outdoor media would be appropriate when consumer action is to be induced at the point of purchase.

3. Advertising Objectives: The advertising objectives also determine the type of media to be selected. For example, the press is preferred to project corporate image while radio and television is relevant for product advertising.

4. Distribution Strategy: The advertising media should be compatible with the distribution strategy adopted by the company. For example, if the company is selling through middlemen-wholesalers and retailers etc., then outdoor advertising media duly supported by television, radio and cinema etc. may help to pull the product out of channel.

5. Nature of the Message and Appeals: The nature of advertising message appeal also determines the advertising media for a company. The media should be able to carry the message and appeal to the right persons in the perspective. For example, if time is the essence of communication, daily newspaper and radio may be the best choice. Mass consumption items like soaps, toothpastes, hair oil etc. may determine television, newspapers as the best selection.



3.3- Measures of Media Cost Efficiency

The budget available for advertising purpose will decide the choice of media of advertising. For example, a manufacturer having comparatively large funds for advertising may choose television or radio or both as a media of advertising. On the other hand a medium or small sized businessman may prefer newspaper and magazine as an advertising media.

A company should also take into account the wisdom of competitor's media choices despite differences in advertising objectives and appropriations. It is not desirable to outright dismiss their choices. Generally, the advertising media used by competitors are preferred so as to make an impressive appeal for the product.

8. Media Circulation: The Company should take into account the circulation of the advertising media. Media circulation must match the distribution pattern of the product.

3.4 Types of Advertising

Today, radio has emerged as one of our major advertising media. It provides a very large coverage of audience in urban and rural areas. Now almost every family has a radio set in our country. Radio advertising in India was started in 1967 when a commercial service on

Radio advertising is quite popular in India on account of the following advantages:

1. It has a wide coverage. Even illiterate people are covered under this media. It can convey message even to small remote areas.
2. It is quite flexible as it can be used on a national or local level according to the need.
3. It gives message of the advertiser at the door of the prospects when they are in a respective mood.



4. It easily catches the attention of the people.
5. Today radio advertising is a major source of income.
6. It claims the advantage of memorizing value. In this connection, psychologists say that anything learnt through the ears is not easily forgotten.
7. Radio advertising affords variety of programmes including entertainment on account of which the goodwill is developed. People buy the product advertised by radio because they enjoy the free show.
8. Radio advertising has human touch unequalled by any other media.

3.5 Internet Advertising

The Internet facility has developed around for some 30 years. It actually began in the early 1960 in USA, where the US Department of Defense saw it as a means of supercomputer communication for researchers and military facilities across the country. Until it commercial exposed in 1990s, the Internet remained a relatively obscure network of linked computers - mostly by academics, military researchers, and scientists around the world to send and receive electronic mail, transfer files, and find or retrieve information from databases –

At present, Internet the fastest growing medium in history, offers incredible opportunities for a wide range of people in both

Type of Internet Advertising:

Ads on the Internet can take a variety by forms. Most advertising on Internet can be classified as websites, banners, buttons, sponsorships, interstitials, Meta ads, classified ads, and e- mail ads.

Websites: Some companies consider their whole website as an ad. However, a website is more than an ad - it's an alternative location where customers, prospects, shareholders, investors, and others can come to find out more about the company, its products and services. Some companies use their website like an extended brochure to promote their goods and services. Others treat



their website as an online catalog store, conducting business right on the Net. Still other website act in information and entertainment provides. Website typically consists of a home page and an indefinite number of subsequent pages that users can visit for further information. A web page refers to a single HTML (hypertext markup language) file, which, when viewed with a browser, may actually be several screens long. A large website may have hundreds of these pages of information. This means the site contains hundreds of different documents of various lengths (from 1 to 10 or more screen), each probably covering a different subject.

The rise of the Web and digital mediums is one of the most revolutionizing events in the world's history. Internet today is all pervasive—from keeping you updated on the latest national and international events to giving you the inside scoop on major political matters to even keeping you abreast with the new developments in your industry, it has slowly but steadily moved on to become the one-stop destination for all sorts of information. And then there are the digital learning sessions, e-commerce, online review sites, consumer forums, and virtual shopping zones—there is nothing that the Web does not have an answer for!

3.6 Ethical Concerns.

Internet is indeed powerful and if I may borrow the famous quote from Spiderman, “With great power comes great responsibility”. So what then is the responsibility of the Internet marketers, online businesses, digital strategists and the other inhabitants of the online space? Media, whether it is the newspapers, magazines, radio or the TV news channels, has always maintained a clear distinction between information and advertisements. And the same stands true for the digital media too.

