PN-ADC-826

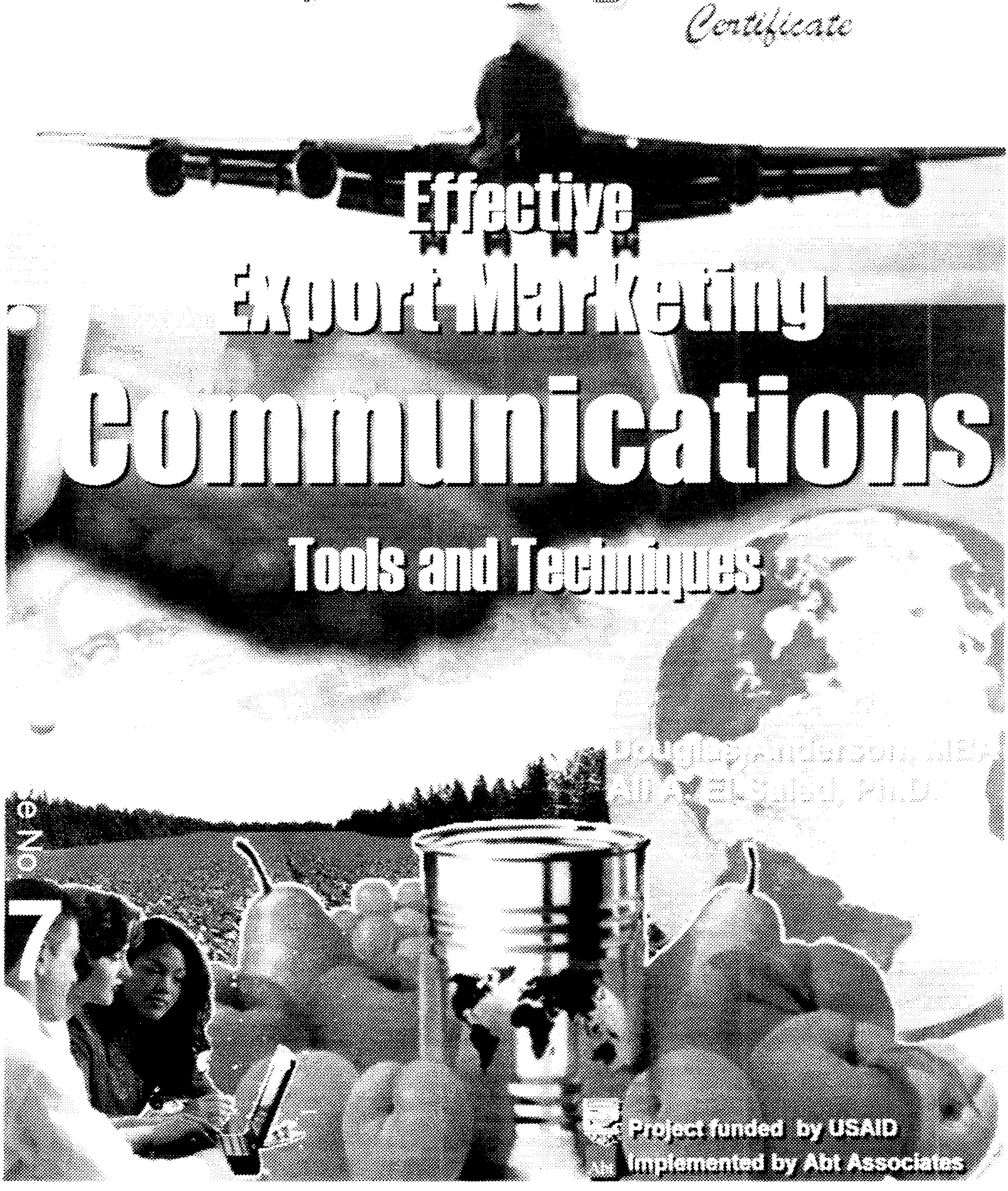
Agriculture-Led Export Businesses

Supporting Egypt's Processed Foods Export Industry

THE AMERICAN UNIVERSITY IN CAIRO

Food Export Management

Certificate



Effective Export Marketing Communications

Tools and Techniques

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e No. 7

Project funded by USAID

Implemented by Abt Associates

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FORWARD

Export marketing calls for more than just developing a good product, pricing it attractively – or differentiating it – and making it available to target customers. Companies must also communicate with current and prospective customers, and what they communicate should not be left to chance. For most companies the question is not whether to communicate, but how much to spend and on which specific tasks.

There are very little and scattered published materials dealing with this subject from an export prospective. The objectives of this workshop are to help you to:

- Define tools and techniques of your export promotion mix
- Outline the steps in developing effective export marketing communications
- Explain methods for setting the promotion budget and factors that affect the design of export promotion mix
- Identify the major factors that are changing today's export marketing communications environment
- The process and advantages of integrated export marketing communications

Stress will be on subjects such as:

- Successful international tradeshow marketing
- Effective offshore business communications
- Business trip planning
- Effective techniques for speaking globally, exporter guide to effective presentations
- Introduction to email export marketing
- Developing integrated export marketing communication strategy

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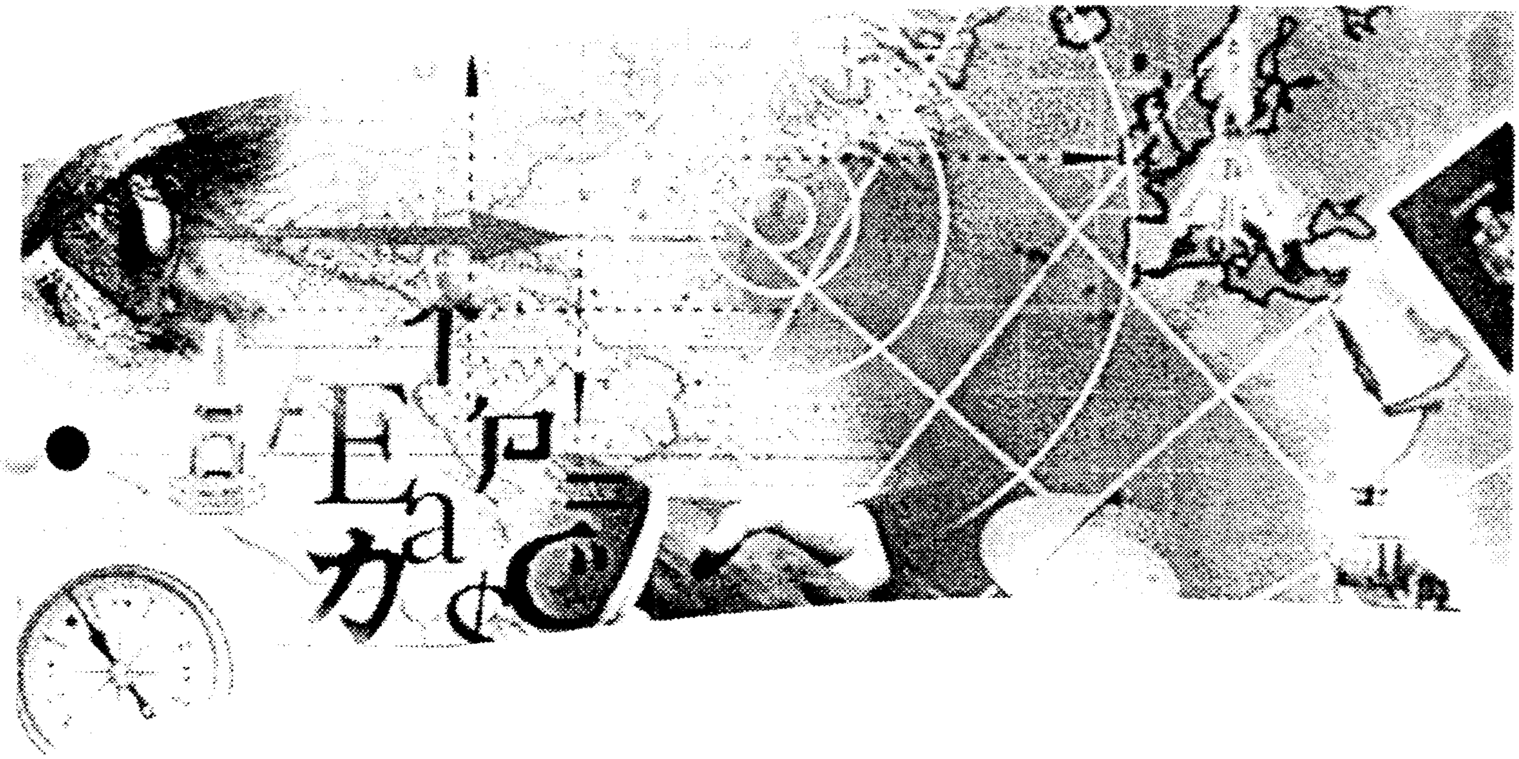

Successful International Trade Show Marketing

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SPEAKING GLOBALLY
An Exporter's Guide to Effective Presentations

ACKNOWLEDGEMENT:

Special thanks to Shaben & Associates International Consulting for developing this project in cooperation with Team Canada Inc.

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INTRODUCTION

The Power of Presentations

The ability to make effective presentations is one of the most important skills required in today's business environment. Whether you are speaking to a large group or conducting a small meeting, your oral presentation is a key communication tool. You may be an expert in your field, but if you can't get your ideas across, you're not likely to be successful.

Presentation skills take on an even greater importance when communicating with people from other countries. You can't assume that what works in Canada will be effective across language and culture. In the case of language, you might have to speak in a non-native tongue, hire a translator or, at the very least, modify your pace and style. Cultural differences can create even greater challenges because they are often more subtle and difficult to decipher.

Why Culture Counts

Culture consists of the knowledge, values, beliefs, customs and laws shared by members of a society. Language, protocol, mannerisms and ways of interacting may appear similar in other cultures but mean something very different. It is important to realize that people from other cultures don't necessarily think, communicate, and do things that same way that Canadians do. Understanding the cultural characteristics of a particular market will help you to customize what you say and how you say it.

An effective presentation involves two-way communication. It's not just what you say that counts, but how well your message is received and understood. Cultural sensitivity combined with effective presentation skills will help you establish trust and lay the foundation for successful international business.

Using this Guide

This guide provides step-by-step information for creating effective international presentations and understanding the cultural challenges of presenting your product or service internationally. The five modules that follow contain presentation guidelines as well as cultural considerations and case studies.

You can use the modules sequentially, or focus on a specific area of need. Each module begins with a summary of contents, which allows you to easily locate your desired information. Readiness checklists appear at the end of each module to help ensure that you have covered all the bases for a successful international presentation. Finally, you may wish to consult the list of Websites and written resources provided to further improve your knowledge and skills.

1: PREPARE TO PRESENT

Module 1: Contents Summary

Start with the Market

"If I had eight hours to chop down a tree, I'd spend six sharpening my axe."
ABRAHAM LINCOLN

Knowing your market is a critical first step in effective presentation planning. This doesn't mean simply gathering competitive intelligence, determining market demand or setting your pricing. Before developing your presentation it is essential to understand the local culture and business norms in your target market. This includes researching local:

- history
- religion
- values
- social institutions
- politics
- geography and regional differences
- gender roles
- business ethics and protocol
- social norms
- language
- technology

This knowledge will help you establish a cultural context for your presentation and determine how it should be prepared and delivered to your audience.

Here are some research suggestions:

- Read books and newspaper and magazine articles on the target market.
- Talk to business people with experience in the market.
- Talk to Canadians who are originally from the country.
- Utilize the knowledge of trade officers at the Canadian Embassy or High Commission in the target country.
- Review government, business and tourism websites, including those listed in the Resource List at the end of this section.

Understand Your Audience

Business people make one consistent request of presenters, seminar leaders and speakers in the international arena: that the material presented be relevant and useful in their worlds, not merely academic and theoretical[1].

Many Canadians miss opportunities to successfully present their products or services to foreign audiences by not taking their interests into consideration. Companies have also missed the mark by making incorrect

1 Harris, P.R. and Moran, R.T., Managing Cultural Differences, Gulf Publishing Co., Houston, TX, 1996. p.19.

assumptions an audience's background level of knowledge. Content that is too simplistic may make an audience feel that they are being talked down to. Content that is too technical may leave them feeling confused or left out.

Without appropriate research into your local audience, you are probably wasting the time and effort you put into your international presentation.

> **A CASE OF CULTURE:**
>
> One Canadian spent enormous time and energy on his presentation to a Southeast Asian government agency. His initial excitement over the packed auditorium later turned to disappointment when he discovered that the room was filled with individuals whose attendance was mandatory. The audience had neither expertise in the field or decision-making authority.

AUDIENCE ANALYSIS

To avoid pitfalls, it is necessary to conduct a thorough audience analysis when preparing to present in a foreign market. Determine the answers to the following questions:

- Who will attend?
- Why are they attending?
- What are their job titles and responsibilities?
- What is their mother tongue? Do they have a good grasp of English/French?
- What is their educational background and level of subject knowledge?
- Who are the key individuals or decision-makers in the audience?
- What are their values?
- What are their needs and interests?
- What does the audience expect from me?
- What are their attitudes toward my product or service and company?

Audience Research Strategies

It is often difficult to find out about your audience in advance when presenting in a foreign country. However, there are strategies that can help:

- Check with trade officers at the Canadian Embassy or High Commission in the host country—particularly if they have made arrangements for you or your delegation. These officers may have RSVP lists or be able to provide background on audience members.
- Contact other businesses that have experience in your target market.
- Ask your local host company to provide attendee information and objectives.
- Consult with your local joint venture partner or agent if you have one.
- Arrive early to meet people before your presentation. Ask questions such as why they are attending, and what they hope to get out of the presentation. Take note of names, companies, and objectives—information that you can incorporate into your talk to make it more personal.

Set Objectives

"Our plans miscarry because they have no aim."
SENECA
(an ancient philosopher)

Your presentation objectives will vary significantly depending on your market. Different cultures value different things. For example, in many Asian and Latin American cultures the time and effort one dedicates to developing relationships has a greater influence on success than the price or quality of one's product or service.

In many countries it is unrealistic to think that a great presentation will strongly influence the outcome of your marketing efforts. It may take successive presentations and years of personal interaction to achieve your objectives. Being aware of these factors will help you to adapt your expectations as well as your presentation content and approach.

> **A CASE OF CULTURE:**
>
> In the United States you are more likely to encounter an audience that cares about cost, efficiency and the bottom line. In Mexico or Japan these factors may be less important than presenting the long-term vision for your business relationship.

To ensure that your presentation objectives are appropriate, realistic, and obtainable, consider the following questions:

- What is the purpose of your presentation?

  Examples:
  To introduce your company as a first step in a relationship?

  To inform your audience about your company, product or service?

  To persuade your audience to purchase or take specific action?

- What is the goal or end product of your presentation?

  Complete this sentence: "As a result of my presentation, the audience/key decision-maker will..."

  Examples:
  "....agree to a follow-up meeting."
  "...approve our proposal for a new wastewater facility."

- What is your main message? (This is the one thing you want your audience to remember two weeks after your presentation.)

  Try this: If you could say only one sentence to your audience, what would it be?

  Example:
  "You should use our technology because it will streamline your production processes and significantly reduce costs."

- What is the WIFM (What's In It For Me) from the audience's perspective?

  List three benefits the audience will derive from your presentation. Ensure these are relevant to the local culture and circumstances.

Practice Pays Off

Individuals often spend all of their time preparing their presentation and leave no time forpractice. The result—such as mentally running through your presentation on the airplane—can be disastrous, particularly when presenting to an audience with a different language and culture.

Make time to do one or more rehearsals using your visual aids. This will help you to streamline your ideas, polish your delivery, and ensure that you are within your allotted time.

Finally, find a businessperson with experience in the market or a cultural interpreter who understands your audience. Ask one or more of these individuals to observe your presentation in its final form and to provide feedback. Although a challenge and time consuming, this is the best way to ensure your presentation is culturally appropriate in content and delivery.

Are You Ready? A Checklist

- ❑ Research local history, culture and business environment.
- ❑ Conduct an audience analysis.
- ❑ Arrange to arrive at venue early to meet audience members.
- ❑ Determine appropriate presentation objectives and goal.
- ❑ Identify audience WIFM and benefits.
- ❑ Be able to state main presentation message or theme in single sentence.
- ❑ Rehearse presentation aloud using visual media
- ❑ Solicit feedback from colleagues and cultural experts.

How Can I Learn More? A Resource List

Canadian Trade Commissioner Service Website.
www.infoexport.gc.ca
Canadian Department of Foreign Affairs and International Trade resource providing access to hundreds of sectoral market studies and country-specific reports.

Centre for Intercultural Learning E-thologies
www.e-thologies.com/default.asp.
The Canadian Foreign Service Institute's information resource of general and cultural information on countries around the world.

CIA World Factbook
www.odci.gov/cia/publications/factbook/
Facts on local government, economics, politics, and religious groups for countries around the world.

ExportSource – Researching Countries and Sectors
www.exportsource.gc.ca
Team Canada Inc.'s resource for international trade and export information.

Library of Congress Country Studies
lcweb2loc.gov/frd/cs/cshome
The Library of Congress database on country-specific information.

Marco Polo: Your Cross-Cultural Marketing Edge
strategis.gc.ca/marcopolo
A comprehensive guide to cross-cultural competency in the international marketplace, ...part of Industry Canada's Strategis Website.

Michigan State University's International Resources on the WWW
ciber.bus.msu.edu/busres
Regional and country-specific information for markets worldwide.

University of Kansas IBRC Country Resource
www.ibrc.bschool.ukans.edu/country/country
International business resource site for specific countries and regions of the world.

Take a World View: Export Your Services
strategis.ic.gc.ca/twv
A comprehensive, step-by-step guide to exporting your services.

The Web of Culture
www.webofculture.com
General information on languages, religions, gestures, time zones and currencies around the world.

2: ORGANIZING FOR OFFSHORE

Module 2: Contents Summary

Assemble Your Ideas and Outline

Brainstorm

Once you have analyzed your audience and determined your objectives (see Module 1), the next task is to identify the priority topics that you want to present. Brainstorm all ideas that come to mind when answering the questions in your audience analysis and objectives. Place these ideas in order of priority from most to least important.

Keep It Simple

The keep it simple rule also applies across cultures and is especially important when presenting to an audience for whom English or French is not their mother tongue. Aim for greater organizational simplicity than used for standard presentations. Focus on your top three to four ideas only. This will help ensure that your message comes through with clarity and is remembered by your audience. Don't try to cover the entire territory, only what is essential and of interest to your audience. Realize that you may need several presentations over time to achieve your final objectives.

Develop Your Outline

After you have brainstormed your main ideas, develop your outline:

1. Write down each of your main ideas on a separate page.
2. Under each idea or topic, write out the main message you want to convey.
3. Under each message write key points. These should state:
   a. Why the message is important to your audience, and
   b. What benefits it will provide them.
4. Determine what supporting data is required.

Presentation Outline

	IDEA 1	IDEA 2	IDEA 3
What ☛	a. main message	a. main message	a. main message
Why ☛ Benefits ☛	b. key points i) ii) iii)	b. key points i) ii) iii)	b. key points i) ii) iii)
Evidence ☛	c. supporting data	c. supporting data	c. supporting data

Supporting Data

The evidence or supporting data you will need to convince your audience will vary depending on where you are presenting. Different cultures respond to different information. It is important to understand these differences and to adapt accordingly.

A Case of Culture:

A soft sell might work better in Britain, and a hard sell in the United States. You might emphasize price when presenting in Mexico and quality when presenting in Venezuela. Northwest European countries tend to utilize more analysis, logic and rationality, whereas South European countries stress relationships, the use of intuition, and sensitivity. Therefore, if presenting to a German audience you might consider using more facts and statistics. For an Italian audience, you might add quotes or testimonials, especially if these are from sources trusted and respected by your audience.

There are two approaches to developing your ideas and data:

A. Logical – ideas and supporting data are rational, clear, direct and overt.
(E.g. North America, Northwest Europe)

...or

B. Psychological – ideas and supporting data are feeling-oriented, covert and indirect.
(E.g. Latin America, Asia, the Middle East)
Your presentation may employ one or a combination of the two based on the culture and audience involved.

Presenting Data

There are different orientations to the past, present and future in different countries. Countries such as Iran, India, France, and Japan tend to be past oriented. Canada and the United States are more oriented towards the present and short-term future. Knowing these differences will help you determine what to stress and how much detail you should provide.

Here are other tips for presenting data:

- Limit what you present; don't share all facts and figures only the largest, latest or most important.
- Plan to cover less material in international settings.
- Speak slowly to an audience whose mother tongue is not yours.
- Use the rule of three: people remember groups of three ideas or points.
- off large numbers.
- Make information relevant.

- When using acronyms or analogies ensure they are meaningful or relevant to the local audience.

Establish a Successful Structure

Presentation structure, or how we order our ideas and information, is culturally influenced.

> **A CASE OF CULTURE:**
>
> In North America, presentations are usually structured in a linear way with information proceeding relatively directly from A to Z. We prefer presentations that follow chronological, sequential, geographical, categorical or hierarchical structures. In contrast, many Oriental, Latin, and Middle Eastern cultures take a more diffuse approach to structuring ideas and information. A presentation by a businessperson from one of these cultures may seem to begin in the middle or to proceed in a roundabout fashion without ever reaching a clear conclusion. In the same way that Canadians might feel that such a structure is unfocussed, our approach may seem aggressive or simplistic to other cultures.

CREATE A ROADMAP

The key to an effective presentation is to make the pattern of organization crystal clear to the audience. Research has shown that audiences hear what they expect to hear not necessarily what the presenter tells them.

You need to create a roadmap for your audience. Adhere to the saying: "Tell them what you're going to tell them. Tell them. Tell them what you've told them." Even if your presentation does not follow a structure that is familiar to your audience, they will know where you are going.

Here are some tips and considerations for structuring your presentation:

- Use the same pattern of organization throughout your presentation.
- Use visual aids to help orient your audience (E.g. overview charts or moving agendas that highlight upcoming topics).
- Imply or state what is to come next.
- Make clear transitions between sections or phases.
- Use enumeration: " Five reasons why...." or use enumeration combined with alliteration: "The Four "P's of Marketing: Product, Price, Place, Promotions".
- Bridge from familiar territory to unknown, from simple ideas to complex.
- Present accepted ideas before controversial ones.
- Provide frequent summaries to help cement key points in your listener's minds.
- Repeat key points at the beginning, middle, and end of your presentation to accommodate differing cultures: some expect big ideas to be presented first, others, last.

BE FLEXIBLE

Be prepared to adapt and restructure your presentation as you go if necessary. The key member of the team you are presenting to may be called away from the meeting. It may be locally acceptable for an audience to arrive 20 minutes late, leaving you 15 minutes to present instead of 30. Having a clear and flexible structure will help you meet these challenges.

Invest Time in Your Opening and Ending

Openings and endings put the head and tail on your presentation. They are where first impressions are created and lasting ones are reinforced. Openings and endings are also when your audience's attention level is often highest. Therefore it is important to invest time and effort to make them successful.

OPENINGS

Effective openings accomplish three things:

1. Secure the audience's attention and establish rapport.
2. Establish expectations by stating the theme and scope of the presentation
3. Establish credibility.

Secure Attention

A key to securing attention with your presentation opening is to start where the audience is. One way is to begin in their language, even if it is only a simple: "Good Morning Ladies and Gentlemen."