- 1.) **The Advertisements:** Advertisements are definitely an important source of information for consumers, and therefore it is expected that brands indulge in honest and ethical advertising. Unfortunately, this is not always the case. The display ads used by Orbits (way back in 2002) got them a lot of flak, as these ads would direct a user to another site merely when the cursor was moved over them. Similarly, the concept of contextual link ads, wherein hyperlinks are concealed within editorial content are also considered unethical. The issue here is not just of ethics



- 2.) **Pop-ups and “misleading” dialog boxes:** The concept of popup ads was introduced to minimize the obstruction that a viewer faces. However, businesses tend to go overboard with the use of these ads, leading to a user inadvertently clicking on it. Similarly, dialog boxes that look like warning text from the computer also mislead users. The in-app ads on mobiles are another example of accidental click-through. While this can make some quick bucks for the advertiser, it is not a good experience for the site visitors.
- 3.) **Search Engine Optimization (SEO):** All digital marketers and publishers recognize the power of SEO, and use it as a single best tactic to organically drive visitors to their site. While search engines are quite strict with their evaluation metrics and keep rolling out updates that curb such malpractices, some webmasters use black hat tricks to unethically raise their search rankings. The ban on the BMW website is one of the worst penalties faced by any business till date. Caught using doorway pages stuffed with keywords, the site was completely removed from Google index. It is imperative that Internet marketers act more responsibly and in the best interest of the visitors at all points.
- 4.) **Content as bait:** Review sites, online forums and generic content based sites are meant to be a gateway for consumers to gain more knowledge about a product, service or brand. However, publishers use the sponsored content concept and even paid reviews to manipulate user opinions. If the content is “sales”, biased or strongly opinionated, it should be categorized as an advertisement—in this case, the rules of digital media are same as that for TV or print. Businesses are now also leveraging the power of social networking platforms and using them as grounds for “viral” advertising.
- 5.) There is a lot that can be labeled as unethical and misleading in the business of Internet selling and advertising. And even with the constant pull and push from the regulatory authorities, advertisers keep finding new ways to con the crawlers and visitors.



6.) Taming the Unethical Practice

The new technologies and advanced digital techniques are constantly transforming the advertising and online sales landscape. Today's consumer is digitally connected to a variety of Web-based and mobile platforms. There are a large number of Web associations and regulatory authorities such as **The Institute of Advertising Ethics (IAE)**, **Interactive Advertising Bureau (IAB)**, etc. that have laid out clear terms for

- 7.) Web marketers and online businesses to ensure the online space stays clean and trustworthy.
- 8.) The managerial responsibility in the area of advertising does not come to an end with the execution of an advertising programme. Any sound managerial effort is finally interested in goal attainment and, therefore, always ready to evaluate the results.
- 9.) Evaluation of advertising or advertising effectiveness refers to the managerial exercise aimed at relating the advertising results to the established standard of performance and objectives so as to assess the real value of the advertising performance.
- 10.) This evolution exercise is also known as advertising research. It is an attempt to know whether the message designed properly has reached the greatest number of prospects at the least practical cost.



UNIT 4

MEASURING ADVERTISING EFFECTIVENESS

4.1 Introduction

Advertising management is a complex process that involves making many layered decisions including the developing advertising strategies, setting an advertising budget, setting advertising objectives, determining the target market, media strategy (which involves media planning), developing the message strategy and evaluating the overall effectiveness of the advertising effort.) Advertising management may also involve media buying.

Techniques to Measure Advertising Effectiveness

- 1) Pre-test and Post Test: Pre-test implies testing **advertising** message before it is sent to specific media. ...
- 2) Communication and Sales Effect Test: Communication test measures communicability (ability to communicate) of the message. ...
- 3) Laboratory and Field Test: ...
- 4) Experimental and Survey Test: ...
- 5) Message and Media Effect Test:

4.2 Control of Advertising by practitioners

Advertising management is a planned managerial process designed to oversee and control the various advertising activities involved in a program to communicate with a firm's target market and which is ultimately designed to influence the consumer's purchase decisions. Advertising is just one element in a company's promotional mix and as such, must be integrated with the overall



marketing communications program. Advertising is, however, the most expensive of all the promotional elements and therefore must be managed with care and accountability.