Mentally check every possible introductory idea from your audience's perspective. Is there a significant current local event that you can mention? Can you tell a personal story or describe an incident that relates your theme or topic to the audience or their country? Stories, if told properly, can be universal. They also help establish a personal connection with your audience and can create intimacy.

Be culturally sensitive to what will get your audience on board. An approach that works in Canada may fall flat in Malaysia. In Canada and the United States where communication is direct, you might open your presentation by simply telling your audience why they should listen to you. Asian or Latin audiences might see this as arrogant.

Whatever your approach, your audience is more likely to respond if they know you've taken time to learn something about them or their country.

> **A CASE OF CULTURE:**
>
> In France, India and Iran, where history is particularly valued, one successful international presenter captured the audience's attention by talking about past successes. In contrast, when in the United States, the same presenter emphasized prospects and future potential.

Establish Expectations

Your opening should create clear audience expectations. Early on tell the audience what you plan to talk about and introduce the theme and scope of your presentation. State the essence of your presentation in one clear sentence. It will also help to provide a visual outline of your presentation.

Create Credibility

Openings help establish your credibility. What makes an individual credible in one culture may not in another. Audiences in different countries accord status based on different criteria. These include:

- achievements
- track record
- age and experience
- social connections
- gender
- education and professional qualifications
- profession or rank (e.g. engineer, CEO)
- company or personal reputation

Know which of these is most valued where you are presenting and emphasize the qualities about you or your organization that will be most respected by your audience.

Don't merely say that you are the director, but what you are director of (i.e. finance, marketing, operations). How well your presentation is received may depend on whether your audience feels that you have a high enough status in your company.

> A CASE OF CULTURE:
>
> A Canadian consultant, who introduced herself to a Korean audience by emphasizing her personal experience and education, failed to maximize her credibility. In countries like Korea and Japan it is important to tie in your status with your company. Her credibility as an individual was unimportant compared to the reputation of her company and her position within it.

Finally, be careful about how much you talk about yourself. Self-promotion is frowned upon in some regions such as Asia.

ENDINGS

Effective endings accomplish three things:

1. Summarize key points to reinforce your message.
2. Restate your main theme and draw conclusions.
3. Make a call to action.

Summary
A summary gives you one final opportunity to convey your key message. Restatement is often a fundamental aspect of learning and becomes even more critical across cultural and language barriers. Use your ending to reiterate your main points and theme. An effective way to do this, particularly with a foreign audience, is to use a visual summary chart.

Conclusions
After restating key ideas, successful presenters often close by providing their audiences with specific conclusions. Be aware that some cultures may be uncomfortable with your synthesis or bottom line and will want to draw their own conclusions. Remain sensitive to the local expectations and style of your audience and be subtle when appropriate.

Call to Action
Effective presentations in Canada frequently end with a call to action. In foreign cultures you may need to modify your call to action. Whereas in the United States you might simply ask your audience to give you the business, in countries where communication is less direct, this may be viewed as too aggressive. In countries where business relationships are established over months and years, such a statement would be considered both presumptuous and premature unless the presenter was extremely well known to his or her audience.

Whether your call to action is direct or subtle, it is important that you try to move your audience to a next step or objective. This may involve simply getting them to consider the information you have presented and to discuss it at a future meeting.

Finally, whether you are presenting new material or modifying an old presentation, it is essential that you customize for the local culture. A good rule of thumb is to modify one fifth of your presentation to suit a particular situation or audience.

Are You Ready? A Checklist

- ❑ Brainstorm and prioritize presentation ideas.
- ❑ Develop a clear outline using main points and sub-points.
- ❑ Ensure supporting data is culturally appropriate.
- ❑ Limit presentation content and simplify data.
- ❑ Create a clear roadmap that the audience can easily follow.
- ❑ Develop an opening that incorporates relevant current events or a personal story to get the audience on board.
- ❑ Use appropriate credentials and company title to establish credibility.
- ❑ Summarize key points after each section and at end of presentation.
- ❑ Ensure ending contains appropriate call to action.

3: METHODS & MATERIALS

Module 3: Contents Summary

Make Visuals Valuable

Visual media, when properly prepared, can be a valuable asset to your presentation. It has been shown to increase communication effectiveness by 40 to 50 percent.

The following chart shows the impact of visuals aids on presentations[2]:

METHOD	RECALL PERIOD	
	After 3 Hours	After 3 Days
Tell	70%	10%
Show	72%	20%
Tell & Show	85%	65%

Visual media is especially important when presenting in foreign settings because it enhances the communication process beyond the spoken word.

Effective visual media

- Communicates ideas faster and more clearly.
- Arouses and holds audience interest.
- Cuts across language barriers.
- Reinforces your spoken message.
- Increases audience understanding.
- Helps your audience retain information.
- Enhances your professional image.
- Helps your audience visualize your spoken message.

PRINCIPLES FOR VISUALS

While effective visual media can augment your message, poor visuals can harm your presentation. When speaking to an audience where English or French is a second language, you may quickly lose your listeners if you overwhelm them with too many visuals or use visuals crammed with too much information.

Here are some general principles for success[3]:

Pictures are Worth 1000 Words

Pictures cut across language and cultural differences and are easily understood by

2 McKenzie, Carole, Successful Presentations, Random House, London, UK, 1993.
3 Adapted from Leech, Thomas, How to Prepare, Stage and Deliver Winning Presentations, American Management Association, New York, NY, 1993.

diverse audiences. People the world over remember scenes and dream in pictures. Where possible, use photos and models. Conduct demonstrations of products and equipment. Utilize flow charts and graphs instead of text or columns of numbers.

For example:

- Photos or illustrations help the audience make a concrete association with a product, person or place.
- Bar graphs effectively show trends between data.
- Pie charts help convey percentage relationships.
- Flow charts help clarify a complex concept, arrangement of ideas or sequence of events.

Simplify

Present only one key idea per visual. This will help focus attention on the message you are trying to send. Your audience has only a few minutes to grasp your message. If your visuals are too numerous or try to deliver too much information, your listener's minds are more likely to wander or turn off.

Interpret Visuals, Don't Just Report Them

Don't assume that your data will speak for itself. Audiences from different cultures may not interpret data the same way as you. Verbally point out the message you want your audience to understand. Don't read your slides verbatim but use them to "trigger" your thoughts.

Use Titles Effectively

The most powerful position on your visual is the title. Give each visual a headline title that helps increase comprehension. As with newspaper headlines, which are similar internationally, headline titles can provide your audience with a quick sense of your main message. Following are examples of ineffective and effective use of titles:

Highlight Key Information

Design visuals so that critical factors or key messages visually jump out at the audience. For example, use bold lettering, shading or highlighting to focus attention on important lines of text, columns in tables or pie segments in graphs.

Vary Your Visuals

Make sure that text only visuals are interspersed with graphs charts or illustrations. This will help maintain audience interest and make your presentation more engaging to view. However, be sure that you maintain a consistent visual style for your entire presentation. Use the same fonts, colours and graphic elements to maintain continuity.

Word and Number Usage

The words you choose influence the effectiveness of your message across language and culture. You can increase understanding by using the following guidelines for written visuals:

- Limit text to 5 to 6 lines per visual with not more than 7 words per line.
- List key points or phrases only.
- Use large type which can be read at a distance

Ineffective Titles	Effective Titles
Electric Car	Electric Cars More Economical
Cost vs. Years	Initial Cost Outlay Quickly Covered
System Improvements	System Changes Expand Performance

- Choose a single, san serif font such as Helvetica to increase legibility.
- Avoid using all upper case letters.
- Use landscape as opposed to portrait orientation.
- Use exact phrasing and remove unnecessary detail.
- Use bullets not numbers, which may suggest a priority order.
- Present information in steps to increase comprehension and focus.

COLOUR

Be aware of colour associations in different countries. Check with a local expert to determine colour schemes that will avoid offence and convey the most professional image to your foreign audience. In Canada, for example, darker blue or green backgrounds with white or yellow lettering are preferential colours for slide presentations. Using what is popular and respected in your host country may give you an advantage.

Prepare Written Resources

There are two types of written resources to consider preparing for your international presentation:

1. Speaker Notes
2. Audience Handouts

SPEAKER NOTES

Speaker notes are the bridge between organization and delivery. They provide a clear framework that will help ensure you stay on track during your presentation. Speaking from concise notes rather than a written speech will also facilitate a more natural delivery and increase the likelihood of maintaining audience interest and attention.

Preparing Your Notes

If your have done a thorough job of preparing your outline (see Module 2) then your speaker notes should develop naturally from this. Your visuals will also serve as thought triggers during your presentation.
When your outline and visuals are complete, develop your presentation script by adding the spoken words that match each point or visual.

Types of Notes

The format for speaker notes is determined both by individual preference and by your presentation environment. The two most common formats are 3"x5" or 4"x 6" note (index) cards or standard (8 1/2"x 11") sheets. There are advantages to using each:

NOTE CARDS

- Easy to handle.
- Force conciseness.
- Less cumbersome than 8 1/2" x 11" sheets.
- Easy to quickly condense or eliminate items.
- More professional looking if no lectern available.
- Facilitate easy changing of order or content.

STANDARD SHEETS

- Convenient to prepare.
- Can take advantage of software features such as PowerPoint's Speaker Notes option.
- Allow greater room for detail.
- Easily stored in binders, business folios or files.

Tips for Speaker Notes

- Print notes in large font (minimum 14 point) to increase legibility.

- Use colour and highlighting to emphasize key points.
- Number note cards or pages so order is maintained.
- Use high prompt words (e.g. efficiency, top-rated).
- Make a photocopy or backup of your notes.
- Use symbols to facilitate delivery (e.g. 'P' for pause, or directional arrows fi)
- Use signpost words to help audience—_ particularly foreign-language speakers—follow along (e.g. "as a result", in conclusion").
- Mark expected elapsed time beside notes to keep you on schedule.

Audience Handouts

Handouts can be beneficial in international settings, particularly when you are not speaking in the country's native language. Letting your audience know that major points are covered in handouts may allow them to more fully focus on you and your message. You can also increase understanding by translating handouts into your audience's language.

In Canada it is more common to provide handouts at the end of the presentation to avoid diverting the audience's attention. However, in international settings—particularly where you are not speaking in the native language—it may be useful to distribute copies of your visuals at the beginning of your presentation. This allows members of your audience to make notes on them in their own language. Tools such as PowerPoint's Handout Master are especially useful for this.

Handouts reinforce your message and are often retained for future reference. If they are both polished and professional, handouts can also enhance your image. Therefore, if you provide audience handouts, make sure you do it right.

Here are some tips:

- Tell audiences in advance that handouts will be available.
- Prepare handouts in the audience's language to increase understanding.
- Make handouts clear and self-explanatory; check for cultural nuances.
- Ensure handouts contribute to your presentation objectives.
- Use fewer handouts to increase the likelihood they will be read.
- Print more handouts than you will need, as taking additional copies is common in some countries.
- Ensure that your company name, logo, contact details and Website address are printed on your handouts.
- Maintain a consistent style and colour scheme to enhance your professional image.

Know Your Equipment and Environment

Presentation Mediums

It is important to consider the medium you use when presenting in other countries because the acceptability and use of presentation mediums may differ. Use mediums that are appropriate for the audience and venue. For example, the same computer animated presentation that is the standard in Boston may provide technological challenges in Bolivia.

> **A Case of Culture:**
>
> **A presenter's slide presentation was perfect for a large Canadian audience who knew him. However, because using slides meant presenting in a darkened room, that same presentation was not his optimal choice in Russia. The presenter discovered that making eye contact with key individuals and ensuring the audience was later able to pick him out of the crowd at a networking function were key to his success.**

Check with the Canadian Embassy or High Commission, business colleagues familiar with the market, or with your local partner or host company to determine local preferences and technology capabilities when choosing a medium.

Types of Mediums

There are three types of presentation mediums that are commonly used in international settings:

1) Overhead transparencies
2) 35 millimeter slides, and
3) Computer projected or electronic media.

Following is a list of advantages, disadvantages and tips for using each:

Overhead Transparencies

Advantages

Quickly generated from computer.

- Provide flexibility to write on.
- Can be presented in lighted room.
- Easy to copy for audience handouts.
- Projector simple, reliable to operate and commonly available.
- Convenient for use in question and answer sessions.
- Portable.
- Encourage a more intimate and less intimidating presentation.
- Sequence and content of presentation easily adjusted at the last moment.

Disadvantages

- Less suitable for larger audiences (more than 30 people).
- Less professional in formal or prestigious settings.
- Laying on and adjustment of overheads often distracting.
- High risk of losing sequence if shuffling forwards and backwards in presentation.

Tips

- Overhead screens should be at a 45° angle to the audience and to the side of the room so that you are centre stage.
- Consider shutting off the projector during lengthy explanations, as the fan is often distracting.
- Face the audience, not the projector or screen.
- Point at the screen, not the overhead projector.

- Use very large font sizes (minimum 26 pt.).
- Photocopy overheads onto regular paper and insert a copy after each transparency to facilitate review without facing screen. These copies can also be used for speaker notes.
- Don't read your overheads verbatim; use them as thought "triggers".

35 Millimeter Slides

Advantages

- Portable.
- Easily duplicated.
- Easily transferable by email.
- Allow photographs to be well projected.
- Better for colour than overheads.
- No need for presenter to manually change visuals.

Disadvantages

Room must be adequately darkened to ensure good visibility.

- Without remote advance device presenter is tied to machine.
- Slide carousel standards may vary according to country.
- Can lead to a less intimate presenter/audience interaction.
- Difficult to make changes at the last minute.

Tips

- Turn off projector during lengthy explanations.
- Avoid a completely darkened room if possible.
- If no remote is available to advance slides, be sure you identify someone who can do it for you and devise a system for cueing them.
- Consider use of blank slides or no slides between sections if needed.
- Ensure a desk or lectern light is available so you can read your speaker notes.
- Ensure a pointer is available if needed.

Computer Projected and Electronic Media

Advantages

- Extremely professional image.
- Minimal expense to produce visuals if equipment available.
- Easy to sort visuals and practice with "slide show" feature of most software.
- Visuals easily edited.
- Allows easy insertion of graphics.
- Expands options through the use of multimedia such as animation, video clips and sound.

Disadvantages

- Requires equipment not always available in foreign countries.
- Runs the risk of technology being the focus rather than the content or presenter.
- "High tech" aspect can potentially alienate audience.
- As with slides, requires a darkened room.

Tips

- Avoid extreme use of animation or distracting sounds.
- Prepare standard slides or overheads as a backup.

- Obtain a wireless advance or mouse system if possible to allow you to move.

Whatever visual media you choose to use be careful not to let them become the presentation. Remember that visual aids augment your presentation, they don't replace you.

THE PRESENTATION ENVIRONMENT

There are many factors that presenters need to be aware of and to plan for in international settings. Technology, equipment, power requirements, and facility standards vary according to country. Seating arrangements may convey status or be a form of non-verbal communication.

Presenters often do not know what the presentation environment will be until they arrive. Once at their destination it may be difficult for presenters to test equipment in advance or to influence elements such as lighting, ventilation, or room set-up.

Here are considerations and suggestions:

Check It Out Before You Leave Home

The best approach to planning for an international presentation is to prepare in advance by doing your homework before you leave Canada. Research technological standards, equipment preferences and the nature of the venue where you will be presenting. Draw on the experience of other business people who live, or have presented in, the country. Communicate early with local organizers so that you both know what is required.

Questions that you need to consider include:

- Do you or the organizers have back-up projector bulbs, microphones, etc.?
- Do you know how to dim lighting or have someone who can?
- Is a cordless microphone as opposed to a standing mic available to facilitate movement?
- Is the seating arrangement culturally influenced? Is it suitable for your presentation and if not what can be done about it?
- Are you able to operate the equipment or will this be done by a technician?

If you do not know people with business experience in the country, or have an established, reliable contact there, consider engaging local experts. International meeting planners, destination management companies, or meeting coordinators at international hotel chains can provide valuable advice and handle local arrangements.

Have a Back-up Plan in Case of Problems

It is important to anticipate disasters and have a contingency plan in the event something unexpected happens. Anticipate worst case scenarios and be ready to deal with them. For example, be prepared to project your voice and be heard without a microphone. Plan to improvise with handout material if your projector fails. Always carry your visual aids and presentation materials with you in case your luggage is lost.

A CASE OF CULTURE:

One Canadian presenter encountered electricity brownouts during his presentation in a developing country. Lights would dim, the microphone volume would drop and his slides would fade to blackness. With no contingency plan to deal with the situation, his presentation was ruined.

Use the following table to help develop a contingency plan:

WHAT IF?	CONTINGENCY
1. Personal	
2. Material	
3. Equipment	
4. Venue	
5. Other	

Test and Practice

When travelling long distances for a major presentation arrive a day early. This may allow you to see the venue, test the equipment and perhaps even do a dry run. At the very least, it will help you overcome jetlag and be rested on presentation day.

Try to meet with local organizers and technicians. Test equipment to ensure slide carousels are compatible, remote controls work, microphones are available, etc. If possible, do a rehearsal so you know how things will work on presentation day.

Step Lightly when Taking Control

Whereas in Canada you might take charge of arrangements and make changes at the last minute, this may be deemed pushy or inappropriate in some countries. For example, moving chairs or projectors in status-conscious countries like Thailand is not something done by senior people and may diminish your image.

Be sensitive to local protocol by finding out who is in charge and what behavior is appropriate. In countries where interaction is direct and informal, by all means, make necessary changes. After all, you are ultimately responsible for ensuring that your presentation environment is the best it can be.

Be Flexible

It may be culturally acceptable for members of your audience to come and go during your presentation. You may have to give your presentation through a haze of cigarette smoke. Your presentation room may be stifling hot or freezing cold. Try not to get flustered or angry if things don't go as planned or if equipment doesn't work.

Remember that physical standards and environments differ across cultures. Your best approach to dealing with differences and difficulties is to keep an open mind and a sense of humour, and to be flexible.

Are You Ready? A Checklist

Visual Media & Speaker Notes

- ☐ Optimize the use of visual aids in cross-cultural settings.
- ☐ Ensure visuals are simple and visible.
- ☐ Proofread visuals and handouts for clarity, simplicity, cultural nuances, and typos.
- ☐ Use key words, highlighting, symbols, and elapsed speaking time on speaker notes.
- ☐ Create backups of speaker notes and visual media.
- ☐ Translate visual media and handouts into local language if possible.
- ☐ Have visuals available in another form if using computer-generated media.

Presentation Environment

- ☐ Research local preferences and technology capabilities before choosing visual media.
- ☐ Develop contingency plan in case of problems.
- ☐ Arrange to arrive a day early to check out equipment, and to rehearse your presentation.
- ☐ Travel with visual media and other presentation materials in carry-on luggage.
- ☐ Know how to operate equipment or identify a resource person who can help.
- ☐ Ensure that appropriate lectern lighting, spare projector bulbs, compatible slide carousels, etc. are available.

NOTES:

4: DYNAMICS OF DELIVERY

Module 4: Contents Summary

A well-prepared presentation may fall flat because of what you say or do during your delivery. Many Canadians presenting in foreign countries have experienced a negative reaction to something they have said or done. Perhaps it was an inappropriate comment or an offensive gesture. Most people never know what went wrong, only that business relations were damaged, often irreparably.

The 20/80 rule for presentations is spend 20% of your preparation time on content and 80% on delivery.

Different cultures have different rules of conduct, ways of speaking, and norms of behavior, all of which can be minefields for misinterpretation. Canadians need to be knowledgeable about, as well as sensitive to, these differences.

Pay Attention to Protocol

Protocol, formalities and etiquette differ according to country and circumstance. The degree to which you understand and adhere to local protocol may have as much impact on your credibility and success as what you say. Take a conservative approach when presenting in new or unfamiliar settings. You will be safest if you aim to be more formal than in Canada. You can always ease off when you feel more comfortable.

INTRODUCTIONS

In many cultures the person who introduces you does much to establish your credibility. The more senior the person, the greater your status. Check with a local business expert or cultural interpreter about whether you should be introduced and by whom.

It's best to write out your introduction in full for someone else to read. Emphasize qualifications that are relevant in the local culture (see Module 2, Openings).

RECOGNIZING VIPS

In many countries it is customary to introduce VIPs at the beginning of your speech or presentation. Know in advance who should be introduced and in what order (e.g. in China introduce highest-ranking individuals first). There is also extensive use of titles in some cultures, which shows recognition and respect for superiors.

Check with your hosts regarding proper pronunciation, titles, and order of introduction. Write names and titles clearly on a card. Spell names phonetically and practice saying them. In status conscious cultures, use your own company title to your best advantage and in a way that demonstrates your authority or influence in your organization.

Dress

You have seven to 15 seconds to establish credibility and how you dress is one of the first factors to have an impact. It communicates something about your stature and your sensitivity to local norms.

The international business community is becoming more Westernized in terms of dress. The standard uniform is a conservative suit and tie for men and a suit or dress for women. Dress for the occasion as well as the audience. Subdued colours are usually best for men. Women have more latitude in terms of colour and style. Women, however, must be careful to observe norms regarding the acceptability of pants versus skirts, skirt length, and bare arms and legs.

If you're in doubt, dress more conservatively. Men, for example, can always remove their jackets. Both men and women should avoid anything that is flashy or detracts from their spoken message such as large jewelry.

Finally, if you are going to adapt the local norms of dress, get it right. International business people can diminish their image by trying to emulate local dress and doing it poorly.

Gender

Although women are becoming increasingly accepted as equals throughout the international business community, there are still countries where women may have to work harder to establish credibility. Employ more conservative dress and deportment, and ensure you are introduced by a highly respected businessperson.

Age

In some cultures age is a factor in determining status and authority. In Asian cultures being older has a significant impact on an individual's perceived status and authority.

A Case of Culture:

A Canadian woman, who was frustrated by interactions with her Japanese counterparts, rectified the situation by asking the males on her team to publicly defer to her on key issues. This immediately established her senior role and authority with the Japanese.

Obviously you can't control your age, but in countries where age has an influence, maintain a dignified bearing and way of speaking. Age is also a factor to consider when choosing the appropriate individual to make a presentation on behalf of your company.

Adapt Your Spoken Message

Two distinct styles of cross-cultural communication exist: explicit and implicit. In explicit cultures almost all important information is communicated verbally. These cultures tend to be more direct and frank in what they say. When presenting to them you'll probably want to dispense with the frivolous, be straightforward and get to the bottom line. Canadians, Americans, Germans, Swiss, British, Australians and Scandinavians tend to be explicit communicators.

Implicit cultures rely more on the context to communicate the most important information. Persons from these cultures believe critical information will often not be verbalized, merely implied. Non-verbal behaviors, therefore, take on greater meaning, while speech patterns are considerably more ambiguous and inexact. Chinese, Koreans, Japanese, Latin Americans, Arabs, Africans and French tend to be implicit communicators.

Ask a Japanese businessman what language he speaks, and he will say the language of the customer[4].

Make sure you research the communication style of your audience and adapt accordingly. Here are other suggestions:

Learn the Language

Speaking in the customer's language is the gold standard for international business. There is no better window to understanding another culture than to learn the language. However, this may be difficult if presenting in a number of different countries.