Marketers use different types of advertising. Brand advertising is defined as a non-personal communication message placed in a paid, mass medium designed to persuade target consumers of a product or service benefits in an effort to induce them to make a purchase. Corporate advertising refers to paid messages designed to that communicate the corporation's values in an effort to influence public opinion. Yet other types of advertising such as not-for-profit advertising and political advertising present special challenges that require different strategies and approaches.

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4.3 International Advertising

Global advertising or international advertising consists of collecting, processing, analyzing and interpreting information. There are two main purposes of international advertising research: (1) to assist business executives to make profitable international advertising decisions for their specific products and services and (2) to contribute general knowledge of international advertising that is potentially useful to a variety of business executives, educators, government policy makers, advertising self-regulatory organizations and others interested in understanding the process and effects international advertising.

Product or Service Offering

In global marketing, a company offers the same products and services across the board, in multiple countries. Think about banks, insurance companies and large retail chains



In international marketing, products and services are tailored to specific countries. Think about Sharia finance products, which are only offered in Islamic countries or to Muslim customers in non-Muslim countries

Marketing Staff

Global marketing personnel tend to work at the company's headquarters and generally are a diverse group of people. They possess various skills that collectively mesh well together, and take a global view of the company's market.

Conversely, in international marketing, team members tend to hail exclusively from the same country or a country with linguistic or cultural affinity with the primary country.

Marketing Budget

The budget of a global marketing team is managed directly from the corporate headquarters. For example, Nike sets a global marketing budget, which then trickles down to local offices.

In international marketing, however, budget issues are negotiated and handled at the local level, within the subsidiary. Take for example McDonald, which runs local ads, some of which you will never see in another country.

4.4 Integrated marketing

Integrated marketing is an approach that emphasizes seamless integration of all marketing and communications efforts throughout the company. It has become more common in the early 21st century as companies try to communicate consistent messages using traditional media as well as new media like digital and interactive technologies.

Today, corporate marketing budgets are allocated toward trade promotions, consumer promotions, branding, public relations, and advertising. The allocation of communication budgets away from mass media and traditional advertising has raised the importance of IMC importance for effective marketing. Now, marketing is viewed more as a two-way conversation between marketers and consumers. This transition in the advertising and media industries can be summarized by the following market trends:



- a shift from mass media advertising to multiple forms of communication
- the growing popularity of more specialized (niche) media, which considers individualized patterns of consumption and increased segmentation of consumer tastes and preferences
- the move from a manufacturer-dominated market to a retailer-dominated, consumer-controlled market
- the growing use of data-based marketing as opposed to general-focus advertising and marketing
- greater business accountability, particularly in advertising
- performance-based compensation within organizations, which helps increase sales and benefits in companies
- unlimited Internet access and greater online availability of goods and services
- a larger focus on developing marketing communications activities that produce value for target audiences while increasing benefits and reducing costs

The Tools of Integrated Marketing Communications

The IMC process generally begins with an integrated marketing communications plan that describes the different types of marketing, advertising, and sales tools that will be used during campaigns. These are largely promotional tools, which include everything from search engine optimization (SEO) tactics and banner advertisements to webinars and blogs. Traditional marketing communication elements such as newspapers, billboards, and magazines may also be used to inform and persuade consumers. Marketers must also decide on the appropriate combination of traditional and digital communications for their target audience to build a strong brand-consumer relationship. Regardless of the brand's promotional mix, it is important that marketers ensure their messaging is consistent and credible across all communication channels.



UNIT 5 SALES PROMOTION

5.1 Introduction

Sales promotion is the process of persuading a potential customer to buy the product. Sales promotion is designed to be used as a short-term tactic to boost sales – it is rarely suitable as a method of building long-term customer loyalty. Some sales promotions are aimed at consumers.

Important techniques of sales promotion are as follows:

(1) Rebate:

Under it in order to clear the excess stock, products are offered at some reduced price. For example, giving a rebate by a car manufacturer to the tune of 12,000/- for a limited period of time.

(2) Discount:

Under this method, the customers are offered products on less than the listed price. For example, giving a discount of 30% on the sale of Liberty Shoes. Similarly giving a discount of 50% + 40% by the KOUTONS.

(3) Refunds:

Under this method, some part of the price of an article is refunded to the customer on showing proof of purchase

For example, refunding an amount of 5/- on showing the empty packet of the product priced 100/-.



(4) Product Combination:

Under this method, along with the main product some other product is offered to the customer as a gift. The following are some of the examples:

(5) Quantity Gift:

Under this method, some extra quantity of the main product is passed on as a gift to the customers. For example, 25% extra toothpaste in a packet of 200 gm tooth paste. Similarly, a free gift of one RICH LOOK shirt on the purchase of two shirts.