When speaking a second language, aim for a connection rather than perfection. Write out what you are going to say in detail then practice, practice, practice. The more comfortable you are with the words and language, the more natural you will sound. For your actual presentation, prepare speaker notes using key words and prompts. Submerge yourself in the local language prior to your presentation by watching T.V, listening to the radio, conversing with native language speakers, and reading local newspapers.

If you can't give your presentation in the native language, at least begin with a few words of it. This sends a message that you don't take the gift of speaking English or French in a non-English or French speaking country for granted. Ask a native speaker to help with pronunciation and don't worry if you stumble. In most cases your local audience will appreciate the effort.

Internationalize Your Language

Canadians often have an advantage because English is the language of international business and French is probably the second most useful language in the world[5]. Just because your foreign counterparts speak English or French as their second language, however, doesn't mean you don't have to adapt.

Here are some tips for internationalizing your language:

- the use of jargon, acronyms, slang, colloquialisms, and sport or culture bound analogies (e.g. "rule of thumb", "ballpark estimate").

- Use standard and consistent terminology familiar to your audience or explain terms the first time you use them.

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4 Nelson, Carl, International Business: Manager's Guide to Strategy in the Age of Globalism, International Thomson Business Press, London, UK, 1999.
5 Ibid

- Use active not passive language (e.g. say: "We reviewed our options." not "We have reviewed our options." Use were not have been, etc.)
- Use words that have few alternate meanings (e.g. accurate not right).
- Use action-specific verbs instead of general ones (e.g. "We hope to win the contract." not "We hope to get the contract.") Avoid words such as do, make, have, be, and go.
- Simplify your language by using shorter words and sentences. If you have to take a breath, your sentence is too long to be easily understood.
- Omit words or phrases that do not add meaning (e.g. "for all intents and purposes").

Adapt Your Style and Pace

Speaking styles vary widely from country to country.

> **A Case of Culture:**
>
> Iranian and Middle Eastern cultures have a tradition of using eloquent language and quoting revered poets—something Canadians might view as excessive or flowery. Latin cultures speak with a more emotional and varied tone of voice than Canadians do; a style we may feel is exaggerated and unprofessional. Conversely, Oriental cultures tend to have a much more monotonous tone; boring to us, but to them demonstrating self-control and respect.

Familiar language builds trust and rapport so it is critical to adapt to the local style of speaking. Study the tone and cadence of the local language and try to emulate it when you speak. Increase your animation and variation in tone when in Latin and Middle Eastern countries; mute it when in Oriental countries.

It is also essential to adapt your pace of speech. More than 80 percent of speakers begin too quickly. Slow down 10 percent at the beginning of your presentation. This will give your audience a chance to become accustomed to your voice and manner of speaking. Continue at a deliberately slower pace throughout your presentation to increase audience retention and understanding.

Here are some additional tips for adapting your speaking style:

- Include only one thought or action per sentence.
- Hear yourself say the last word of each sentence before starting a new one.
- Use frequent pauses to add emphasis and to let your audience assimilate what you say, and don't be afraid of silences.
- Articulate clearly by pronouncing final consonants (e.g. going not goin). Exaggerate slightly if you need to.
- Use proper pronunciation: get words, names and places right.
- Link your words closely to your visual aids and use a pointer if necessary to help the audience track what you are saying.
- Rephrase to increase understanding. (E.g. "Efficiency improved by 50 percent, that's five zero percent.").
- Avoid saying "um", "ah", and "you know" which are very distracting.
- Repeat important sentences.

USE INTERPRETERS EFFECTIVELY

It is important to know the degree to which English or French is accepted or understood in your host country. In multi-lingual countries such as Switzerland, for example, don't assume you can use French because it is one of the official languages. You run the risk of offending a certain group if you use the wrong language or assume your audience is conversant in your language when they are not.

Know what the language preference and proficiency is in your host country and arrange for an interpreter if necessary. For example, speaking Spanish or having an interpreter is highly advisable throughout much of South America.

When utilizing an interpreter, it is also important to be aware of how their role is perceived in the local culture. Canadians, along with Americans, Germans, British, Scandinavians, and Dutch, view an interpreter's role as providing an accurate, unbiased account of what you say to your audience. This is different in other cultures.

> **A CASE OF CULTURE:**
>
> The role of a Japanese interpreter is not only to translate but also to interpret the language, gestures, context and meanings. Rather than a neutral participant, Japanese interpreters are seen as part of the team. Whereas in Germany, you would be fine using a interpreter provided by your host, in Japan you would likely consider engaging your own.

If an interpreter is required then you should also consider translating your visuals and handouts. This may mean changing graphics layouts as well as words. In the Middle East, for example, English-language graph axes and flowcharts don't directly transform into Arabic, which moves from right to left. Be sure to check out credentials thoroughly and to engage someone who is culturally as well as linguistically fluent.

Tips for Working with Interpreters[6].

- Provide your interpreter with the text of your presentation or speaker notes in advance.
- Create a vocabulary list of all acronyms and technical terms.
- Provide the interpreter with background information such as a magazine article about your company or subject matter.
- Allow time to meet your interpreter (even if it means visiting the translation booth).
- Go over your presentation in advance or at least introduce yourself prior to your presentation and ask if there are any questions.
- When speaking, break up material into clear sections so that one idea or thought can be translated at a time.
- Since word-for-word speech is more difficult to translate, speak from your notes.
- Use frequent pauses to give the interpreter time to catch up.
- Plan your words carefully to avoid ambiguities and jargon that does not translate well.
- Address the audience not the interpreter
- If appropriate, acknowledge your interpreter (check with your host regarding local protocol).

6 For tips on working with translators see the Website Marco Polo: The Cross Cultural Marketing Edge, www.strategis.ic.gc.ca/marcopolo.

- When fielding questions from the audience repeat what has been asked so the interpreter can hear.
- Consider having a capable individual in the audience monitor your interpreter's translation and provide feedback.

Use Humour Carefully

Poet Robert Frost referred to humour as the thing that usually gets lost in the translation. Humour is culture-specific so don't assume that what is funny in Canada will be funny in other countries. In Canada, the U.S. and Britain, effective speeches and presentations often open cleverly with a joke, cartoon, or humorous anecdote. This can be risky in other countries.

> **A Case of Culture:**
>
> When a North American businessman opened his speech in Beijing with a joke, the Chinese interpreter faithfully translated each line of the joke, with one exception. After the speaker delivered the punch line, the interpreter added in Chinese: "Please laugh now."

The safest approach to using humour in cross-cultural settings is to avoid jokes, humorous references and sarcasm unless you are well acquainted with your audience. If you wish to use humour in your presentation, test your material in advance with someone who understands the nuances of local culture and who can give you honest feedback.

Make the Best of Body Language

In many cultures your body language communicates more than what you say. Middle Eastern, Oriental, South European, and Latin American cultures derive significant meaning from your gestures, facial expressions, posture and physical contact, as well as your words.

At least 75% of all communication is non-verbal[7].

Canadian presenters encounter problems in other countries because behavior that means one thing to them has a different meaning in another culture. Canadian presenters who want to succeed internationally need to be cautious about these differences.

Here are some tips for effective non-verbal communication:

- Know the local communication style and adapt accordingly.
- Actively watch for non-verbal cues.
- Don't judge non-verbal behavior by Canadian standards.
- Mirror—don't mimic—non-verbal behaviors to increase rapport.

Following are other aspects of non-verbal communication to consider:

Gestures

Most Canadians use their hands when speaking to punctuate the flow of conversation, refer to objects or people and to illustrate ideas. However, certain hand gestures can cause serious offence if you use them inadvertently or assume they mean the same thing in another country. Here are some examples[8]:

7 Trompenaars, Fons, and Hampden Turner, Charles, Riding the Waves of Culture: Understanding Diversity in Global Business, McGraw Hill, New York, NY, 1998.
8 Morris, Desmond, Gestures, their origins and distribution, Stein and Day, NY, 1979.

- Crossing your fingers in Turkey may signal the end of a relationship.
- Pursing your fingers and thumb together to emphasize a point may be interpreted as a sign of fear or cowardice in Belgium.
- Making the "O.K." sign by forming a ring with your thumb and forefinger is obscene in Brazil and a threat in Tunisia. It may mean "zero" or "worthless" in France, "orifice" in Malta, and "money" in Japan.
- Stroking your cheeks with the thumb and forefinger of one hand may mean "thin and ill" in Holland.
- Giving the thumb up sign may mean a sexual insult in Northern Greece.

Know which hand gestures are acceptable in the local culture and be cautious about using your hands to communicate specific messages, or to point, or beckon.

Body Language and Emotion

How you stand and move your body may set the tone for how you are perceived by your audience. In Indonesia, for example, standing with your hands on your hips may be interpreted as condescending or aggressive.

The accepted degree of gesticulation and emotion also varies widely across cultures. Latin and Middle Eastern cultures are more demonstrative when they speak; Oriental cultures are more muted. A formal North American style of presenting might get you branded as dull in Mexico whereas using an animated and emotional style in China, Japan, or Korea might undermine your credibility. Observe your local counterparts and try to adopt a similar body language and level of emotion.

Eye Contact

In Canada, we expect others to maintain eye contact as a show of interest. This may not be so in other cultures. Japanese, for example, may close their eyes when listening as a sign of attention or respect. In some African and Latin American cultures prolonged eye contact from an individual of lower status is considered disrespectful.
If in an intimate setting, beware of what is appropriate and don't be put off by, or suspicious of, those who do not maintain direct eye contact. In Asian cultures watch for a widening of the eyes which may be a sign of politely suppressed anger rather than surprise.

When presenting to a large audience it is best to sweep the room with your eyes, focusing briefly (one to three seconds) on individuals. In cultures where eye contact is indirect, you may want to focus your gaze on the bridge of the nose or the chin.

Personal Space

People have an invisible bubble of space around them that is a form of personal territory. The size of the space expands or contracts depending on level of intimacy, situation, and cultural background.

When a foreigner appears aggressive and pushy, or remote and cold, it may mean only that her or his personal space is different from yours. Canadians, for example, feel comfortable with a distance of about two feet between them and their business counterparts. Northern Europeans maintain a greater distance, while Latin American or Mediterranean people tend to converse and interact at much closer range and with more physical contact.

To avoid offence, be cautious about moving into the space of others or reacting defensively to those who you feel may be too close to you.

Be Yourself

Being aware of cultural differences is a great start to successful communication. Adapt your style but don't stop being yourself. If you speak naturally and with sincerity, your message is likely to be well received.

Are You Ready? A Checklist

- ❑ Understand the appropriate local protocol and degree of formality.
- ❑ Write appropriate "suggested" introductory remarks and provide to the person who will be introducing you.
- ❑ Know whether VIP's should be introduced and learn proper names, titles and pronunciation.
- ❑ Prepare to begin in the local language.
- ❑ Explain technical terms and acronyms and clarify definitions for the audience.
- ❑ Prepare a list of technical terms and acronyms for your interpreter.
- ❑ Meet your interpreter beforehand to answer questions and review your presentation.
- ❑ Understand whether the local communication style is more explicit or implicit and adapt your approach accordingly.
- ❑ Internationalize your language.
- ❑ Understand acceptable use of eye contact, hand gestures and personal space.

How Can I Learn More? A Resource List

WEBSITES

Aquarius Search System for Translators
news.xs4all.n1/~jumanl
Provides a place to locate translators all over the world for business needs.

Communication Guide
www.bena.com/ewinters/preface
A guide to communication, presentation and translation across cultures.

Preparing for International Presentations: The Humor Perspective
www.antion.com/articles/international
Comments and anecdotes about presenting to international audiences.

Web of Culture Languages of the World
www.webofculture.com/refs/languages
Foreign language resources and dictionaries.

Web of Culture Gestures Around the World
www.webofculture.com/refs/gestures
A listing of gestures and suggestions for body language in different countries.

When in Rome
www.entrepreneurmag.com/page.hts?N=6631
A useful article on presentation protocol in different cultures.

BOOKS & ARTICLES

Morris, Desmond, Gestures, their origins and distribution, Stein and Day Publishers, New York, NY, 1979.

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Peace, Allan, Body Language: How to Read Other's Thoughts by Their Gestures, Sheldon Press, London, 1984.

Samovar, L.A. and Porter, R.E., Communication Between Cultures. Wadsworth, Belmont, CA, 1991.

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NOTES:

5: IMPACT AND AFTER

Module 5: Contents Summary

Monitor Audience Response

Presentation is two-way communication. Although a verbal exchange may occur only during question period, your audience is communicating with you throughout the presentation.

It is important to be aware of how your audience is responding to you and to continually make adjustments. If you are losing, confusing, or offending your audience you may be doing more damage than good.

MONITOR VISUAL FEEDBACK

Continually monitor the response of your audience as you are speaking. Try to determine what signals they are sending you. Be alert for a range of feedback and non-verbal cues including irritation, surprise, annoyance, restlessness, glancing at the clock, or a change in demeanor such as stiffening.

In some countries it is difficult to be sure what impact your presentation is having on your audience. Some cultures readily show their emotions (e.g. Latin, Middle Eastern), while others are less demonstrative (e.g. Oriental, Northern European).

Be careful not to interpret other's behavior by your standards. For example, Indians may shake their heads from side to side to indicate positive attention. Africans may nod and smile politely even if they do not understand you. In some cultures it is acceptable for people to come and go during your presentation or to talk among themselves. Don't be distracted or take offence.

KNOW WHAT TO EXPECT

Your best approach is to know in advance what to expect. Learn the communication style of your audience. Talk to business colleagues with experience in the market or with local contacts. In situations where you know your audience well or where the communication style is explicit, you might simply ask your audience if they understand you. In countries where communication is implicit, however, this may not be suitable as people may say "yes" when they mean no, or may take offense.

Consider the following questions as you are presenting:

- Are they interested?
- Do they understand?
- Are they convinced?

Be sensitive and stay attuned to the impact of your words and actions, and to what your audience is telling you.

Capitalize on Questions and Answers

Questions and answers are part of most business presentations. Depending on the country and situation, they may occur throughout the presentation or as a separate session after it.

Audience questions can cement your message, or throw you off and irreparably damage your reputation. Therefore, successfully handling questions and answers is extremely important to the impact you have on your audience.

Prepare for Questions

Question and answer sessions usually fail when speakers are not prepared. Find out in advance what is customary and acceptable in the local market. Ask yourself the following questions:

- Is participation customary?
- Are questions asked throughout the presentation or is there a set question period?
- Are there special rules or a local protocol for Q&A?
- What are the time constraints?
- Will there be a moderator?

Anticipate questions and objections. As you put your presentation notes together or rehearse your presentation, think about every conceivable type of question or objection your audience could raise. Consider each of these an opportunity and preplan responses that further advance your message.

Prepare supplemental data or visuals to present in response to questions or objections. This will significantly increase your credibility and perceived professionalism. Then, if possible, rehearse your answers with someone who understands your subject and your audience.

Audience Interaction

The level of audience interaction varies across cultures. In Canada and the United States audiences can be expected to ask questions or raise objections during or following a presentation. This may not be in the case in other countries, which do not have the same tradition of public participation as we do, or that shun public disagreement. In parts of Asia, for example, members of the audience might not raise objections for fear of making the presenter lose face. By contrast, you might find Indian audiences eager participants, or questions asked by a German audience surprisingly direct and frank.

It is important to know what type of audience interaction you can expect. This will depend not only on culture, but language, situation, and audience makeup. You might, for example, expect less participation from audience members who must ask questions in a foreign language.

If speaking as part of a panel or conference, observe the degree and style of audience participation during previous presentations. If the preceding speaker is inundated with questions and you receive a stony silence, it's probably a good indication that your presentation needs serious improvement.

Encouraging Participation

When you are finished your presentation it is important to clearly signal to the audience that you are accepting questions. Adopt a positive attitude and provide a statement that promotes participation: "We've covered a lot of information. I'd be happy to provide detail on any areas you wish."

If people do not ask questions, you may want to encourage them by[9]:

Suggesting topics: ☛ "One area I did not cover in detail was our safety record. I'd be pleased to elaborate on that if you like."

Referring to a potential question: ☛ "A question that has come up in the past is how many of these systems have we installed internationally. The answer is twenty-nine, seven of which were in Eastern European countries with standards similar to your own."

Inviting their input: ☛ "Something I'm interested in hearing more about is the experience any of you have had with this type of training program."

Check with an experienced businessperson or your local counterpart on whether it is appropriate to encourage participation. If there is no response to your questions, summarize and thank your audience. Avoid pressing people for comments and never single out audience members, especially in countries like China where individuals are uncomfortable standing out from a group.

Addressing Questions

When addressing questions from a large audience or in a non-native language, it is important to listen seriously and carefully to each question, then to restate what you have heard. This helps to ensure:

- You have heard the question correctly.
- You understand the question.
- The audience hears and understands the question.
- Your interpreter hears and understands the question.

Answer all questions positively and without apology. Don't be critical, defensive or personal. Even if you are being attacked or an audience member is objecting to what you have said, thank them for raising the issue and counter with a considered response backed by fact, testimonial, or supporting information that is meaningful to your audience.

You should always respond honestly. However, depending on the country and audience, you may wish to modify your approach. In Canada, for example, it is acceptable to admit you do not know the answer to a question and to tell the audience member you will find out and get back to them. However, in some regions (e.g. Southern France or Italy or where machismo may be a factor), it may be less acceptable and diminish your stature to publicly admit a lack of knowledge. Know what is appropriate and determine your response in advance.

Here are some additional tips for effectively addressing questions:

- Be brief. You may destroy the positive impression created during a succinct presentation by giving rambling answers.
- Address the entire audience, not just the questioner.
- If one person is monopolizing the question period, invite that person to speak to you further after the presentation.
- Avoid expressing negative reactions, verbally or non-verbally, to questions asked.

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9 Adapted from Leech, Thomas, How to Prepare, Stage and Deliver Winning Presentations, American Management Association, New York, NY, 1993.

- Be patient. Some of your listeners won't grasp the message as quickly as you expect they should. Keep trying to help them.
- Respect the time limit or know what is acceptable in terms of going overtime.

Finally, when your time is up or the question period is starting to drag, summarize and restate your key theme. This allows you to retake control, end on a positive note, and reinforce your message one final time.

Follow up

Your presentation is often just one part of your overall marketing program. In fact, what happens after the presentation may be more important than the presentation itself.

Advance Your Agenda

The audience interest you receive may be greater after your formal presentation than it was during question period, particularly in cultures or situations where individuals may not feel comfortable speaking publicly. Take advantage of these situations to ask questions, solicit feedback, and obtain business cards.

Ask yourself what the next step in your business development process might be. This might range from a thank you letter to a formal written proposal. Review issues that were left unanswered or where more information was requested.

Find creative ways to keep you and your company forefront in your audience's mind. Give them something tangible to further reinforce your presentation. This may be handouts, brochures, or samples. Follow-up by tracking down articles that might be of interest to prospective clients. Send additional corporate material to those who expressed interest or to key decision-makers.

Assess Your Performance

The best way to improve your future performance is to do a self-assessment of your presentation and to solicit feedback from others. Your self-assessment should cover all aspects of your presentation from planning through delivery including:

- Organization: How well was the material organized. Can it be streamlined?
- Visuals: How effective were they? Any changes, additions, omissions?
- Delivery: Did your message flow? Did it move the audience?
- Q&A: How effective were you answering questions? Were there questions or objections you did not anticipate? Could have answered differently?
- Audience: Were there notable audience reactions? What caused them?
- Overall: What worked? What didn't? Were you successful? Why or why not?

If possible, you should also ask both a colleague from your company and a "cultural expert" to provide feedback on your presentation. Your colleague will be able to give you another perspective on your subject matter and how it was presented. The cultural expert can provide valuable information on how your message was delivered to, and received by, your audience.

Finally, ensure that any important lessons you learn are not lost. Incorporate suggestions into your presentation planning and delivery process. Document the cross-cultural knowledge you acquire so others in your company may use it. This will contribute significantly to your international corporate intelligence and help ensure that future presentations by you or your colleagues are a success.

Are You Ready? A Checklist

- ❑ Continually monitor audience response and watch for non-verbal feedback.
- ❑ Know what the audience's listening style and expected level of participation is.
- ❑ Prepare answers to anticipated questions and practice responses.
- ❑ Listen carefully to questioner and positively acknowledge all questions.
- ❑ Repeat questions to ensure audience and interpreter understanding.
- ❑ Be available after the presentation to answer questions and network.
- ❑ Send thank-you notes or additional information to audience members.
- ❑ Evaluate your performance and incorporate lessons learned into future presentations.

GENERAL RESOURCES

Websites

Getting Through Customs
www.getcustoms.com
A private site with some tips on doing business in other countries.

International Addresses and Salutations
www.bspage.com/address
Provides correct address formats and appropriate personal salutations for countries around the world.

Marco Polo: Your Cross-Cultural Marketing Edge
strategis.gc.ca/marcopolo
A comprehensive guide to cross-cultural competency in the international marketplace — part of Industry Canada's Strategis Website.

Presenting Solutions
www.presentingsolutions.com/effectivepresentations
Tips on various aspects of presentations.

Presenters University
presentersuniversity.com
Articles on preparation, your audience, visual aids, delivery and using technology.

The Web of Culture
webofculture.com
General information on languages, religions, gestures, time zones and currencies around the world.

Virtual Presentation Assistant
www.ukans.edu/cwis/unites/coms2/vpa/vpa
An online tutorial for improving public speaking skills including modules on analyzing your audience and visual aids, plus links to other sites.

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18

Integrated Marketing Communication Strategy

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

Name and define the four tools of the promotion mix.

Outline the steps in developing effective marketing communications.

Explain the methods for setting the promotion budget and factors that affect the design of the promotion mix.

Identify the major factors that are changing today's marketing Communicationsenvironment.

Discuss the process and advantages of integrated marketing communications.

Preview Case

British Home Stores

BRITISH HOME STORES (BHS), THE retailer which is part of the United Kingdom's Storehouse Group, recently embarked on a campaign to revamp its staid image. BHS has long been noted for its good quality and value-for-money range of clothing, household furnishings and appliances, and food. This long-established institution has been a big player in British high streets. The problem, however, is that in the face of increasing high-street competi-

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tion and retailing innovations in the 1980s, the stores no longer came across as exciting to consumers. A marketing executive at BHS put the problem this way: 'Not enough people get up in the morning and think "I must go to BHS". Shoppers just drift into the store from the high street. Unlike Marks & Spencer, the BHS brand is "too neutral".' There appeared to be a big gap between consumers' perception of what the BHS brand offered and the reality – good quality and well-priced products, besides the convenience of its high-street location. 'When you go in the store it is actually better than you expected.'

To remedy the situation, BHS spent three to four years developing a new image and culture – a young, energetic organisation – and defining the stores' value propositions. (These moves were all part of the restructuring and recovery of the Storehouse Group itself.) The BHS brand is promoted on three platforms: fashion-moderate products (which are up-to-date but mainstream, not at the cutting edge of fashion), consistent and appropriate quality, and low prices that are attractive to mothers on tight budgets, who are by far the largest group among BHS's customers.

The company undertook a vast brand-building exercise. The retailer's goal was to communicate its revamped positioning to its target market and to attract shoppers to the store.

BHS uses several promotion tools to communicate its new message to its customers. A chief component of its communication programme is TV advertising. The ads are adapted to show each season's clothes and can be extended to other BHS lines (e.g. lighting). In-store events, such as beach parties, are staged to display the season's fashions. These are organised in stores around the country to gain local publicity and as a general promotional tool.

The BHS logo has also been revamped. The new logo is a more feminine, more fluid version of the one it replaces and seeks to communicate the feeling of excitement and energy that is to be associated with the brand. To support the repositioning of the BHS brand, the company had to refurbish its stores and replace the old fascias in order to reflect its new image. Not only do the fascias of stores display the new logo, but carrier bags and labels also carry it. Moreover, store interiors have been revamped with a new look that communicates the brand's new and fresher image. 'In-store design shows off merchandise to greater effect and allows it to breathe.'

BHS uses advertising to raise consumers' awareness of the BHS brand. The ad campaign is also about elevating the brand in the minds of people to whom it might be neutral. The public relations and sales promotions exercises, like the in-store events, are used to draw consumers into the stores in order for them to see what the store really has to offer. The company also uses other elements in the marketing mix – product quality, the way merchandise is presented in the store, its logo and low price – to communicate its total offering to its target market. BHS has to co-ordinate all these aspects to get the most out of its promotional programme.[1]

QUESTIONS

1. Identify the different forms of communication that BHS uses to reach its target customers.
2. What are the key objectives of these communications tools?
3. Why does BHS use a combination of approaches to communicate with its target customers?

4. How effective do you think is BHS's communications mix?
5. What should BHS do to ensure that all aspects of its communication programme are well co-ordinated?
6. Thinking about the major changes that are occurring in the communications environment (e.g. advances in computer/information technology, growth in direct marketing), how might the retailer exploit recent developments to create effective communications strategies?

promotion mix
The specific mix of advertising, personal selling, sales promotion and public relations that a company uses to pursue its advertising and marketing objectives.

advertising
Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.

personal selling
Oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales.

sales promotion
Short-term incentives to encourage purchase or sales of a product or service.

public relations
Building good relations with the company's various publics by obtaining favourable publicity, building up a good 'corporate image', and handling or heading off unfavourable rumours, stories and events. Major PR tools include press relations, product publicity, corporate communications, lobbying and counselling.

Introduction

The questions posed above relate to some of the key issues that marketers must address when designing a marketing communications strategy. Modern marketing calls for more than just developing a good product, pricing it attractively and making it available to target customers. Companies must also communicate with their customers, and what they communicate should not be left to chance.

To communicate well, companies often hire advertising agencies to develop effective ads, sales promotion specialists to design sales-incentive programmes, direct-marketing specialists to develop databases and interact with customers and prospects by mail and telephone, and public relations firms to develop corporate images. They train their salespeople to be friendly, helpful and persuasive. For most companies, the question is not whether to communicate, but how much to spend and in what ways.

A modern company manages a complex marketing communications system (see Figure 18.1). The company communicates with its intermediaries, consumers and various publics. Its intermediaries communicate with their consumers and publics. Consumers have word-of-mouth communication with each other and with other publics. Meanwhile, each group provides feedback to every other group.

A company's total marketing communications mix – called its promotion mix – consists of the specific blend of advertising, personal selling, sales promotion and public relations tools that the company uses to pursue its advertising and marketing objectives. Let us define the four main promotion tools:

- Advertising. Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.
- Personal selling. Oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales and building customer relationships.
- Sales promotion. Short-term incentives to encourage the purchase or sale of a product or service.
- Public relations. Building good relations with the company's various publics by obtaining favourable publicity, building up a good 'corporate image', and handling or heading off unfavourable rumours, stories and events.[1]

In recent years, direct communications with carefully targeted individual consumers to obtain an immediate response are gaining importance as a communication tool. Unlike a salesperson confronting a customer face to face, arguably the most direct sort of marketing, the new direct approaches, typically

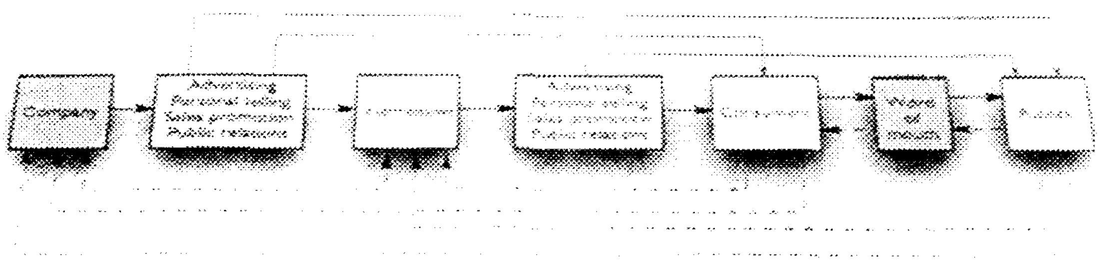


Figure 18.1 The marketing communications system

called **direct marketing**, involve the use of mail, telephone, fax, e-mail and other non-personal tools to communicate directly with specific consumers or to solicit a direct response. Because of its rising importance, modern marketers have frequently referred to it as the fifth element of the communications mix. However, direct marketing techniques are not just communication devices; they are also sales channels in their own right. For example, many companies use direct channels to sell their products. A wide range of products and services, including computers, software, financial services, clothing and household appliances can be purchased by phone, mail and even the Internet.

direct marketing *Marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response.*

Within these categories are specific tools. For example, advertising includes print, radio and television broadcast, outdoor and other forms. Personal selling includes sales presentations, fairs and trade shows, and incentive programmes. Sales promotion includes activities such as point-of-purchase displays, premiums, discounts, coupons, competitions, speciality advertising and demonstrations. Direct marketing includes catalogues, telemarketing, fax, the Internet and more. Thanks to technological breakthroughs, people can now communicate through traditional media, such as newspapers, radio, telephone and television, as well as through newer types of media (e.g. fax machines, cellular phones, pagers and computers). The new technologies have encouraged more companies to move from mass communication to more targeted communication and one-to-one dialogue.

At the same time, communication goes beyond these specific promotion tools. The product's design, its price, the shape and colour of its package, and the stores that sell it – all communicate something to buyers. Thus, although the promotion mix is the company's primary communication activity, the entire marketing mix – promotion and product, price and place – must be **co-ordinated** for greatest communication impact.

In this chapter, we begin by examining three questions. First, *how does the communication process work?* Second, *what are the main steps in developing effective marketing communication?* Third, *how should the promotion budget and mix be determined?* We then look at recent dramatic changes in marketing communications that have resulted from shifting marketing strategies and advances in computers and information technologies. Finally, we outline the legal, ethical and social responsibility issues in marketing communications. In Chapter 19, we will look at *mass-communication tools* – that is, advertising, sales promotion and public relations. Chapter 20 examines the sales force as a communication and promotion tool. Given the 'hybrid' role of direct marketing, we will review developments in direct and online marketing and address the implications for the firm's communications as well as distribution strategies in Chapter 22.

A View of the Communication Process

Too often, marketing communications focus on overcoming immediate awareness, image or preference problems in the target market. This approach to communication has limitations: it is too short term and costly, and most messages of this nature fall on deaf ears. Today, marketers are moving towards viewing communications as the *management of the customer buying process over time* – that is, from pre-selling through selling, to consuming and post-consumption stages. Because customers differ, the firm's communications programmes need to be developed for specific segments, niches and even individuals. Importantly, given the new interactive communications technologies, companies must ask not only 'How can we reach our customers?', but also 'How can we find ways to let our customers reach us?'

Thus, the communication process should start with an audit of all the potential interactions that target customers may have with the product and company. For example, someone buying a new computer may talk to others, see television commercials, read articles and advertisements in newspapers and magazines, and try out computers in the store. The marketer needs to assess the influence that each of these communications experiences will have at different stages of the buying process. This understanding will help marketers to allocate their communication budget more effectively and efficiently.

To communicate effectively, marketers need to understand how communication works. Communication involves the nine elements shown in Figure 18.2. Two of these elements are the major parties in a communication – the *sender* and the *receiver*. Another two are the essential communication tools – the *message* and the *media*. Four more are primary communication functions – *encoding, decoding, response* and *feedback*. The last element is *noise* in the system. We will explain each of these elements using an ad for Hewlett-Packard colour copiers.

- *Sender*. The party sending the message to another party – in this case, Hewlett-Packard.
- *Encoding*. The process of putting the intended message or thought into symbolic form – Hewlett-Packard's advertising agency assembles words and illustrations into an advertisement that will convey the intended message.
- *Message*. The set of words, pictures or symbols that the sender transmits – the actual HP copier ad.
- *Media*. The communication channels through which the message moves from sender to receiver – in this case, the specific magazines that Hewlett-Packard selects.
- *Decoding*. The process by which the receiver assigns meaning to the symbols encoded by the sender – a consumer reads the HP copier ad and interprets the words and illustrations it contains.
- *Receiver*. The party receiving the message sent by another party – the home office or business customer who reads the HP copier ad.
- *Response*. The reactions of the receiver after being exposed to the message – any of hundreds of possible responses, such as the customer is more aware of the attributes of HP copiers, actually buys an HP copier or does nothing.
- *Feedback*. The part of the receiver's response communicated back to the sender – Hewlett-Packard's research shows that consumers like and remember the ad, or consumers write or call HP praising or criticising the ad or HP's products.

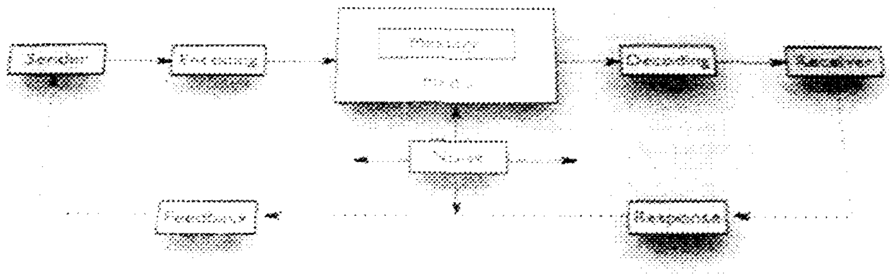


Figure 18.2 Elements in the communication process

- *Noise.* The unplanned static or distortion during the communication process, which results in the receiver getting a different message than the one the sender sent – for example, the customer is distracted while reading the magazine and misses the HP copier ad or its key points.

For a message to be effective, the sender's encoding process must mesh with the receiver's decoding process. Thus, the best messages consist of words and other symbols that are familiar to the receiver. The more the sender's field of experience overlaps with that of the receiver, the more effective the message is likely to be. Marketing communicators may not always share their consumers' field of experience. For example, an advertising copywriter from one social stratum might create an ad for consumers from another stratum – say, blue-collar workers or wealthy business executives. However, to communicate effectively, the marketing communicator must understand the consumer's field of experience.

This model points out the key factors in good communication. Senders need to know what audiences they want to reach and what responses they want. They must be good at encoding messages that take into account how the target audience decodes them. They must send messages through media that reach target audiences and they must develop feedback channels so that they can assess the audience's response to the message.

Steps in Developing Effective **Communication**

We now examine the steps in developing an effective integrated communications and promotion programme. The marketing communicator must do the following: identify the target audience; determine the communication objectives; design a message; choose the media through which to send the message; and collect feedback to measure the promotion's results. Let us address each of these steps in turn.

IdentifyingtheTargetAudience

A marketing communicator starts with a clear target audience in mind. The audience may be potential buyers or current users, those who make the buying decision or those who influence it. The audience may be individuals, groups, special publics or the general public. The target audience will heavily affect the communicator's decisions on what will be said, how it will be said, when it will be said, where it will be said and who will say it.

Determining the Communication Objectives

Once the target audience has been defined, the marketing communicator must decide what response is sought. Of course, in many cases, the final response is *purchase*. But purchase is the result of a long process of consumer decision making. The marketing communicator needs to know where the target audience now stands and to what state it needs to be moved. To do this he or she must determine whether or not the customer is ready to buy.

buyer-readiness stages The stages that consumers normally pass through on their way to purchase, including awareness, knowledge, liking, preference, conviction and purchase.

The target audience may be in any of six buyer-readiness stages – the stages that consumers normally pass through on their way to making a purchase. These stages are *awareness, knowledge, liking, preference, conviction* and *purchase* (see Figure 18.3). They can be described as a *hierarchy of consumer response stages*. The purpose of marketing communication is to move the customer along these stages and ultimately to achieve final purchase.

• *Awareness*

The communicator must first know how aware the target audience is of the product or organization. The audience may be totally unaware of it, know only its name or know one or a few things about it. If most of the target audience is unaware, the communicator tries to build awareness, perhaps starting with just name recognition. This process can begin with simple messages that repeat the company or product name. For example, when Nissan introduced its Infiniti automobile line, it began with an extensive 'teaser' advertising campaign to create name familiarity. Initial ads for the Infiniti created curiosity and awareness by showing the car's name, but not the car.

• *Knowledge*

The target audience might be aware of the existence of the company or of the product, but not know much more. Nissan may want its target audience to know more about the Infiniti. The company needs to learn how many people in its target audience have little, some or much knowledge about the Infiniti. To create product knowledge, Infiniti ads must inform potential buyers of the car's high quality and other innovative features.

• *Liking*

Assuming target audience members *know* the product, how do they *feel* about it? Once potential buyers knew about the Infiniti, Nissan's marketers would want to move them along to the next stage – to develop favourable feelings about the Infiniti. If the audience looks unfavourably on the Infiniti, the communicator has to find out why, and then resolve the problems identified before developing a communications campaign to generate favourable feelings.

• *Preference*

The target audience might *like* the product, but not *prefer* it to others. In this case, the communicator must try to build consumer preference by promoting the

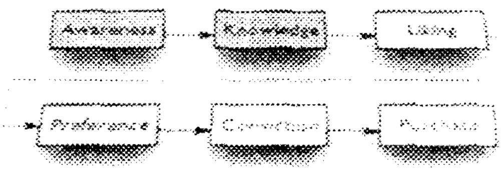


Figure 18.3 Buyer readiness stages

product's quality, value and other beneficial features. The communicator can check on the campaign's success by measuring the audience's preferences again after the campaign. If Nissan finds that many potential customers like the Infiniti but prefer other car brands, it will have to identify those areas where its offerings are not as good as competing deals and where they are better. It must then promote its advantages to build preference among prospective clients, while redressing its weaknesses.

- *Conviction*

A target audience might prefer the product, but not develop a conviction about buying it. Thus some customers may prefer the Infiniti to other car brands, but may not be absolutely sure that it is what they should buy. The communicator's job is to build conviction that the product is the best one for the potential buyer. Infiniti used a combination of the promotion-mix tools to create preference and conviction. Advertising extolled the Infinity's advantages over rival brands. Press releases and public relations activities stressed the car's innovative features and performance. Dealer salespeople told buyers about options, value for the price and after-sales service.

- *Purchase*

Finally, some members of the target audience might have conviction, but not quite get around to making the purchase. Potential Infiniti buyers might have decided to wait for more information or for the economy to improve. The communicator must lead these consumers to take the final step. Actions might include offering special promotional prices, rebates or premiums. Salespeople might call or write to selected customers, inviting them to visit the dealership for a special showing or test drive.

In discussing buyer readiness stages, we have assumed that buyers pass through cognitive (awareness, knowledge), affective (liking, preference, conviction), and behavioural (purchase) stages, in that order. This 'learn-feel-do' sequence is appropriate when buyers have high involvement with a product category and perceive brands in the category to be highly differentiated, as is the case when they purchase a product such as a car. But consumers often follow other sequences. For example, they might follow a 'do-feel-learn' sequence for high-involvement products with little perceived differentiation, such as a central heating system. Still a third sequence is the 'learn-do-feel' sequence, where consumers have low involvement and perceive little differentiation, as is the case when they buy a product such as salt.

Furthermore, marketing communications alone cannot create positive feelings and purchases for the product. So, for example, the Infiniti must provide superior value to potential buyers. In fact, outstanding marketing communications can actually speed the demise of a poor product. The more quickly potential buyers learn about the poor product, the faster they become aware of its faults. Thus, good marketing communications calls for 'good deeds followed by good words'. Nonetheless, by understanding consumers' buying stages and their appropriate sequence, the marketer can do a better job of planning communications.

Designing a Message

Having defined the desired audience response, the communicator turns to developing an effective message. Ideally, the message should get *Attention*, hold *Interest*, arouse *Desire* and obtain *Action* (a framework known as the AIDA model). In practice, few messages take the consumer all the way from awareness to purchase, but the AIDA framework suggests the desirable qualities of a good message.

In putting the message together, the marketing communicator must decide what to say (*message content*) and how to say it (*message structure* and *format*).

• *Message Content*

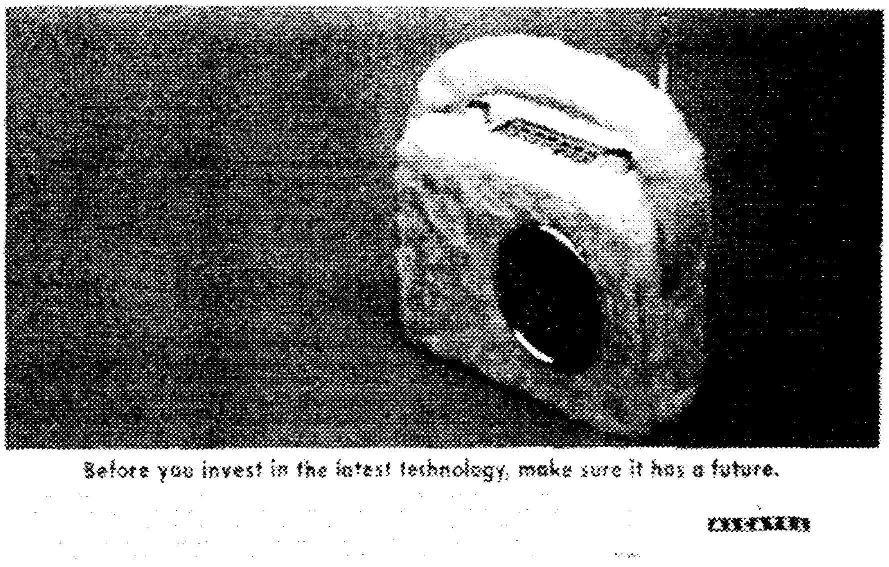
rational appeals Message appeals that relate to the audience's self-interest and show that the product will produce the claimed benefits; examples are appeals of product quality, economy, value or performance.

The communicator has to figure out an appeal or theme that will produce the desired response. There are three types of appeal: rational, emotional and moral. Rational appeals relate to the audience's self-interest. They emphasise the functional benefits — better performance, higher quality, outstanding economy or value – of the product. Thus, in its ads, Mercedes offers automobiles that are 'engineered like no other car in the world', stressing engineering design, performance and safety. One Volvo ad gives 'a whole stack of reasons' for buying the car – it has a rigid passenger safety cage, front and rear absorbing crumple zones, a catalytic converter that always works at peak efficiency, and many more reasons stressing design, safety and economy. When promoting computer systems to business users, IBM salespeople talk about quality, performance, reliability and improved productivity. Rational appeals are particularly appropriate in industrial buying situations and for the purchase of expensive consumer durable products.

emotional appeals Message appeals that attempt to stir up negative or positive emotions that will motivate purchase; examples are fear, guilt, shame, love, humour, pride and joy appeals.

Emotional appeals attempt to stir up either negative or positive emotions that can motivate purchase. These include fear, guilt and shame appeals that get people to do things they should (brush their teeth, buy new tyres) or to stop doing things they shouldn't (smoke, drink too much, eat fatty foods). For example, a recent Crest ad invoked mild fear when it claimed, 'There are some things you just can't afford to gamble with' (cavities). So did Michelin tyre ads that featured cute babies and suggested 'Because so much is riding on your tyres'. Communicators of industrial goods can also use emotional appeals, as in the case of Alcatel, which played on managers' fear of investing in technology that could become obsolete rapidly. Its ad says: 'Before you invest in the latest technology make sure it has a future.'

Advertisers also use positive emotional appeals such as love, humour, pride, promise of success and joy. Thus some ad themes, such as British Telecom's 'Make someone happy with a phone call', stir a bundle of strong emotions. Ad campaigns for Haagen-Dazs in the United Kingdom equated ice cream with pleasure (foreplay, to be more precise). 'It is the intense flavour of the finest ingredients combined with fresh cream that is essentially Haagen-Dazs', followed by the strapline: 'Now it's on everybody's lips'. The firm claimed that the ad was a success. During the three months it advertised in newspapers and their supplements, brand awareness doubled while sales in big outlets rose by a third. Over the year, the campaign had boosted sales by 58 per cent.



Moral appeals are directed to the audience's sense of what is right and proper. They are often used to urge people to support social causes such as a cleaner environment, better race relations, equal rights for women and aid to the disadvantaged. An example of a moral appeal is a Financial Times and Salomon Brothers ad drawing attention to a family festival and fun run in aid of the Imperial Cancer Research Fund and the Queen Elizabeth's Foundation for Disabled People. The ad informs viewers of the date and time of a fun/entertainment event. Runners taking part in a three-mile competitive run and a one-mile fun run each donate a sum of money to the charities. The ad stresses that the two charities count on the generosity of sponsors to continue their vital work - in the United Kingdom alone, about 2.8 million people are severely disabled; cancer is a disease which affects one in three people and kills one in four. If readers want more information and an entry form, they are invited to complete the reply coupon at the end of the ad or to telephone the event hot line. The advertisement also uses an emotional appeal - concern and sympathy for sufferers - to convey its cause to the target audience.

moral appeals
Message appeals that are directed to the audience's sense of what is right and proper.

• *Message Structure*

The communicator must decide HOW to say it. This requires the communicator to handle three message-structure issues. The first is whether to draw a conclusion or to leave it to the audience. Early research showed that drawing a conclusion was usually more effective where the target audience is less likely to be motivated or may be incapable of arriving at the appropriate conclusion. More recent research, however, suggests that in many cases where the targets are likely to be interested in the product, the advertiser is better off asking questions to stimulate involvement and motivate customers to think about the brand, and then letting them come to their own conclusions.

The second message structure issue is whether to present a one-sided argument (mentioning only the product's strengths), or a two-sided argument (touting the product's strengths while also admitting its shortcomings). Usually, a one-sided argument is more effective in sales presentations - except when audiences are highly educated or likely to hear opposing claims or are negatively disposed

[illegible] Both use moral and emotional [illegible]

The third message-structure issue is whether to present the strongest arguments first or last. Presenting them first gets strong attention, but may lead to an anti-climactic ending.

• *Message Format*

The communicator also needs a strong format for the message. In a print ad, the communicator has to decide on the headline, copy, illustration and colour. To attract attention, advertisers can use novelty and contrast; eye-catching pictures and headlines; distinctive formats; message size and position; and colour, shape and movement. If the message is to be carried over the radio, the communicator has to choose words, sounds and voices. The sound of an announcer promoting a used car should be different from one promoting quality furniture.

If the message is to be transmitted on television or conveyed in person, then all these elements plus body language have to be planned. Presenters plan their facial expressions, gestures, dress, posture and even hairstyle. If the message is carried on the product or its package, the communicator has to watch texture, scent, colour, size and shape. For example, colour plays an important communication role in food preferences.

> When consumers sampled four cups of coffee that had been placed next to brown, blue, red and yellow containers (all the coffee was identical, but the consumers did not know this), 75 per cent felt that the coffee next to the brown container tasted too strong; nearly 85 per cent judged the coffee next to the red container to be the richest; nearly everyone felt that the coffee next to the blue container was mild; and the coffee next to the yellow container was seen as weak.