(6) Instant Draw and Assigned Gift:

Under this method, a customer is asked to scratch a card on the purchase of a product and the name of the product is inscribed thereupon which is immediately offered to the customer as a gift. For example, on buying a car when the card is scratched such gifts are offered – TV, Refrigerator, Computer, Mixer, Dinner Set, Wristwatch, T-shirt, Iron Press, etc.

(7) Lucky Draw:

Under this method, the customers of a particular product are offered gifts on a fixed date and the winners are decided by the draw of lots. While purchasing the product, the customers are given a coupon with a specific number printed on it.

On the basis of this number alone the buyer claims to have won the gift. For example, ‘Buy a bathing soap and get a gold coin’ offer can be used under this method.

(8) Usable Benefits:

Under this method, coupons are distributed among the consumers on behalf of the producer. Coupon is a kind of certificate telling that the product mentioned therein can be obtained at special discount.



It means that if a customer has a coupon of some product he will get the discount mentioned therein whenever he buys it. Possession of a coupon motivates the consumer to buy the product, even when he has no need of it.

Such coupons are published in newspapers and magazines. Some companies distribute coupons among its

Shareholders. Sellers collect the coupons from the customers and get the payment from the company that issues the same.

(9) Full Finance @ 0%:

Under this method, the product is sold and money received in installment at 0% rate of interest. The seller determines the number of installments in which the price of the product will be recovered from the customer. No interest is charged on these installments.

(10) Samples or Sampling:

Under this method, the producer distributes free samples of his product among the consumers. Sales representatives distribute these samples from door-to-door.

This method is used mostly in case of products of daily-use, e.g., Washing Powder, Tea, Toothpaste, etc. Thus, the consumers willy-nilly make use of free sample. If it satisfies them, they buy it and in this way sales are increased.

(11) Contests:

Some producers organize contests with a view to popularizing their products. Consumers taking part in the contest are asked to answer some very simple questions on a form and forward the same to the company. The blank form is made available to that consumer who buys the product first.



Result is declared on the basis of all the forms received by a particular date. Attractive prizes are given to the winners of the contest. Such contests can be organized in different ways.

5.2 Brand equity

Brand equity is the value and power of the brand that determines its worth. The brand equity can be determined by measuring:

- i. The price premium that the brand charges over unbranded products
- ii. The additional volume of sales generated by the brand as compared to other brands in the same category and/or segment
- iii. The share prices that the company commands in the market (particularly if the brand name is the same as the corporate name, or customers can easily associate the performance of all the individual brands of the company with the financial performance of the corporate)
- iv. Returns to shareholders
- v. The image of the brand on various parameters that are deemed important
- vi. The future earnings potential of the brand

Brand equity comprises the following elements:

1. Awareness:

Awareness of the brand name among target customers is the first step in the equity building process. Awareness essentially means that customers know about the existence of the brand and can also recall what category the brand is in.



2. Brand associations:

Anything that is connected to the customer's memory about the brand is an association. Customers form associations on the basis of quality perceptions, their interactions with employees and the organization, advertisements of the brand, price points at which the brand is sold, product categories that the brand is in, product displays in retail stores, publicity in various media, offerings of competitors, celebrity associations and from what others tell them about the brand. And this is not an exhaustive list.

3. Perceived quality:

Perceived quality is also a brand association, though because of its significance, it is accorded a distinct status while studying brand equity. Perceived quality is the perception of the customer about the overall quality of a brand.

4. Brand loyalty:

A customer is brand loyal when he purchases one brand from among a set of alternatives consistently over a period of time. In the traditional sense, brand loyalty was always considered to be related to repetitive purchase behavior.

5. Other proprietary brand assets:

Proprietary assets include patents, trademarks and channel relationships. These assets are valuable as they prevent competitors from attacking the company and prevent the erosion of competitive advantages and loyal customer base.



5.3 Brand Management - Leveraging

Brand leveraging is the strategy to use the power of an existing brand name to support a company's entry into a new but related product category by communicating valuable product information to the consumer.

Importance of Brand Leveraging

Brand leveraging is an important form of new product introduction because –

- Strong brand leveraging provides consumers with a sense of familiarity.
- It carries positive brand characteristics and attitudes into a new product category.
- Strong leveraging perceives instant recognition to the brand. Consumers are more likely to try leveraged product.
- As the products belong to the different categories, they do not compete for market share.
- More products mean greater shelf space for the brand and in turn more opportunities for sale.
- The cost of introducing a brand-leveraged product is less than introducing an independent new product.
- A full line permits coordination of product offerings, such as bagels and cream cheese, potato chips and ranch dip, peanut butter and jelly, etc.