Thus, if a coffee company wants to communicate that its coffee is rich, it should probably use a red container along with label copy boasting the coffee's rich taste.

Even when an individual is exposed to a message, he or she may pay no attention to the message because it is either boring or irrelevant. The communicator increases the chances of the message attracting the attention of the target audience by taking into consideration the following factors:

- The message must have a practical value to the target audience because individuals are in the market for the product (for example, advertising pension schemes to undergraduates is a waste of time as they are likely to find such policies irrelevant to them for the time being).
- The message must interest the target group.
- The message must communicate new information about the product or brand. Consumers pay more attention to new messages.
- The message must reinforce or help to justify the buyer's recent purchase decisions – if you have recently bought a personal computer, it is likely that you will notice or your attention will be quickly drawn to ads for the PC (the phenomenon is called cognitive dissonance reduction).
- The presentation of the message must be impactful. As explained above, this objective can be achieved by paying attention to message formats and stressing creativity in the way the copy, artwork/illustrations and physical layout or presentation are delivered.

While advertisers' basic aim is to get their ads noticed, they must be sensitive to, and comply with, codes of practice operated by the industry watchdogs or country regulators. Messages should be designed to create maximum impact but, at the same time, not cause public offence and irritation (see Marketing Highlight 15.1).

• Selecting the Message Source

Studies show that the message's impact on the target audience is also affected by how the audience views the communicator. The credibility and attractiveness of the message source – the company, the brand name, the spokesperson for the brand or the actor in the ad who endorses the product – must therefore be considered.

message source The company, the brand name, the spokesperson for the brand, or the actor in the ad who endorses the product.

Messages delivered by highly credible sources are more persuasive. Pharmaceutical firms want doctors to tell about their products' benefits because doctors rank high on expertise in their field, so they have high credibility. Many food companies promote to doctors, dentists and other healthcare experts to motivate these professionals to recommend their products to patients. For example, Sensodyne Toothpaste has, for years, promoted the product in dental surgeries, and ads use endorsements by dental practitioners to persuade target users to adopt the brand. However, the expert loses credibility if the audience believes the person is being paid to make product claims. To remain credible, the

Marketing Highlight 18.1

Communications: The Kine Line Between Attraction and Irritation

Very few advertisers set out deliberately to trick, mislead, insult or offend the public. Those that do, face a backlash from consumers and other parties, or find themselves debarred at source from the means to publicize their messages further because the media reject the ads that conflict with a country's codes of advertising practices.

Teasers: Good Campaigns Get the Nation Talking, a Bad One Attracts Complaints

Advertisers acknowledge that getting viewers to solve a puzzle in an advertisement is fair game in advertising. However, campaigns can backfire. Britvic Soft Drinks aired a 'Still Tango' ad which appealed to consumers to report any sightings of an apparently unlicensed product in the ad. Almost 30,000 consumers responded, only to be told that it was all a joke – they'd been 'Tango'd'! Sixty-three of those 'Tango'd' were so annoyed that they complained to the Independent Television Commission (ITC), which accused Britvic and its agency of undermining the credibility and authority of the medium – TV – and misleading consumers. People felt used, expressing irritation with the company for playing a prank on them. Britvic's teaser grabbed the audience's attention, but it ended up getting the wrong kind of publicity!

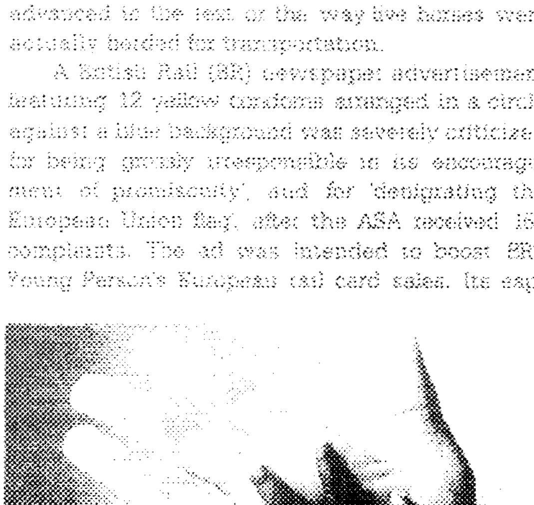
A campaign of a different kind caused uproar in Spain. An agency in Madrid sent out love letters to 50,000 young mothers in a direct-marketing campaign for Fiat's Cinquento car. A second batch of letters was then sent revealing the Cinquento as the secret admirer. Rather than this being seen as an amusing piece of junk mail, it caused a storm of protest. The agency claimed the reaction was mainly positive. The Spanish Women's Institute denounced the campaign. Some women were so troubled they were scared to leave the house.

There is a fine dividing line between attracting and irritating consumers. For most of the time, people are prepared to enjoy a light-hearted puzzle. A little intrigue adds interest. But the intrigue can only be stretched so far.

Bad Taste Ads?

Established brands using shock tactics can also do as much damage, although observers argue that it is really a question of what is socially intolerable and a matter of taste. Recently, charities and pressure groups have inspired a considerable amount of criticism. An RSPCA (Royal Society for the Prevention of Cruelty to Animals) campaign drew attention to the plight of horses exported for consumption by using a harrowing image of a dead pony hanging from a hook. The advertising watchdog, the ASA, upheld complaints against the ad, not because it had any wish to frustrate the RSPCA's efforts to enlighten the public, but because the visual image used was deemed misleading and grossly offensive. The advertisement did not successfully reflect either the argument advanced in the text or the way live horses were actually herded for transportation.

A British Rail (BR) newspaper advertisement featuring 12 yellow condoms arranged in a circle against a blue background was severely criticized for being 'grossly irresponsible in its encouragement of promiscuity', and for 'denigrating the European Union flag', after the ASA received 164 complaints. The ad was intended to boost BR's Young Person's European rail card sales. Its exp-



[illegible]

tion was Inter-Rail. You've got the rest of your life to be good' and supported the European Commission's 'Europe Against AIDS' initiative. BR denied that the ad encouraged promiscuity. Rather it was consistent with research evidence — that a significant proportion of 16–25-year-olds had sexual encounters without a condom while on holiday. BR was urged to avoid further advertisements in that style!

More noteworthy is the controversy that has dogged Italian clothing designer and manufacturer Benetton's 'United Colors' ads throughout the late 1980s and mid-1990s. In 1989 public opinion in the United States forced it to withdraw those showing a black woman breastfeeding a white child. In 1991 a blood-smeared newborn baby ad received more than 800 complaints to the UK's ASA, criticizing Benetton for provoking public distress and outrage, and displaying a conspicuous disregard for the sensitivities of the public. Benetton agreed to withdraw the advertisement. Magazine publishers and poster contractors supported the ASA in its ruling against Benetton by refusing space to the advertiser. Other Benetton ads – a black child depicting a devil contrasting with a white cherub, an AIDS victim, a baby's bottom stamped 'HIV positive', the Queen of England as a black woman, the bloodied uniform of a dead Bosnian soldier, a nun kissing a priest, a black stallion mounting a white mare – consistently created furore. Benetton argues that the campaigns were not about pushing sales. Nor were they intended to insult or hurt. Rather they were designed to capture people's interest, promote tolerance and provoke reflection.

There is little doubt that Benetton's shocking ads succeeded in creating worldwide publicity and kept its name on everybody's lips. But was it good or bad publicity? Over the years, its campaigns have been rejected in a number of countries. For example, in 1996 some ads were banned in Germany following protests from the firm's retailers, and three of Belgium's largest billboard operators refused to carry the 'black horse on white horse' poster in August 1996.

More recently, Benetton has been changing its style, dropping its 'shock' posters in favour of more subtle ways of communicating its business philosophy to target audiences. The company is opening up shops all over the world. But its new shops are no ordinary outlets. One in Milan, for example, is staffed by penniless north African immigrants. And there is a common thread — shops in the Bosnian capital of Sarajevo, in Siberia, Albania, Estonia, Ukraine, Libya, Cameroon and Croatia. Benetton's publicity strategy is 'to make consumers think', says the controversial Oliviero Toscani, Benetton's freelance photographer and advertising guru. Benetton's new-image shops do just that. The one in Milan was a response to European Union moves to restrict immigration to Europe. Benetton's message remains the same as in its shock ads. But now, these shops give Benetton another channel to make challenging gestures. The big question is: Will this help to sell lots and lots of clothes?

Sources: [illegible] 'Ireland's ... backfired badly', The European ([illegible] 1994), p. 22; Claire Murphy, 'When the rules [illegible] unacceptable', *Marketing Week* (1? July 1994), p. [illegible]; [illegible], 'BR's condom-flag advert is labelled "irresponsible"', *Financial Times* (5 October 1994), p. [illegible]; Sarah Cunningham, 'Benetton to drop its shock tactics', *The European* (8–14 July 1994), p. 23; 'As you sow, so shall you reap' and 'Benetton cover story', *Marketing Week* (3 February 1995), pp. 5 and 23 respectively; Frances Cunningham, 'Mounting pressure', *The European* (15–21 August 1996), p. 16; Stephanie Bentley, 'Benetton risks fresh outrage', *Marketing Week* (13 September 1996), p. 9.

source must be perceived by the target audience as being an expert where the product is concerned and trustworthy: that is, objective and honest in his or her opinion of the benefits claimed for the product.

Marketers also use celebrities to speak for their products. For example, when the pan-European television station MTV launched its UK-only music channel VH-1 in September 1994, it chose a cast of US celebrities who would appeal to its target audience of older viewers. Ads featured, among others, fashion designer Bruce Oldfield, England rugby captain Will Carling and Anglo-Norwegian television presenter Mariella Frostrup.[1]

Other notable examples are Michael Jackson, who was the star in Pepsi-Cola's ad, and O.J. Simpson for the car rental firm Hertz. Celebrities are effective when they personify a key product attribute, but there can be a backlash, as in the case of both Jackson and Simpson, when they are caught up in unsavoury publicity which tarnishes their credibility and esteem with the audience.

Attractiveness is associated with the prestige of the source, his or her similarity with the receiver, or the physical or personal attractiveness of the source. It is also likely that the more attractive the source, the more he or she will be liked by the audience. It is therefore not surprising that many advertisers use well-known film stars, famous models and top sports people to endorse their products.

Choosing Media

personal communication channels
Channels through which two or more people communicate directly with each other, including face to face, person to audience, over the telephone, or through the mail.

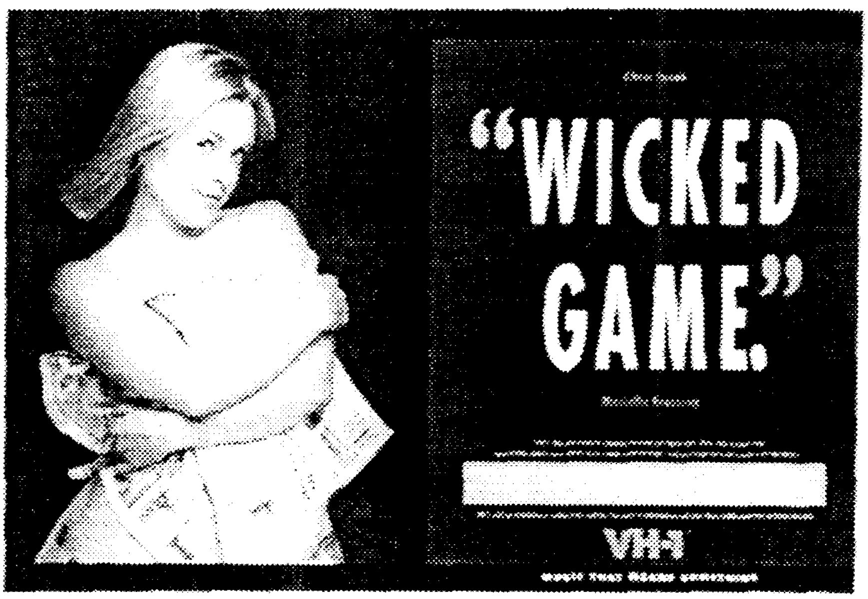
The communicator must now select channels of communication. There are two broad types of communication channel: personal and non-personal.

• *Personal Communication Channels*

In personal **communication channels**, two or more people communicate directly with each other. They might communicate face to face, over the telephone, through the mail or even through an internet chat. Personal communication channels are effective because they allow for personal addressing and feedback.

word-of-mouth influence
Personal communication about a product between target buyers and neighbours, friends, family members and associates.

Some personal communication channels are controlled directly by the communicator, as in the case of company salespeople who contact buyers in the target market. Other personal communications about the product may reach buyers through channels not directly controlled by the company. These might include independent experts – consumer advocates, consumer buying guides and others – making statements to target buyers. Or, they might be neighbours, friends, family members and associates talking to target buyers. This last channel, known as word-of-mouth **influence**, has considerable effect in many product areas.



Here, Anglo-Norwegian television presenter Mariella Frostrup has taken part in VH-1's launch campaign to promote the new music channel in Britain.

Personal influence carries great weight for products that are expensive, risky or highly visible. For example, buyers of cars and major appliances often go beyond mass-media sources to seek the opinions of knowledgeable people.

Companies can take several steps to put personal communication channels to work for them:

- They can devote extra effort to selling their products to well-known people or companies, which may, in turn, influence others to buy.
- They can create *opinion leaders* - people whose opinions are sought by others - by supplying certain people with the product on attractive terms. For example, companies can work through community members, such as local radio personalities and leaders of local organizations.
- They can use influential people in their advertisements or develop advertising that has high 'conversation value'.
- Finally, the firm can work to manage word-of-mouth communications by finding out what consumers are saying to others, by taking appropriate actions to satisfy consumers and correct problems, and by helping consumers seek information about the firm and its products.[7]

• *Non-Personal Communication Channels*

Non-personal communication channels are media that carry messages without personal contact or feedback. They include major media, atmospheres and events. Important media consist of print media (newspapers, magazines, direct mail); broadcast media (radio, television); and display media (billboards, signs, posters). Atmospheres are designed environments that create or reinforce the buyer's leanings towards buying a product. Thus lawyers' offices and banks are designed to communicate confidence and other factors that might be valued by their clients. Events are occurrences staged to communicate messages to target audiences. For example, public relations departments arrange press conferences, grand openings, shows and exhibits, public tours and other events to communicate with specific audiences.

Non-personal communication affects buyers directly. In addition, using mass media often affects buyers indirectly by causing more personal communication. Communications first flow from television, magazines and other mass media to opinion leaders and then from these opinion leaders to others. Thus opinion leaders step between the mass media and their audiences and carry messages to people who are less exposed to media. This suggests that mass communicators affect attitudes and behaviour through a fico-step *flow-of-communication process*.[8]

The two-step flow concept challenges the notion that people's buying is affected by a 'trickle-down' of opinions and information from higher social classes. Because people mostly interact with others in their own social class, they pick up their fashion and other ideas from people *like themselves*, who are opinion leaders. The two-step flow concept also suggests that mass communicators should aim their messages directly at opinion leaders, letting them carry the message to others. Pharmaceutical firms direct their new drugs promotions at the most influential doctors and medical experts first - the 'thought leaders' in the profession; if they are persuaded, their opinions have an impact upon the new product's acceptance by others in the field. Thus opinion leaders extend the influence of the mass media. Or, they may alter the message or not carry the message, thus acting as gatekeepers.

non-personal communication channels
Media that carry messages without personal contact or feedback, including media, atmospheres and events.

media
Non-personal communications channels including print media (newspapers, magazines, direct mail); broadcast media (radio, television); and display media (billboards, signs, posters).

atmospheres
Designed environments that create or reinforce the buyer's leanings towards consumption of a product.

events
Occurrences staged to communicate messages to target audiences; examples are news conferences and grand openings.

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Collecting Feedback

After sending the message, the communicator must research its effect on the target audience. This involves asking the target audience members whether they remember the message, how many times they saw it, what points they recall, how they felt about the message, and their past and present attitudes towards the product and company. The communicator would also like to measure behaviour resulting in the message - how many people bought a product, talked to others about it or visited the store.

Figure 18.4 shows an example of feedback measurement for two hypothetical brands. Looking ;it Brand A, we find that 80 per cent of the total market is aware of it, that 60 per cent of those aware of it have tried it, but that only 20 per cent of those who tried it were satisfied. These results suggest that although the communication programme is creating *awareness*, the product fails to give consumers the *satisfaction* they expect. Therefore, the company should try to improve the product while staying with the successful communication programme. In contrast, only 40 per cent of die total market is aware of Brand B, only 30 per cent of those aware of Brand B have tried it, but 80 per cent of chose who have tried it are satisfied. In this case, the communication programme needs to be stronger to take advantage of the brand's power to obtain.satisfaction.

Setting the Total Promotion Budget and Mix

We have looked at the steps in planning and sending communications to a target audience. But how does the company decide on the total *promotion budget* and its division among the major promotional tools to create the *promotion mix?* We now look at these questions.

Setting the Total Promotion Budget

One of the hardest marketing decisions facing a company is how much to spend on promotion. John Wanamaker, an American department store magnate, once said: 'J know that half of my advertising is wasted, but I don't know which half. I spent $2 million for advertising, and 1 don't know if that is half enough or twice too much.' It is not surprising, therefore, that industries and companies vary widely in how much they spend on promotion. Promotion spending may be 20-30 per cent of sales in the cosmetics industry and only 5-10 per cent in the industrial machinery industry. Within a given industry, both low and high spenders CM be found.

How does a company decide on its promotion budget? There are four common methods used to set the total budget for advertising: the affordable method, the percentage-of-sales method, the competitive-parity method and the objective-and-taskmethod."

• *Affordable Method*

affordable method *Settirig the promotion budget at the level management thinks thti company can afford.*

A common 'rule-of-thumb' used by many companies is the affordable method: they set the promotion budget at the level they think the company can afford. They start with total revenues, deduct operating expenses and capital outlays, and then devote some portion of the remaining funds to advertising.

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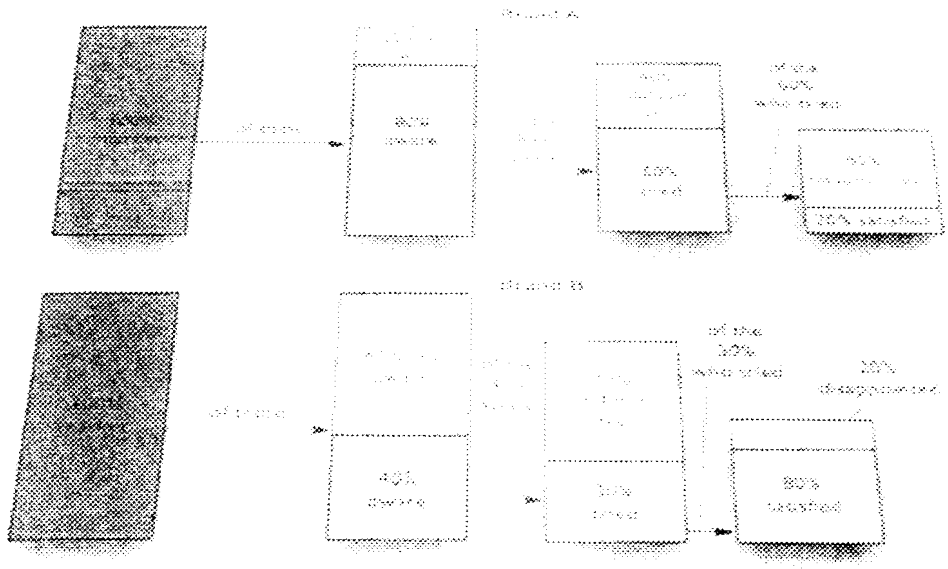

Figure 18.4 Feedback measurements for two brands

Unfortunately, this method of setting budgets completely ignores the effect of promotion on sales. It tends to place advertising last among spending priorities, even in situations where advertising is critical to the firm's success. It leads to an uncertain annual promotion budget, which makes long-range market planning difficult. Although the affordable method can result in overspending on advertising, it more often results in underspending.

Percentage-of-Sales Method

In the percentage-of-sales method, marketers set their promotion budget at a certain percentage of current or forecast sales. Or they budget a percentage of the sales price. Automotive companies usually budget a fixed percentage for promotion based on the planned car price. Fast-moving consumer goods companies usually set it at some percentage of current or anticipated sales.

percentage-of-sales method
Setting the promotion budget at a certain percentage of current or forecast sales or as a percentage of the sales price.

The percentage-of-sales method has advantages. It is simple to use and helps managers think about the relationship between promotion spending, selling price and profit per unit. The method supposedly creates competitive stability because competing firms tend to spend about the same percentage of their sales on promotion.

Despite these claimed advantages, however, there is little to justify the method. It wrongly views sales as the cause of promotion rather than as the result.[11] The budget is based on availability of funds rather than on opportunities. It may prevent the increased spending sometimes needed to turn around falling sales. It fails to consider whether a higher or lower level of spending would be more profitable. Because the budget varies with year-to-year sales, long-range planning is difficult. Finally, the method does not provide any basis for choosing a specific percentage, except what has been done in the past or what competitors are doing.

• *Competitive-Parity Method*

competitive-parity method
Setting the promotion budget to match competitors' outlays.

Other companies use the **competitive-parity method**, setting their promotion budgets to match competitors' outlays. They watch competitors' advertising or get industry promotion-spending estimates from publications or trade associations, and then set their budgets based on the industry average.

Two arguments support this method. First, competitors' budgets represent the collective wisdom of the industry. Second, spending what competitors spend helps prevent promotion wars. Unfortunately, neither argument is valid. There are no grounds for believing that the competition has a better idea of what a company should be spending on promotion than does the company itself. Companies differ greatly in terms of market opportunities and profit margins, and each has its own special promotion needs. Finally, there is no evidence that budgets based on competitive parity prevent promotion wars.

• *Objective-and-Task Method*

objective-and-task method
Developing the promotion budget by (1) defining specific objectives; (2) determining the tasks that must be performed to achieve these objectives; and (3) estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

The most logical budget-setting method is the **objective-and-task method**, whereby the company sets its promotion budget based on what it wants to accomplish with promotion. The method entails (1) defining specific objectives; (2) determining the tasks needed to achieve these objectives; and (3) estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

The objective-and-task method forces management to spell out its assumptions about the relationship between amount spent and promotion results. But it is also the most difficult method to use. Managers have to set sales and profit targets and then work back to what tasks must be performed to achieve desired goals. Often it is hard to figure out which specific tasks will achieve specific objectives. For example, suppose Sony wants 95 per cent awareness for its latest camcorder model during the six-month introductory period. What specific advertising messages and media schedules would Sony need in order to attain this objective? How much would these messages and media schedules cost? Sony management must consider such questions, even though they are hard to answer. By comparing the campaign cost with expected profit gains, the financial viability of the promotions campaign can be determined.

The main advantage of this method is that it forces managers to define their communication objectives, to determine the extent to which each objective will be met using selected promotion tools and the financial implications of alternative communication programmes.

Setting the **Promotion** Mix

The company must divide the total promotion budget among the main promotion tools – advertising, personal selling, sales promotion and public relations. It may also have to decide just how much of its promotions will involve direct marketing. It must blend the promotion tools carefully into a co-ordinated *promotion mix*. Companies within the same industry differ greatly in how they design their promotion mixes. For example, Avon spends most of its promotion funds on personal selling and catalogue marketing, whereas *Revlon* spends heavily on consumer advertising. Electrolux sells most of its vacuum cleaners door to door, whereas Hoover relies more on advertising and promotion to retailers.