UNIT 6

PHYSICAL DISTRIBUTION

6.1 Introduction

Physical distribution includes all the activities associated with the supply of finished product at every step, from the production line to the consumers. Important physical distribution functions include customer service; order processing, inventory control, transportation and logistics, and packaging and materials.

Definition

Physical distribution is the group of activities associated with the supply of finished product from the production line to the consumers. The physical distribution considers many sales distribution channels, such as wholesale and retail, and includes critical decision areas like customer service, inventory, materials, packaging, order processing, and transportation and logistics. You often will hear these processes be referred to as **distribution**, which is used to describe the marketing and movement of products.

Accounting for nearly half of the entire marketing budget of products, the physical distribution process typically garnishes a lot of attention from business managers and owners. As a result, these activities are often the focus of process improvement and cost-saving initiatives in many companies.

6.2 Importance of Physical Distribution

The **importance of physical distribution** to a company can vary and is typically associated with the type of product and the necessity it has to customer satisfaction. Strategically staging products in locations to support order shipments and coming up with a rapid and consistent manner to move the product enables companies to be successful in dynamic markets.



Physical distribution is managed with a **systems approach** and considers key interrelated functions to provide efficient movement of products. The functions are interrelated because any time a decision is made in one area it has an effect on the others. For example, a business that is providing custom handbags would consider shipping finished products via air freight versus rail or truck in order to expedite shipment time. The importance of this decision would offset the cost of inventory control, which could be much more costly. Managing physical distribution from a systems approach can provide benefit in controlling costs and meeting customer service demands.

Physical distribution activities have an important role to play in success of business.

Its importance can be judged from following points:

1. Creating Time and Place Utility:

Physical distribution activities help in creating time and place utility. This is done through transportation and warehousing. Transportation system creates place utility as it makes available the goods at the right place where they are required. Warehousing creates time utility by storing the goods and releasing them when they are required.

2. Helps in Reducing Distribution Cost:

Physical distribution cost account for a major part of the price of the product. If these costs are handled systematically, decrease in costs of product can be there. Proper and systematic planning of transportation schedules and routes, warehousing location and operation, material handling, order processing, etc. can easily bring in cost economies.

3. Helps in Stabilization of Price:

Physical distribution helps in maintaining stable prices. Even customers expect price stability over a period of time. Proper use of transportation and warehousing facilities can help in matching demand with supply and thus ensure stabilisation of price.



4. Improved Consumer Services:

Consumer service in physical distribution means making products in right quantity available at right time and right place i.e. place where customer needs.

6.3 Functions of Physical Distribution

The **key functions** within the physical distribution system are:

- Customer service
- Order processing
- Inventory control
- Transportation and logistics
- Packaging and materials

6.4 Components of Physical Distribution:

(1) Order Processing:

Order processing is the starting point of any distribution activity. Order processing includes activities like receiving the order, handling the order, granting credit, invoicing, dispatching, collecting bills, etc. Each customer expects that the order placed by him is implemented without delay, and as per the specifications of the order.

Thus, order processing becomes very important. Marketer should make effort to maintain the order cycle time i.e. the time period between the time of placement of an order by the customer to the time of arrival of goods at his destination. Standard procedure should be laid down for processing of order.

(2) Storage and Warehousing:

Storage means making proper arrangements for retaining the goods in proper condition till they are demanded by customers. There are many products which are seasonally produced but are used throughout the year, they can be stored and later released.



(3) Inventory Control:

Inventory control refers to efficient control of goods stored in warehouses. Maintaining adequate level of inventory is very essential for smooth flow of business. Inventory acts as a bridge between the orders of customers and production. They are the reservoir of the goods held in anticipation of sales. Therefore, it needs to be properly managed and controlled. Neither too small nor too large inventory should be maintained.

(4) Material Handling:

Material handling includes all those activities which are associated in moving products when it leaves the manufacturing plant but before it is loaded on the transport. This activity has been in existence since very long period of time, and now it has developed as a system.

(5) Transportation:

Transportation as a component of physical distribution is concerned with the movement of goods from the warehouse to customer destination. It includes loading and unloading of goods and their movement from one place to another. In doing so it provides time and place utility. Transport accounts for a major portion of the distribution cost and of the total price of the product.



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