Companies are always looking for ways to improve promotion by replacing one promotion tool with another that will do the same job more economically.

Many companies have replaced a portion of their field sales activities with telephone sales and direct mail. Other companies have increased their sales promotion spending in relation to advertising to gain quicker sales.

Designing the promotion mix is even more complex when one tool must be used to promote another. Thus when British Airways decides to offer air miles for flying with the company (a sales promotion), it has to run ads to inform the public. When Lever Brothers uses a consumer advertising and sales promotion campaign to back a new washing powder, it has to set aside money to promote this campaign to the resellers to win their support.

Many factors influence the marketer's choice of promotion tools. We now look at these factors.

• *The Nature ofEach Promotion Tool*

Marketers have to understand the unique characteristics and the costs of each promotion tool in deciding the promotion mix. Let us examine each of the major tools.

ADVERTISING. The many forms of advertising make it hard to generalise about its unique qualities. However, several qualities can be noted:

- Advertising can reach masses of geographically dispersed buyers at a low cost per exposure.
- Because of advertising's public nature, consumers tend to view advertised products as standard and legitimate - buyers know that purchasing the product will be understood and accepted publicly.
- Advertising enables the seller to repeat a message many times, and it lets the buyer receive and compare the messages of various competitors.
- Large-scale advertising by a seller says something positive about the seller's size, popularity and success.
- Advertising is also very expensive, allowing the company to dramatize its products through the artful use of print, sound and colour.
- On the one hand, advertising can be used to build up a long-term image for a product (such as Coca-Cola ads). On the other hand, advertising can trigger quick sales (as when a department store advertises a weekend sale).
- Advertising can reach masses of geographically spread-out buyers at a low cost per exposure.

Advertising also has some shortcomings:

t Although it reaches many people quickly, advertising is impersonal and cannot be as persuasive as company salespeople.
- Advertising is only able to carry on a one-way communication with the audience, and the audience does not feel that it has to pay attention or respond.
- In addition, advertising can be very costly. Although some advertising forms, such as newspaper and radio advertising, can be done on smaller budgets, other forms, such as network TV advertising, require very large budgets.

PERSONAL SELLING. Personal selling is the most effective tool at certain stages of the buying process, particularly in building up buyers' preferences, convictions and actions. Compared to advertising, personal selling has several unique qualities:

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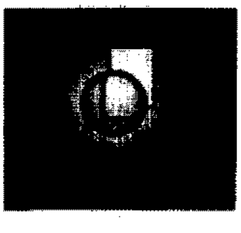
Marketing Highlight 18.2



Promotions for Children: Can Childish Things Build Sates arid Brand Loyally?

Many consumer-goods companics consciously target their sales promotions at kids. They argue that it is great for building sales and loyalty. Manufacturers also agree that children are not easy targets. They are fickle, so it is crucial for the firm to 'strike the right note', while avoiding venturing too far into the delicate area of 'pester power'. Parents are all too familiar with pester power — the child's demand for the latest craze, be it a food or toy, that has been hyped on television. Observers argue that, in the long run, it is the fun promotions that are educational and offer *real value* to target consumers which will build brand loyalty.

Creating Brand Loyalty

One of the most successful kids' crazes in recent years has been dinosaurs - Dino stickers, Dino cups, Dino cards, Dino games, Dino crisps, Dino biscuits all stalked supermarket shelves. (Remember Ninja Turtles? Well, the story is very much the same, although parents were spared Ninja Turtle crisps and biscuits!) The Spielberg blockbuster *Jurassic Park* was partly responsible, but manufacturers and merchandisers have also deliberately focused upon kids' interest in the dinosaur itself - they learn about dinosaurs at school, how they lived and the mystery of their extinction. McDonald's, the restaurant chain, was one of the many big names which signed up for a themed promotion, where kids could collect all six of its *Jurassic Park* cups. McDonald's argues that 'children are very finicky and anything that is of the moment will interest them, ... this means you will have to be on top of the trends'. McDonald's, however, is a consistent investor in promotions, as reflected in its long-standing 'Happy Meals' offer for children. The challenge lies in maintaining the appeal of the offers, which calls for creativity in value creation.

Sometimes, authorities can get in the way of booms. In Israel, consumers were urged to boycott food companies mounting such promotions because dinosaurs were ruled as not kosher. Moreover, they died 65 million years ago, so the rabbinical authorities decreed that they could never have existed as the world was created only 5,753 years ago.

It is difficult to decide whether the children themselves create the trends or simply follow them. Nevertheless, most promoters agree that promotions linked to current crazes have a superior chance of success, so long as they follow trends discriminatingly and ensure that they do not conflict with the product.

Banking Up Promotions

Jacob's, a biscuit manufacturer, joined the dinosaur boom and successfully launched dinosaur biscuits throughout Europe. The biscuits were promoted on television and in cinemas, and the company also sponsored a dinosaur exhibition at London's Alexandra Park. Extensive back-up is often required to build awareness for the promotion as well as to maintain the momentum over its duration.

In the United Kingdom. Rayner Burgess invested in a mix of promotional tools for Crusha, its milk drink - PR, sales promotions and competitions in women's magazines and youth press, and samplings at the Milk Marketing Board and National Dairy Council roadshows around the country.

What Appeals to Children?

T-shirts seem to be a big hit. Crusha offered T-shirts that changed design when wem, which reported a redemption of 250 per cent higher than any previous offer it promoted. Parents liked the product as it encouraged kids to drink milk. The promotion also added genuine value to the product - kids do not just want instant appeal with no substance. Walkers (crisps) offered Looney Tunes T-shirts, which also worked because they were made relevant and desirable by picking up one of the most popular characters within die Looney Tunes portfolio, the Tasmanian Devil, and positioning it as the Big Taz T. The T-shirt itself was promoted on design and quality. Even the colour was carefully chosen - kids prefer coloured T-shirts to white.

Experts suggest that other items like stickers and models retain popularity. If these also leak into the current crazes, they have a good chance of success. Although kids still prefer traditional items, practitioners draw attention to two main considerations when planning sales promotions for children. First, children are usually more comfortable with modern technology than their parents are, so the promoter must avoid patronizing them. Secondly, children enjoy the challenge of being required to make some effort (e.g. participate in competitions, or patiently collect tokens). Parents, on the other hand, may find it hard to summon the energy for such tasks, but can find the motivation if the effort is worth it (e.g. educational, enthuses the child) and offers genuine value. Thus, childish things can build sales and loyalty but it's not child's play.

SOURCE: Louella Miles, 'Childish things', *Marketing Business* (December–January 1993), pp. 36–8.

- It involves personal interaction between two or more people, so each person can observe the other's needs and characteristics and make quick adjustments.
- Personal selling also allows all kinds of relationships to spring up, ranging from a matter-of-fact selling relationship to a deep personal friendship. The effective salesperson keeps the customer's interests at heart in order to build a long-term relationship.
- Finally, with personal selling the buyer usually feels a greater need to listen and respond, even if the response is a polite 'no thank you'.

These unique qualities come at a cost, however. A sales force requires a longer-term commitment than does advertising - advertising can be turned on and off, but sales force size is harder to change. Personal selling is also the company's most expensive promotion tool, costing industrial companies an average of almost £200 per sales call.

SALES PROMOTION. Sales promotion includes a wide assortment of tools - coupons, contests, price reductions, premium offers, free goods and others - all of which have many unique qualities:

- They attract consumer attention and provide information that may lead to a purchase.
- They offer strong incentives to purchase by providing inducements or contributions that give additional value to consumers.
- Moreover, sales promotions invite and reward quick response. Whereas advertising says 'buy our product', sales promotion offers incentives to consumers to 'buy it now'.

Companies use sales promotion tools to create a stronger and quicker response. Sales promotion can be used to dramatize product offers and to boost sagging sales. Sales promotion effects are usually short-lived, however, and are not effective in building long-run brand preference. To work, manufacturers must carefully plan the sales promotion campaign and offer target customers genuine value. Only then will they enhance perceived brand image, build sales and maintain customer loyalty (see Marketing Highlight 18.2).

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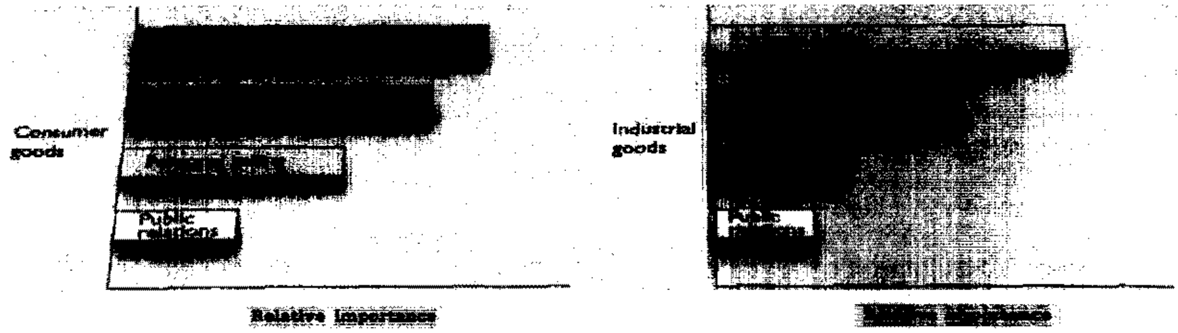

Figure 18.5 **Relative importance of promotion tools in consumer versus industrial markets**

PUBLIC RELATIONS. Public relations or PR offers several unique qualities, It is all those activities that the organization does to communicate with target audiences which are not directly paid for.

- PR is very believable: news stories, features and events seem more real and convincing to readers than ads do.
- Public relations can reach many prospects who avoid salespeople and advertisements, since the message gets to the buyers as 'news' rather than as a sales-directed communication.
- And, like advertising, PR can dramatize a company or product. The Body Shop is one of the few international companies that have used public relations as a more effective alternative to mass TV advertising-

Marketers tend to underage public relations or to use it as an afterthought. Yet a well-thought-out public relations campaign used with other promotion-mix elements can be very effective and economical.

DIRECT MARKETING. Although there are many forms of direct marketing - direct mail, telemarketing, electronic marketing, online marketing and others- they all share four distinctive characteristics.

- Direct marketing is non-public as the message is normally addressed to a specific person.
- Direct marketing is immediate and customized, so messages can be prepared quickly and tailored to appeal to specific customers.
- Direct marketing is interactive: it allows a dialogue between the communicator and the consumer, and messages can be altered depending on the consumer'? response.

Thus, direct marketing is well suited to highly targeted marketing efforts and to building one-to-one relationships.

Factors in Setting the Promotion Mix

Companies consider many factors when developing their promotion mixes; namely, the type of product/market, the use of a push or pull strategy, the buyer-readiness stage and the product life-cycle stage.

Advertising can play a dramatic role in industrial marketing, as shown in this classic McGraw-Hill ad.

TYPE OF PRODUCT/MARKET. The importance of different promotional tools varies between consumer and business markets (see Figure 18.5). Consumer-goods companies usually put more of their funds into advertising, followed by sales promotion, personal selling and then public relations. Advertising is relatively more important in consumer markets because there are a larger number of buyers, purchases tend to be routine, and emotions play a more important role in the purchase-decision process. In contrast, industrial-goods companies put most of their funds into personal selling, followed by sales promotion, advertising and public relations. In general, personal selling is used more heavily with expensive and risky goods, and in markets with fewer and larger sellers.

Although advertising is less important than sales calls in business markets, it still plays an important role. Advertising can build product awareness and knowledge, develop sales leads and reassure buyers. Similarly, personal selling can add a lot to consumer goods marketing efforts. It is simply not the case that 'salespeople put products on shelves and advertising takes them off'. Well-trained consumer-goods salespeople can sign up more dealers to carry a particular brand, convince them to give more shelf space and urge them to use special displays and promotions.

push strategy
A promotion strategy that calls for using the sales force and trade promotion to push the product through channels. The producer promotes the product to wholesalers, the wholesalers promote to retailers, and the retailers promote to consumers.

pull strategy
A promotion strategy that calls for spending a lot on advertising and consumer promotion to build up consumer demand. If the strategy is successful, consumers will ask their retailers for the product, the retailers will ask the wholesalers, and the wholesalers will ask the producers.

PUSH VERSUS PULL STRATEGY. The promotional mix is influenced by whether the company chooses a *push* or *pull* strategy. Figure 18.6 contrasts the two strategies. A push strategy involves 'pushing' the product through distribution channels to final consumers. The firm directs its marketing activities (primarily personal selling and trade promotion) towards channel members to induce them to carry the product and to promote it to final consumers. Using a pull strategy, the producer directs its marketing activities (primarily advertising and

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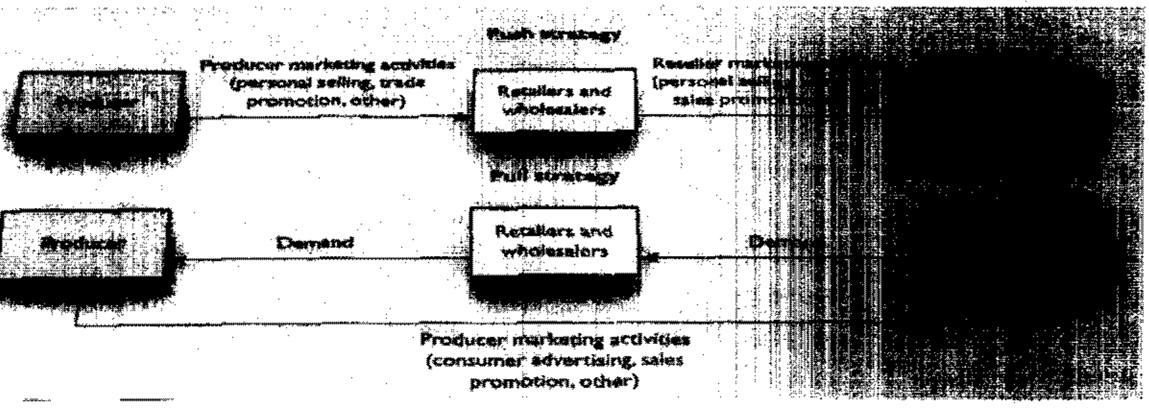

Figure 18.6 **Push versus pull promotion strategy**

consumer promotion) towards final consumers to induce them to buy the product. If the pull strategy is effective, consumers will then demand the product from channel members, which will in turn demand it from producers. Thus under a pull strategy, consumer demand 'pulls' the product through the channels.

Some small industrial-goods, companies use only push strategies; some direct-marketing companies use only pull. However, most large companies use some combination of both. For example, Lever Brothers uses mass-media advertising to pull consumers to its products and a large sales force and trade promotions to push its products through the channels.

In recent years, consumer-goods companies have been decreasing the pull portions of their promotion mixes in favour of more push. There are a number of reasons behind this shift in promotion strategy. One is that mass-media campaigns have become more expensive and many companies in Europe, the United States and Japan have cut back due to recessionary pressures over the early 1990s. Many firms have also found advertising less effective in recent years. Companies are increasing their segmentation efforts and tailoring their marketing programmes more narrowly, making national advertising less suitable than localized retailer promotions. In these days of heavy brand extensions and me-too products, many companies are finding it difficult to feature meaningful product differentiations in advertising. Instead, they differentiate their brands through price reductions, premium offers, coupons and other promotions aimed at the trade.

The growing strength of retailers is also a key factor speeding the shift from pull to push. Big retail chains in Europe and the United States have greater access to product sales and profit information. They have the power to demand and get what they want from suppliers. And what they want is margin improvements - that is. more push. Mass advertising bypasses them on its way to the consumers, but push promotion benefits them directly. Consumer promotions give retailers an immediate sales boost and cash from trade allowances pads retailer profits. So, manufacturers arc compelled to use push promotions just to obtain good shelf space and advertising support from their retailers.

However, reckless use of push promotion leads to fierce price competition and a continual spiral of price slashing and margin erosion, leaving less money to invest in the product R & D, packaging and advertising' that is required to improve and maintain long-run consumer preference and loyalty. Robbing the advertising budget to pay for more sales promotion could mortgage a brand's long-term future for short-term gains. While push strategies will remain important, particularly in packaged-goods marketing, companies that find the best mix between the two - consistent advertising to build long-run brand value and consumer preference and sales promotion to create short-run trade support and consumer excitement — are most likely to win the battle for loyal and satisfied customers.[11]

BUYER-READINESS STAGE. The effects of the promotional tools vary for the different buyer-readiness stages. Advertising, along with public relations, plays the leading role in the awareness and knowledge stages, more important than that played by 'cold calls' from salespeople. Customer liking, preference and conviction are more affected by personal selling, which is closely followed by advertising. Finally, closing the sale is mostly done with sales calls and sales promotion. Clearly, advertising and public relations are the most cost effective at the early stages of the buyer decision process, while personal selling, given its high costs, should focus on the later stages of the customer buying process.

PRODUCT LIFE-CYCLE STAGE. The effects of different promotion tools also vary with stages of the product life cycle. In the introduction stage, advertising and public relations are good for producing high awareness, and sales promotion is useful in getting early trial. Personal selling efforts must be geared to persuading the trade to carry the product. In the growth stage, advertising and public relations continue to be powerful influences, whereas sales promotion can be reduced because fewer incentives are needed. In the mature stage, sales promotion again becomes important relative to advertising. Buyers know the brands and advertising is needed only to remind them of the product. In the decline stage, advertising is kept at a reminder level, public relations is dropped and salespeople give the product only a little attention. Sales promotion, however, might continue at a high level in order to stimulate trade and prop up sales to customers.

The Changing Face of Marketing Communications

During the past few decades, companies around the world have perfected the art of mass marketing—selling highly standardized products to masses of customers. In the process, they have developed effective mass-media advertising techniques to support their mass-marketing strategies. These companies routinely invest huge sums of money in the mass media, reaching tens of millions of customers with a single ad. However, as we move into the twenty-first century, marketing managers are facing some new marketing communications realities.

The Changing Communications Environment

Two major factors are changing the face of today's marketing communications. First, as mass markets have fragmented, marketers are shifting away from mass marketing. More and more, they are developing focused marketing programmes designed to build closer relationships with customers in more narrowly defined micromarkets. Second, vast improvements in computer and information technology are speeding the movement towards segmented marketing. Today's information technology helps marketers to keep closer track of customer needs - more

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information is available about customers at the individual and household levels than ever before. New technologies also provide new communications avenues for reaching smaller customer segments with more tailored messages.

The shift from mass marketing to segmented marketing has had a dramatic impact on marketing communications. Just as mass marketing gave rise to a new generation of mass-media communications, so the shift towards one-to-one marketing is spawning a new generation of more specialized and highly targeted communications efforts.[12]

Given this new communications environment, marketers must rethink the roles of various media and promotion-mix tools. Mass-media advertising has long dominated the promotion mixes of consumer-product companies. However, although television, magazines and other mass media remain very important, their dominance is declining. Market fragmentation has resulted in media fragmentation - in an explosion of more focused media that better match today's targeting strategies. For example, back in the 1970s and 1980s, in many developed countries, the three or four major TV networks attracted a majority of the nation's viewing audience. By the mid-1990s, that number had dropped significantly as cable television and satellite broadcasting systems offered advertisers dozens or even hundreds of alternative channels that reach smaller, specialized audiences.[13] Similarly, there has been a proliferation of special-interest magazines in recent decades, reaching more focused audiences. Beyond these media channels, companies are making increased use of new, highly targeted media, ranging from video screens on supermarket shopping trolleys to CD-ROM catalogues, online computer services and Web sites on the Internet,

More generally, advertising appears to be giving way to other elements of the promotion mix. In the glory days of mass marketing, consumer-product companies, such as Heinz, P & G and Mars, spent the lion's share of their promotion budgets on mass-media communications. Today, media advertising captures a much reduced proportion of die total promotion spend.[14] The rest goes to various sales promotion activities, which can be focused more effectively on individual consumer and trade segments. In all, companies are doing less *broadcasting and* more *narro-wcasting*, relying on a richer variety of focused communication tools which allow them to reach their many and diverse target markets.

Integrated Marketing Communications

The recent shift from mass marketing to targeted marketing, and the corresponding use of a richer mixture of communication channels and promotion tools, poses a problem for marketers. Consumers are being exposed to a greater variety of marketing communications from and about the company from a broader array of sources. However, customers do not distinguish between message sources in the way marketers do. In the consumer's mind, advertising messages from different media such as television, magazines or online sources blur into one. Messages delivered via different promotional approaches - such as advertising, personal selling, sales promotion, public relations or direct marketing - all become part of a single overall message about the company. Conflicting messages from these different sources can result in confused company images and brand positions.

All too often, companies fail to integrate their various communications channels. The result is a hodgepodge of communications to consumers. Mass advertisements say one thing, a price promotion sends a different signal, a product label creates still another message, company sales literature says something altogether different and the company's Web site seems out of sync with everything else.

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The problem is that these communications often come from different company sources. Advertising messages are planned and implemented by the advertising department or advertising agency. Personal selling communications are developed by sales management. Other functional specialists are responsible for public relations, sales promotion, direct marketing, online sites and other forms of marketing communication. Moreover, members of various departments often differ in their views on how to split the promotion budget. The sales manager would rather hire a few more salespeople than spend £150,000 on a single television commercial. The public relations manager feels that he or she can do wonders with some money shifted from advertising to public relations.

In the past, no one person was responsible for thinking through the communication roles of the various promotion tools and co-ordinating the promotion mix. Today, however, more companies are adopting the concept of integrated marketing communications (IMC). Under this concept, the company carefully integrates and co-ordinates its many communications channels - mass-media advertising, personal selling, sales promotion, public relations, direct marketing, packaging and others - to deliver a clear, consistent and compelling message about the organization and its products.[5] It builds a strong brand identity in the marketplace by tying together and reinforcing all the company's positioning, images and messages across all its marketing communications venues. It means that your PR materials say the same thing as your direct mail campaign, and your advertising has the same "look and feel" as its Web site. When Japanese car maker Honda launched its new five-door Civic, the company used an integrated approach whereby its agencies were obliged to co-operate with each other to generate the same branding and visuals across its TV ads, direct marketing and sales promotion.

integrated marketing communications *The concept under which a company carefully integrates and co-ordinates its many communications channels to deliver a clear, consistent, and compelling message about the organization and its products.*

The company works out the roles that the various promotional tools will play and the extent to which each will be used. It carefully co-ordinates the promotional activities and the timing of when major campaigns take place. It keeps track of its promotional expenditures by product, promotional tool, product life-cycle stage and observed effect in order to improve future use of the promotion-mix tools. Finally, to help implement its integrated marketing strategy, the company appoints a marketing communications director who has overall responsibility for the company's communications effort. To integrate its external communications effectively, the company must first integrate its internal communications activities.

Integrated marketing communications produces better communications consistency and greater sales impact. It places the responsibility in someone's hands - where none existed before - to unify the company's image as it is shaped by thousands of company activities. It leads to a total marketing communication strategy aimed at showing how the company and its products can help customers solve their problems.

Socially Responsible Marketing Communication

Whoever is in charge, people at all levels of the organization must be aware of the growing body of legal and ethical issues surrounding marketing communications. Most marketers work hard to communicate openly and honestly with consumers and resellers. Still, abuses may occur, and public policy makers have developed a substantial body of laws and regulations to govern advertising, personal selling, sales promotion and direct marketing activities.

By law, companies must avoid false or deceptive advertising. Advertisers must not make false claims, such as suggesting that a product cures something when it does not. They must avoid ads that have the capacity to deceive, even though no one may actually be deceived. A car cannot be advertised as getting 32 miles per gallon unless it does so under typical conditions, and a diet bread eannot be advertised as having fewer calories simply becaxise its slices are thinner.

Sellers must avoid bait-and-switch advertising or deceptive sales promotions that attract buyers under false pretences. For example, a large retailer advertised a dishwashing machine at £179. However, when consumers tried to buy the advertised machine, the seller downplayed its features, placed faulty machines on showroom floors, understated the machine's performance and took other actions in an attempt to switch buyers to a more expensive machine. Such actions are both unethical and illegal.

International advertisers must also observe local rules. For example, in the United States, direct-to-consumer advertising is allowed for prescription drugs. Pharmaceutical firm EliLilly uses magazine advertisements to boost public awareness of its $2.4 bilhon-a-year anti-depressant, Prozac. Heavy consumer promotion of cholesterol-lowering drugs, such as Bristol-Myers Squibb's Pravachol, Warner-Lambert's Lipitor and Merck's Zocor, pushed up sales by 30 per eent in 1996.[16] In Europe, such advertisements are illegal. Prescription drugs ean be promoted only in medical journals and other publications where qualified physicians are presumed to browse.

A company's trade promotion activities are also closely regulated. For example, in some countries, sellers cannot favour certain customers through their use of trade promotions. They must make promotional allowances and services available to all resellers on proportionately equal terms.

Beyond simply avoiding legal pitfalls, such as deceptive or bait-and-switch advertising, companies ean invest in communications to encourage and promote socially responsible programmes -and actions. For example, earth-moving equipment manufacturer Caterpillar is one of several companies and environmental groups forming the Tropical Forest Foundation, which is working to save the great Amazon rain forest. It uses advertising to promote the cause and its involvement. British Telecom's sponsorship of *Swimaihou*, Europe's largest participatory sporting event in 1996, combined a swimming challenge with charity fund raising - the 46,000 swimmers who registered for the event raised £1.39 million.[17]

A company's salespeople must follow the. rules of 'fair competition'. Some countries Kave enacted deceptive sales acts that spell out what is not allowed For example, salespeople may not lie to consumers or mislead them about the advantages of buying a product. To avoid bait-and-switch practices, salespeople's statements must match advertising claims. In business-to-business selling, salespeople may not offer bribes to purchasing agents or to others who can influence a sale. They may not obtain or use technical or trade seDrets of competitors through bribery or industrial espionage. And salespeople must not disparage competitors or competing products by suggesting things that are not true. No doubt, the laws governing sales and marketing practices differ across countries. Thus, international marketers must be fully aware of the laws and regulations governing sales and marketing communications practices, and how they differ across the countries in which they operate, when designing cross-border communications programmes. Beyond understanding and abiding by these laws and regulations, companies should ensure that they communicate honestly and fairly with consumers and resellers.

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Summary

Modern marketing calls for more than just developing a good product, pricing it attractively and making it available to target customers. Companies must also communicate with current and prospective customers, and what they communicate should not be left to chance. For most companies, the question is not *whether* to communicate, *but how much* to spend and in *what ways*.

In this chapter, we firstly defined the company's total *marketing communications mix* - also called *promotion mix* - as the specific blend of *advertising, personal stilling, sales promotion, public relations* and *direct marketing* tools that the company uses to pursue its advertising and marketing objectives. Advertising includes any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. In contrast, public relations focuses on building good relations with the company's various publics by taining favourable unpaid publicity. Firms use sales promotion to provide rt-term incentives to encourage the purchase or sale of a product or service. Personal selling is any form of personal presentation by the firm's sales force for the purpose of making sales and building customer relationships. Finally, firms seeking immediate response from targeted individual customers use non-personal direct marketing tools to communicate with customers.

Next we looked at the nine elements of the communication process and how the process works: the *sender* and *receiver* are the two main parties in a communication; the *message* and *media* are the major communication tools; *encoding, decoding, response and feedback* are the major functions performed; and noise is die unplanned distortion during the process.

Then we examined the steps involved in developing effective marketing' communication. In preparing marketing communications, the communicator's first task is to identify the target audience and its characteristics. Next, the communicator has to define the response sought, whether it be *awareness, knowledge, liking, preference, conviction* or *purchase*. Then a message should be constructed with an effective content and structure. *Media* must be selected, tor both personal and non- personal communication. Finally, the communicator must *cottest feedback* by watching how much of the market becomes aware, tries the product and is satisfied in the process.

We moved on to explain the methods that marketers use for setting the omotion budget and factors that affect the design of the promotion mix. The most popular approaches are to spend what the company can afford, to use a percentage of sales, to base promotion on competitors' spending or to base it on an analysis and costing of the communication objectives and tasks.

The company has to divide the *promotion budget* among the major tools to create the *promotion mix*. Companies can pursue a *push* or a *pull* promotional strategy, or a combination of the two. The best blend of promotion tools depends on the type of product/market, the desirability of the buyer's readiness stage and the product life-cycle stage.

This chapter also identified the major factors that are changing today's marketing communications environment. First, recent shifts in marketing strategy from mass marketing to targeted or one-on-one marketing, coupled with advances in computers and information technology, have had a dramatic impact on marketing communications. Although still important, the mass media arc giving way to a profusion of smaller, more focused media. Companies are doing less *broadcasting* and more *narrowcasting*.

Secondly, people at all levels of the organization must be aware of the many 1 and ethical issues surrounding marketing communications today. Companies must work hard and proactively at communicating openly, honestly and agreeably with their intermediaries and consumers.

Finally, we discussed the process and advantages of *integrated marketing communications*. As marketing communicators adopt richer but more fragmented media and promotion mixes to reach their diverse markets, they prevent the danger of creating a communications hodgepodge for consumers by adopting integrated marketing communications. This calls for carefully integrating all sources of company communication to deliver a clear and consistent message to target markets. To integrate its external communications effectively, die company must first integrate its internal communications activities. The company then works out the roles that the various promotional tools will play and the extent to which each will be used. It carefully co-ordinates the promotional activities and the timing of when major campaigns take place. Finally, to help implement its integrated marketing strategy, the company appoints a *marketing communications director* who has overall responsibility for the company's communications efforts.

Key Terms

Advertising 756
Affordable method 770
Atmospheres 769
Buyer-readiness stages 760
Competitive-parity method 772
Direct marketing 757
Emotional appeals 762
Events 769
Integrated marketing communications 781
Media 769
Message source 765
Moral appeals 763
Non-personal communication channels 769
Objectivc-and-task method 772
Pcrcentagc-of-sales method 771
Personal communication channels 768
Personal selling 756
Promotion mix 756
Public relations 756
Pull strategy 777
Push strategy 777
Rational appeals 762
Sales promotion 756
Word-of-mouth influence 768

Discussing the Issues

Which forms of marketing communications could be used for each of the following?

- Pop group Spice Girls' world tour.
- The launch of Nokia's new mobile communications system.
- A university's Business Studies department seeking to attract more overseas students on a master's degree programme.
- Ilaagen-Dazs' new line of icecream and desserts.
- Marks & Spencer opening a new store in an edge-of-town retail park

2. Linda McCartney (wife of Paul McCartney, pop star and former member of the legendary 'Beatles') had been used to endorse a line of reduced caloric, health-food products. Her name was a key selling feature on the packaging- of these products. Was she a credible source for the product? Was she chosen for her credibility as a spokesperson or for some other reason?

3. How does an organization get feedback on the effects of its communication efforts? You may discuss the question using the examples on sales promotion campaigns outlined in Marketing Highlight 18.2.

4. Consider a consumer-goods company that has historically set the promotion budget as a percentage of anticipated sales. Make out a case for changing the method, indicating your preferred method, and explain why.

5. Companies spend a huge amount of money on advertising to build a quality image for their products. Refer to the examples of misleading and 'bad taste' ads in Marketing Highlight 18.1 To what extent do you think such advertisements help to raise a brand's image?

What are the shorter-term objectives might they achieve in the short term? What might be the effects on product sales in the short term, and over the longer term?

5. Charity Projects, the organisation behind Comic Relief, must arrange for the organisation of Red Nose Day. It is planning a new fund-raising campaign to raise millions of pounds to support development and emergency projects in Africa and Britain. Prepare a communication plan to achieve this objective.

Applying the Concepts

Think of a nationally advertised product or service that has been running an advertising message for a while. Go to a bookshop, newsagent and/or the library and seek out magazines and other relevant print media that may contain print advertising for the brand you have selected. Where possible, copy examples of the ads from current and back issues of the magazines and the printed material you have amassed. Now examine the ads closely.

- How consistent are the message content, structure and format?
- Which response(s) do you think the campaign is seeking: awareness, knowledge, liking, preference, conviction or purchase?
- Do you think the ad campaign is successful in achieving the desired response? Why or why not?

Consider a car brand you are familiar with.

- List examples of how that brand uses the range of promotion tools to communicate with its target audience. (For the latter, examples may be difficult to spot, although you might consider how cars are used in films and television programmes or as celebrity vehicles, or sports team and public events.)
- Does this car maker use the communication tools in a coordinated way that builds a consistent brand image, or are the efforts fragmented? Explain.

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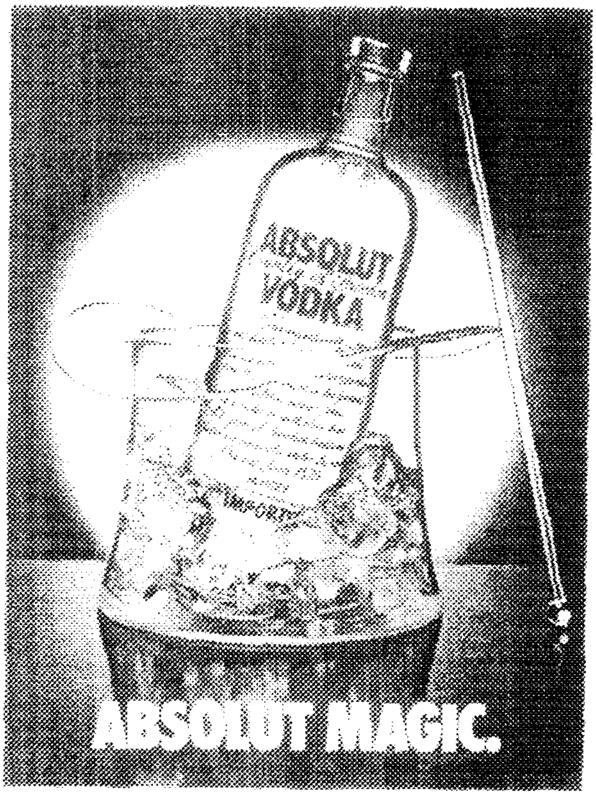
Case 18

Absolut Vodka: Absolutely Successful

Pontus Alenroth, Robert Björnström, Joakim Eriksson and Thomas Helgesson[1]



The bottle continues to be the centrepiece in recent campaigns like Absolut Magic. This ad conjures the vodka's aura of exclusiveness, timelessness and silver magic

Little did Lars Olsson Smith know, when he introduced a new kind of vodka called 'Absolutely Pure Vodka' in 1879, that his unique concept would become the world's leading premium vodka a century later. Lars Olsson Smith, whose portrait embellishes every Absolut Vodka bottle, was a self-made spirits tycoon in nineteenth-century Sweden. He introduced a revolutionary new distillation method – the rectification/continuous distillation method – which is still used today when producing Absolut Vodka. The result was a clear high-quality vodka, free from dangerous and bad-tasting by-products. As its label shows, Absolut Vodka trades on its heritage.

[1] Halmstad University, Sweden.

ABSOLUT
Country of Sweden

VODKA
This superb vodka
was distilled from grain grown
in the rich fields of Sweden.
It has been produced by the famous
old distilleries of Åhus
in accordance with more than
400 years of Swedish tradition.
Vodka has been sold under the name
Absolut since 1879.

Despite its long traditions, Absolut Vodka is a modern success. Tn 1979, when the 100th anniversary of Absolutely Pure Vodka was approaching, Vin & Sprit, the Swedish state-owned alcohol monopoly, decided to start exporting the vodka to the United States. After objections from American authorities, the name Absolutely Pure Vodka was changed to Absolut Vodka. American consultants had surveyed the US spirits market and found 'a clearly discernible consumer trend towards "white spirits" [such as vodka, gin and white rum] as opposed to "brown spirits" [brandy, whiskey and dark rum]; white spirits are seen as being purer and healthier'. Vin & Sprit had no marketing or product design experience, so it employed outside teams of marketing and management experts to create an adequate product for the newly discovered market.

The design of the bottle was recognized at an early stage as crucial to success. The final result is almost entirely the result of the persistence of one man, Gunnar Broman. Gunnar Broman got the idea when he saw some eighteenth-century medicine bottles in the window of an antique shop in the Old Town in Stockholm. The bottles were elegant, different, simple and very Swedish. Actually vodka was sold as a medicine in not dissimilar bottles during the eighteenth and nineteenth centuries. Broman had to argue his case for more than a year until the bottle was finally approved and the manufacturing problems were overcome. The resulting Absolut bottle was very different from competitors' bottles. The new version of an old medicine bottle was considered a masterpiece in glass design. The timeless shape, the fine lines and the exceptionally clear glass distinguish Absolut from other premium vodka brands.

Independently of each other, the marketing team in Sweden and Carillon, their US distributors, came up with marketing strategies that were almost identical. 'All advertising should centre around the bottle, the product should not be identified with any particular lifestyle, and the approach should have a timeless yet contemporary feel to it.' Every advertisement has two features in common: the depiction of an Absolut bottle and a two- or three-word caption beginning with the word 'Absolut'. It hit the US market in 1979 and became the biggest-selling imported vodka brand. In 1997 Vin & Sprit shipped 5,5 million nine-litre cases worldwide.

The innovative way of marketing Absolut contrasted directly with that of the established brands. As David Wachsman points out, the advertising of spirits in the United States used 'one of three formats: a roomful of exceedingly happy people, a celebrity holding a glass or old-fashioned settled family life'. Then came 'Absolut Perfection' and hundreds of different ads.

Absolut Vodka is a highly priced premium vodka and therefore has an aura of up-market exclusiveness. Considering the target market and the early magazine ads (Absolut Perfection, etc.), a tie-up with the arts world was inevitable. The first step in this direction was taken in 1985 when the New York cult pop artist Andy Warhol was commissioned to paint the Absolut Vodka bottle. Today Absolut co-operates with artists and designers in all the contemporary arts. 'The purity and clarity' of the product, says Goran Lundquist, President, The Absolut Company a part of the Vin & Spirit Group, is a 'timeless source of inspiration'. There are now over 3,000 works in the Absolut collection, all featuring some aspect of the bottle or label. Like other very successful campaigns the marketing is so sensational that the product receives a huge amount of free media exposure. In Absolut's case this has even occurred in markets that did not allow alcohol advertising.

Due to the fame that Absolut's unconventional marketing has generated, the advertising agency receives thousands of requests for ad reprints of the product, which has become a modern icon. In 1993, besides having won the Effie and the Kelly awards, Absolut was honoured with an induction into the Marketing Hall of Fame. That seal of approval confirmed Absolut's success and impact on the American lifestyle, especially since the only other brands that have received such an honour are Coke and Nike. 'Absolut Art' is also achieving international recognition. Warhol's and other key US works, together with others specially commissioned from French artists Bosser and Delprat, were shown at Paris's prestigious Lavignes-Bastille Gallery in late 1994. From there, the exhibition mewed to London's Royal College of Art, where new works by British artists, including Peter Blake, were added. The exhibition then travelled in turn to Berlin, Munich and Milan.

The modest sales during the first years contrast with the current situation, where Absolut Vodka is recognized as the leading premium vodka and the second-largest vodka brand overall. Absolut Vodka gave Vin & Sprit a lifeline amidst declining Swedish demand for spirits. Siiles grow continuously over the years. Absolut is today the no. 6 bestselling spirit brand in the world with a sales volume of almost 50 million litres.

An ingenious bottle and creative marketing played a crucial part in the Absolut saga, but Vin & Sprit's distribution partnership was also crucial to its success. Recently, however, Absolut hid farewell to Carillon, its international distributor. After a long and fruitful relationship, Absolut has outgrown Carillon. The new choice is the Canadian company Seagram, the world's leading alcohol distributor with an international distribution network spanning 150 countries. With Seagram's help the Absolut Company intends to reinforce Absolut's presence in new markets, notably in Russia and Europe. It also hopes to increase its penetration in the more than 100 countries where Absolut is already present.

The Absolut Akademi aims to create 'a competitive edge through people'. 'The goal is to build a quality culture around a quality product.' Another tool in marketing is the *Absolut Reflexions* magazine, which is distributed in all markets. Used as a PR tool, *Absolut Reflexions* spreads news of the brand, its advertising and activities to consumers all over the world.

Despite Absolut's success, Vin & Sprit's profits were less than 1 per cent of turnover in 1993. At the end of 1994 Vin & Sprit lost its monopoly status in Sweden. Other producers were allowed and the company no longer had exclusive rights regarding wholesale sales to the state retail company, System-Bolaget. Vin & Sprit is tackling the problem by economizing and expanding. Its Stockholm distillery closed in 1995 to concentrate production in three remaining plants. The total number of employees was also reduced by a third.

While economizing at home Vin & Sprit aims to follow Absolut's success in the United States with an attack on the European, Asian and Pacific markets. Compared with the United States, the European market is slow growing, fragmented and conservative. Europe has many leisure drinking cultures, but these vary from region to region and there are well-established traditions everywhere. Except for countries where vodka is the national drink, the European vodka market is underdeveloped. Vodka is drunk by only 4 per cent of consumers in Europe, compared to 21 per cent of Americans. To repeat its American success, Absolut will need clever and innovative strategies tailored specifically for each of Europe's submarkets. Vin & Sprit is bullish about Absolut's chances in Europe. 'We have built up a wide experience of operating abroad and we are confident we can meet the competition,' says Vin & Sprit's Margareta Nystrom. The company believes that wherever there is a demand for premium vodka, Absolut Vodka is the optimal choice. 'Absolut Vodka proves itself time and time again as more than just a fine vodka: it's an idea. And nothing can stop an idea whose time has come.'

QUESTIONS

1. What is the foundation of Absolut Vodka's success? Is it the vodka, the bottle, the distribution or the promotion?
2. How does Absolut's marketing build upon American trends in the late 1980s and early 1990s? Is Absolut a fashion product that will decline with the trends?
3. Do you believe that Absolut Vodka 'is an idea whose time has come' and that nothing can stop its success?
4. Vin & Sprit's European campaign uses ads in the same style that has been so successful in the United States. Do you think the US approach will work in other regions?
5. Since Absolut Vodka is such a lifestyle product, would you recommend that Vin & Sprit should extend the brand into other markets in the same way as Virgin has extended into video games, PCs, cola and vodka?
6. Absolut's successful advertising has benefited greatly from the publicity it generated. Can advertising campaigns be designed to create such media attention or is the success of Wonderbra, Benetton and their like, just good fortune?

Sources: The leading article in *Marketing Business* (November 1992), p. 1; *Absolut Reflections* (July 1992, April and October 1993, February 1994); *Affärsvärlden* (10 September, 1994); *Månadens Affärer* (August 1994); Gunnarsson Tegnérlundius, [illegible] and Arne Lövgren, *The Story* (Stockholm: Vin & Sprit, 1994); Greg [illegible] groups shaken by changes', *The European* (16–22 September, 1994) [illegible] Effectiveness Awards' (London: *Marketing*, 1994); Henry Button, '[illegible] art's sake', *The European* (23 October–3 November 1994), p. 23.

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Mass Communications: Advertising ^ Sales Promotion and Public Relations

GILAPTKR OBJECTIVES

After reading this chapter, you should be able to:

Detine the roles of advertising, sales promotion and public relations in the promotion mix.

Describe the main decisions involved in developing an advertising programme.

Explain how sales promotion campaigns are developed and implemented.

Explain how companies use public relations to communicate with their publics.

Promotions Medley!

•MARS CONFECTIONERY LAUNCHES A £140 MILLION European advertising campaign in a bid to maximize its appeal to Europe's male teenage market.'

'Sony doubles its pan-European advertising spend to back its new video games system, Playstation, with press and TV campaigns that will feature comic testimonies of people who have had their lives changed by playing Playstation.'

The UK's third largest charily, the Royal National Lifeboat Institution (RNLI), spends £1.5 million on direct marketing and will consider direct response television following a successful trial campaign - in which more than £55 million in voluntary income was received.'

'IBM will use generic advertising for its personal computers. To start off with, corporate advertising will emphasise IBM as a brand rather than a series of products. IBM also will run a £12 million pan-European advertising campaign for its new operating system.[1]

'Spanish designer Paco Rabanne launches XS pour Elle, a women's version of its XS men's fragrance. TV advertisements break simultaneously in France, the UK and Belgium.'

'Ready Brek, an instant hot oat cereal from Weetabix, teams up with Disney Home Video for an in-pack promotion. Children collect a set of eight moving picture cards based on original illustrations from the Disney film, *Snow White and the Seven 7te>ar/is*. The cards become available before the video of the film goes on sale. Children can also send away for a J 2-page booklet in which to mount eards for £1.50 and one completed order form. Over the period of the in-pack promotion campaign, Ready Brek packs also offer "10 per cent extra free". A national TV ad campaign focuses on the *Snow White* promotion and a full publicity programme is implemented to raise awareness of the video release.'

'Richard Branson's everywhere - the beard, the smile, the stories about this irrepressibly optimistic businessman leaping out of every newspaper, television and radio station, the publication of the man's second biography in five years. Virgin is his brand and that is going places too - Virgin launches into vodka, Virgin takes on Coca-Cola, Virgin gets FM frequency in London ... Radio 1 listeners vote Virgin's Branson the man they would most like to rewrite the ten commandments.' Branson shows how a well-lubricated PR (public relations) machine can work wonders for the company's leader and its brands.

These accounts are just a few examples reflecting the array of non-personal mass communication tools that organizations use to create awareness for their products or services, to secure greater support for their brands, to build or strengthen company image or to generate sales.'

QUESTIONS

1. Identify the range of mass-marketing techniques that marketers use to reach target customers.
2. What are their specific roles?
3. What are the major decisions involved in developing a mass-marketing campaign?
4. What is an integrated communications strategy and how might firms benefit from pursuing such a strategy?
5. What are the advantages and limitations of pan-European campaigns?
6. Consider the barriers to effective implementation of Europe-wide promotions and discuss the implications for international marketing managers.

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Introduction

The questions in the preview case get us to think about the alternative mass-marketing options open to marketers seeking to communicate with their target customers and to evoke desired responses. In this chapter, we address the major non-personal forms of communication and promotion. Personal selling is discussed in Chapter 20, whereas direct marketing and online approaches are examined in Chapter 22.

Companies must do more than offer good products or services. They must inform consumers about product or service benefits and carefully position these in consumers' minds. To do this, they must skilfully use the mass-promotion tools of *advertising, sales promotion* and *public relations*. We take a closer look at each of these tools in this chapter.

Advertising

We define **advertising** as any paid form of non-personal presentation and promotion of ideas, goods or services through mass media such as newspapers, magazines, television or radio by an identified sponsor. Advertising is used by many organizations to communicate specific messages about themselves, their products and services, or their modes of behaviour to a predefined target audience, in order to stimulate a response from the audience. The response may be perceptual in nature: for example, the consumer develops specific views or opinions about the product or brand, or these feelings are altered by the ad. The response could be behavioural: for instance, the consumer buys the product or increases the amount that he or she buys. Advertisers that sponsor advertisements include not only business firms, but also non-profit and social institutions such as charities, museums and religious organizations that promote causes to various target publics. Advertising is a good way to inform and persuade, whether the purpose is to build brand preference for Nokia mobile phones worldwide, or to motivate a nation's young consumers to drink more milk, or to encourage smokers to give up the habit.

advertising
Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.

In the European Union, advertisers run up an annual advertising bill of more than eeu45.4 billion. As recession in Europe lifts, and national economies revive, advertising spend in most EU countries has been forecast to rise towards the end of the 1990s. However, advertisers will remain cautious in terms of how best to use their advertising budget in order to achieve desired communication goals.[2]

Important Decisions in Advertising

Marketing management must make five important decisions when developing an advertising programme (see Figure 19.1).

Setting Objectives

The first step in developing an advertising programme is to set *advertising objectives*. These objectives should be based on decisions about the target market,

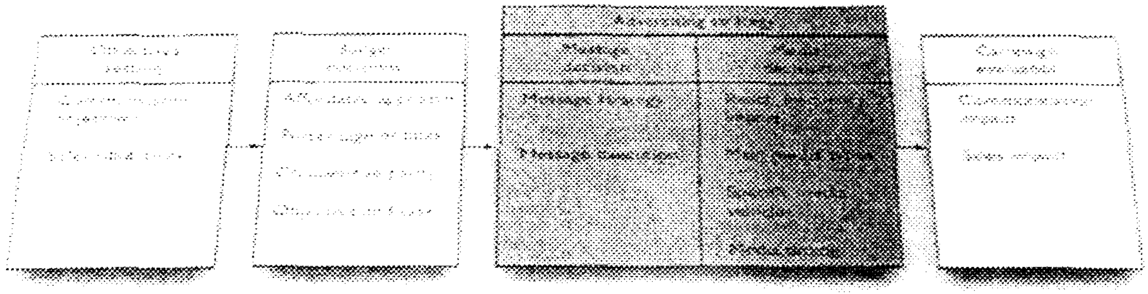


Figure 19.1 Main advertising derisions

positioning and marketing mix, which define the job that advertising must achieve in the total marketing programme.

advertising objective A specific communication task to be accomplished with a specific target audience during a specific period of time.

informative advertising Advertising used to inform consumers about a new product or feature and to build primary demand.

persuasive advertising Advertising used to build selective demand for a brand by persuading consumers that it offers the best quality for their money.

comparison advertising (knocking copy) Advertising that compares one brand directly or indirectly to one or more other brands.

An advertising objective is a specific communication task to be accomplished with a specific target audience during a specific period of time.[1] Advertising objectives can be classified by purpose, that is, whether their aim is to inform, persuade or remind. Table 19.1 lists examples of each of these objectives.

Informative advertising is used heavily when introducing a new product category. In this case, the objective is to build primary demand. Thus producers of compact disc players first informed consumers of the sound and convenience benefits of CDs. Persuasive advertising becomes more important as competition increases. Here, the company's objective is to build selective demand. For example, when compact disc players became established and accepted, Sony began trying to persuade consumers that its brand offered the best quality for their money.

Some persuasive advertising has become comparison advertising, in which a company directly or indirectly compares its brand with one or more other brands.

> Among the most frequent users of comparison advertising or knocking copy is the car industry. In the UK, Korean car maker Hyundai sought to raise awareness of its cars with a series of light-hearted efforts: 'Even a kettle has a longer guarantee than Rover'. Another example was the war of words between two yellow-fat manufacturers. Van den Berghs, part of Unilever, provoked a battle with a campaign for its low-fat spread, Delight, that made taste comparisons with St Ivel Gold, produced by Unigate, and parodied some of its ad lines. St Ivel retaliated with an ad for its Gold brand that targeted Flora, another Van Den Berghs product, and turned one of Flora's catchlines, 'For your blooming generation', into 'For your ballooning generation'. The argument was that Flora contained twice as much fat as Gold. This led to a telling-off from the UK's Advertising Standards Authority (ASA) on grounds that, as Flora was a different type of spread (a full-fat margarine), St Ivel was not comparing like with like. The ASA finally urged both advertisers to refrain from using the approach.[2]

There are potential dangers in using comparison advertising, especially when comparisons are unfair and escalate into denigration of a rival's brand. The

Table 19.1 Possible advertising objectives

To inform

- Telling the market about a new product
- Suggesting new uses for a product.
- Informing the market of a price change.
- Explaining how the product works
- Describing available services
- Correcting false impressions
- Reducing buyers' fears.
- Building a company image.

To persuade

- Building brand preference
- Encouraging switching to your brand.
- Changing buyer perceptions of product attributes.
- Persuading buyers to purchase now.
- Persuading buyers to receive a sales call.

To remind

- Reminding buyers that the product may be needed in the near future.
- Reminding buyers where to buy the product.
- Keeping the product in buyers' minds during off seasons
- Maintaining top-of-mind product awareness

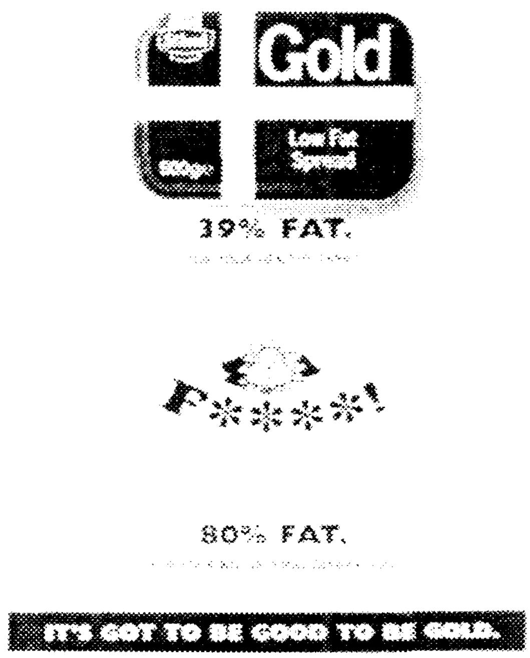
approach is legal in both the United States and United Kingdom, but in some other European countries it is banned. Belgium and Germany regard it as tantamount to unfair competition. For example, a relatively innocuous Carlsberg commercial with the tagline 'Probably the best lager in the world' could not be run in those countries because it implicitly identified with products offered by rivals. Similarly, the car-hire company Avis's 'We try harder' ad would not be allowed in Germany because, although nobody is named, Hertz, the no. 1, is presumed to be the only real competitor. Efforts to produce a European directive to harmonise rules on comparative advertising across the EU have been relatively unsuccessful to date. Until such a directive is issued, however, advertisers in the region must remain sensitive to individual nations' codes of practice and legislation. This style of communication will probably always exist in one form or another, as most advertising is essentially comparative – after all, the aim of the advertiser is to persuade the consumer to respond to one product offering rather than another.

Reminder advertising is important for mature products as it keeps consumers thinking about the product. Expensive Coca-Cola ads on television are often designed to remind people about Coca-Cola, not merely to inform or persuade them.

reminder advertising
Advertising used to keep consumers thinking about a product.

Advertisers might also seek to assure existing customers that they have made the right choice. For example, car firms might use reinforcement advertising that depicts satisfied owners enjoying some special feature of their new car.

The choice of advertising objective is based on a good understanding of the current marketing situation. If the product is new and the company is not the market leader, but the brand is superior to the leading brand, then the advertising objective is to inform and convince the market of the brand's superiority. On the other hand, if the market is mature and brand usage is declining, the advertising objective would probably be to stimulate sales by persuading customers to increase frequency of usage, or by encouraging competitors' customers to switch.



Setting the Advertising Budget

After determining its advertising objectives, the company next sets its advertising budget for each product. The role of advertising is to create demand for a product. The company wants to spend the amount needed to achieve the sales goal. Four commonly used methods for setting the advertising budget were discussed in Chapter 18. Here we describe some specific factors that should be considered when setting the advertising budget:

- *Stage in the product life cycle.* New products typically need large advertising budgets to build awareness and to gain consumer trial. Mature brands usually require lower budgets as a ratio to sales.
- *Market share.* High-market-share brands usually need more advertising spending as a percentage of sales than do low-share brands. Building the market or taking share from competitors requires larger advertising spending than does simply maintaining current share.
- *Competition and clutter.* In a market with many competitors and high advertising spending, a brand must advertise more heavily to be heard above the noise in the market.
- *Advertising frequency.* When many repetitions are needed to present the brand's message to consumers, the advertising budget must be larger.
- *Product differentiation.* A brand that closely resembles other brands in its product class (coffee, laundry detergents, chewing gum, beer, soft drinks) requires heavy advertising to set it apart. When the product differs greatly from competitors, advertising can be used to point out the differences to consumers.

Setting the advertising budget is no easy task. How does a company know if it is spending the right amount? Some critics maintain that large consumer packaged-goods firms tend to overspend on advertising, while industrial companies generally underspend on advertising. They also claim that, on the one hand, the large consumer companies use lots of image advertising extensively without really knowing its effects, overspending as a form of insurance against not spending enough. Furthermore, what these companies decide to spend is based on traditional rules of thumb, such as what can be afforded or normal industry advertising/sales ratios, which have little local validity.[7] On the other hand, industrial advertisers tend to rely too heavily on their sales forces to bring in orders, underestimating the power of the company and product image in preselling industrial customers. Thus they do not spend enough on advertising to build customer awareness and knowledge.

How much impact does advertising really have on consumer buying and brand loyalty? A research study analyzing household purchases of frequently bought consumer products came up with the following surprising conclusion:

> Advertising appears effective in increasing the volume purchased by loyal buyers but less effective in winning new buyers. For loyal buyers, high levels of exposure per week may be unproductive because of a leveling off of ad effectiveness ... Advertising appears unlikely to have some cumulative effect that leads to loyalty ... Features, displays, and especially price have a stronger impact on response than does advertising.[8]

These findings did not sit well with the advertising community, and several people attacked the study's data and methodology. They claimed that the study measured mostly short-run sales effects. Thus it favoured pricing and sales promotion activities, which tend to have more immediate impact. In contrast, most advertising takes many months, or even years, to build strong brand positions and consumer loyalty. These long-run effects are difficult to measure. However, recent research, which examined data over a ten-year period, found that advertising does produce long-term sales growth, even two years after a campaign ends.[9] This debate underscores the fact that measuring the results of advertising spending remains a poorly understood subject.

Companies can use advertising-expenditure models to help them decide how much to spend. An early model developed by Vidale and Wolfe called for a larger advertising budget – the higher the sales-response rate, the higher the rate at which customers forget the advertising and brand, and the higher the untapped sales potential.[10] Such a model does not, however, consider competitors' advertising and whether or not the firm's ads are effective. An adaptive-control model has the firm experimenting with different rates of expenditure and measuring sales response to different levels of spending. Suppose the company has set an advertising expenditure rate based on its most recent information on sales response. It spends this rate in all of its markets except in a subset of $2n$ markets randomly chosen. In n test markets, the firm spends at a lower rate, and in the other n, a higher rate. This provides sales response to low, medium and high rates of advertising spend that is used to update the parameters of the sales-response function currently used. The updated sales-response function is used to determine the best advertising budget for the next period.[11]

Advertising Strategy

Advertising strategy covers two major elements: creating the advertising messages and selecting the advertising media. In the past, most companies developed messages and media independently. Media planning was often seen as secondary to the message creation process. First the creative department created the ad; then the media department selected the best media for carrying the advertisements to the desired target audiences. Separation of the functions often caused friction between creatives and media planners.

Today, however, media fragmentation, soaring media costs and more focused target marketing strategies have raised the importance of the media planning function. In some cases, an advertising campaign might begin with a good media opportunity, followed by advertisements designed to take advantage of that opportunity. Increasingly, companies are realising the benefits of planning these two activities jointly. Messages and media should blend harmoniously to create an effective overall ad campaign.

• *Creating the Advertising Message*

A large advertising budget does not guarantee a successful advertising campaign. Two advertisers can spend the same amount on advertising, yet have very different results. The advertising messages can be more important to advertising success than the amount of money spent. No matter how big the budget, advertising can succeed only if commercials gain attention and communicate well.

THE CHANGING MESSAGE ENVIRONMENT. Good advertising messages are especially important in today's costly and cluttered advertising environment. The average consumer has numerous television and radio stations and thousands of magazines to choose from. To these, add the countless catalogues, direct-mail ads and continuous barrage of other media. Consumers are bombarded with ads at home, at work and at all points in between!

If all this advertising clutter bothers some consumers, it also causes big problems for advertisers - it is very costly. Advertisers could pay tens to hundreds of thousands of pounds for a 30-second slot during a popular prime-time TV programme. Also, their ads are sandwiched in with a battery of other commercials and announcements in any viewing hour. With the growth in cable TV, video cassette recorders and remote-controlled technologies, today's audience can also tune out ads by either watching commercial-free channels or 'zapping' commercials by pushing the 'fast-forward' button during taped programmes. With remote-control, they can instantly turn off the sound during a commercial or 'zip' around channels to see what else is on. Thus, just to gain and hold attention, today's advertising messages must be better planned, more imaginative, more innovative, more entertaining and more rewarding to consumers. Creative strategy, therefore, will play an increasingly important role in advertising success.

MESSAGE STRATEGY. The first step in creating effective advertising messages is to decide what general message will be communicated to consumers - to plan the message strategy. Generally, the purpose of advertising is to get target consumers to think about or react to the product or company in a certain way. People will respond only if motivated to do so. For example, they will react if they believe that they will benefit from doing so. Thus, developing an effective message strategy usually begins with identifying target customer *benefits* that can be used as advertising appeals. Ideally, advertising message strategy follows directly from the company's broader positioning strategy. The planner must also have in mind the target audience and the type of response the message should evoke among those that get the message.

Message strategy statements tend to be plain, straightforward outlines of benefits and positioning points that the advertiser wants to stress. This means the advertiser must develop a compelling *creative concept* - or *'big idea'* - that will bring the message strategy to life in a distinctive and memorable way. The creative concept may emerge as a visualization, a phrase or a combination of the two.

There are several creative message strategies that firms adopt:

- The message focuses on the brand's positioning (e.g. 'Stella Artois. Reassuringly expensive'; 'Simply years ahead', Philips; 'Have a break, have a Kit-Kat'; The world's most civilized spirit', Ilenessy cognac).
- The message taps one or other of the motivations that drive human consumption — for example, functional benefit ('Brain tood — every Friday', *The Economist)*, pleasure ('Never simply required reading— it is desired reading', *Wall Street Journal Europe)*, self-identity ('No FT Comment', *Financial Times)*, image ('Many *Guardian* readers are just like their newspaper - eloquent, incisive and successful'), admiration ('Top people read *The Times')* and altruism ('We don't eut down trees for our newsprint').[13]
- The idea could be spawned by addressing the ways in which product sales can be increased: current users must be encouraged to use more, or new users encouraged to start buying the product. For example, Reebok came up with a breakthrough idea of informing consumers that their running shoes are for everyday wear, thus creating a 'new use' for previous non-users of the product category.
- The message homes in on the differences between the advertised product and competitors' offering: for example, Burger King's message to consumers is that its burger is 'Broiled, not fried'.
- The idea for the message could have developed from an in-depth knowledge of the consumer's own experience with the product, particularly the buying process, die process and effect of consumption, and the benefits sought. The advertiser must come very close to the consumer and follow his or her experience with the product, usually through lengthy, labour-intensive qualitative research, including point-of-purehase observations and analysis. Thus Contac 400 shows sharp observation, with its ad which assures cold sufferers that the drug 'dries up the symptoms of a cold'.

Creative ad people therefore have different ways of finding advertising-message ideas that will engage the attention of viewers. Many creative people start by talking to consumers, dealers, experts and competitors. Others try to imagine consumers buying or using the product and then work out the benefits that consumers seek when buying and using the product.

Usually, the copywriter and art director team up to generate many creative concepts, hoping that one of the concepts will turn out to be the big idea. Logically, it makes sense to generate alternative themes, evaluate the appeal of each and select a preferred strategy. But how should advertising planners evaluate advertising messages?

The creative concept should guide the choice of specific appeals to be used in an ad campaign. Generally, the appeals should have three characteristics. First, they should be *meaningful,* pointing out benefits that make the product more desirable or interesting to target customers. Second, appeals must be *believable.* This objective is difficult because many consumers doubt the truth of advertising in general. One study found that a full one-third of the public rates advertising messages as 'unbelievable'.[1-1] Furthermore, the most meaningful and believable benefits may not be the best ones to feature. Appeals should be *distinctive* in terms of telling consumers how the product is better than the competing brands.

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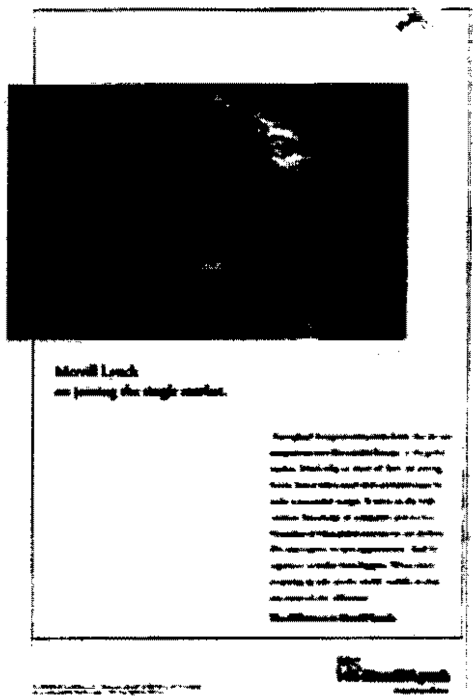
For example, the most meaningful benefit of owning a wristwatch is that it keeps accurate time, yet few watch ads feature this benefit. Instead, based on the distinctive benefits they offer, watch advertisers might select any of a number of advertising concepts. For years. Timex has been the affordable watch that 'Takes a lickin' and keeps on tickin'. In contrast, Swatch has featured style, fun and fashion, whereas Rolex stresses luxury and status. Advertisers should therefore pretest each ad to determine that it has the maximum impact, believability and appeal.

MESSAGE EXECUTION. The impact of the message depends not only on what is said, but also on *how* it is said. The advertiser has to turn the 'big idea' into an actual ad execution that will capture the target market's attention and their interests. The advertiser usually begins with a statement of the objective and approach of the desired ad:

> For example, in France, McClan's Whisky planned to use advertising to increase awareness and familiarity and to create an image as a real whisky with a distinct personality which was clearly within the values of the French whisky market. The target segment is regular whisky drinkers who are currently buying standard brands such as Johnny Walker and Ballantines, and who want good value but not the prestige of a premium or the money-saving value of a cheap brand. The 'how' or advertising message proposed that McClan is the whisky that embodies the spirit of France today. It is the whisky for the 'new adventurers', who are dynamic and aspirational, but their ambition is directed to a full and varied experience of life, self-expression and appreciation of art and culture, not the desire for social standing or political power. The message was executed via an evocative visual campaign. It exploited the physical elements of the brand, which already evoke positive images among French whisky drinkers - die short, sharp, powerful name, the golden

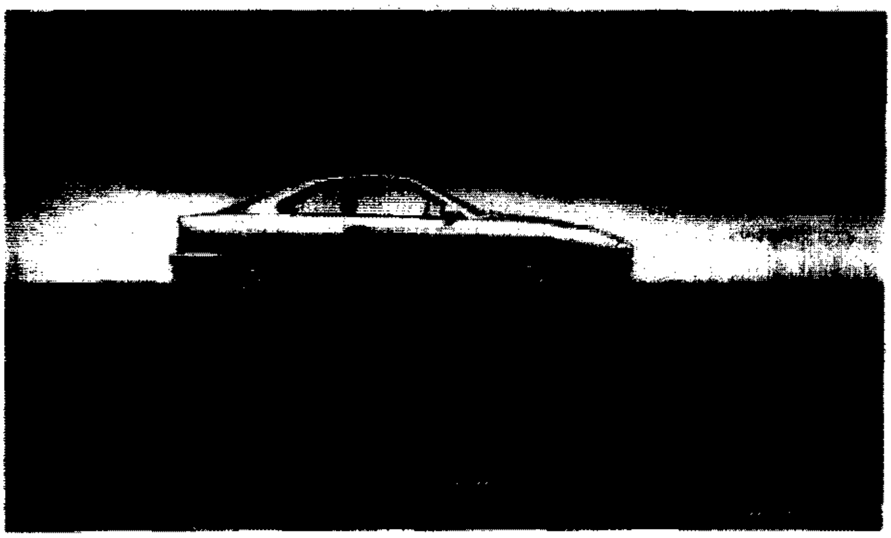
Execution style: here, Merrill Lynch positions itself as the 'authority' on global mergers.



label, distinctive bottle shape and red typography. Since it is illegal to advertise spirits on French TV, luxury magazines which gave colour and a prestige environment were chosen.[34]

The creative people must find the best style, tone, words and format for executing the message. Any message can be presented in different *execution styles,* such as the following: -

- *Slice of life.* This style shows one or more people using the product in a normal setting (e.g. the 'Oxo' gravy commercials which show the role of the mother who is tolerant of the domestic impositions of other members of her family).
- *Lifestyle.* This style shows how a product fits in with a particular lifestyle. For example, the 'After Eight' mints UK advertisement (elegant dinner party in a period house) appeals to aspirations more than anything else.
- Fantasy This style creates a fantasy around the product or its use. For instance, 'Anything can happen after a Badedas bath' usually meant the arrival of a 'Prince Charming' with a romantic style of transport just after his mistress emerged from the bath.
- *Mood or image.* This style builds a mood or image around the product, such as beauty, love or serenity. No claim is made about the product except through suggestion. Timotei shampoo employs the mood for nature and simplicity - a strategy that has worked successfully in many countries across the globe.
- *Musical.* The ad is built around a song or some well-known music, so that emotional responses to the music are associated with the product. Many soft-drink commercials (e.g. Coca-Cola, Pepsi-Cola) use this format.
- *Personality symbol.* This style creates a character that represents the product. The character might he *animated* (e.g. the Jolly (ireen Giant, Garfield the Cat) or *real* (e.g. Eric Cantona and Les Ferdinand for Nike's 'Kick It' campaign).
- *Technical expertise.* This style shows the company's expertise in making the product. Thus Maxwell House shows one of its buyers carefully selecting the coffee beans, and Audi cars implies superiority with 'Vorsprung durch Technik'.



This ad for the BMW 840Ci Sport says it all. Moreover, by conveying a clear and concise message without unnecessary or lengthy copy, this ad is applicable across many country's markets.

Photography: Michael Kenna

Marketing Highlight 19.1

Hush, Little Baby!

Here is an example of how 'tone' can break an ad

Fisher-Price, the international toy manufacturer, recently pre-tested a commercial called 'Baby'. The ad opens on an empty, sun-filled room with net curtains hanging from high windows and swaying above a polished wooden floor. A dramatic chord rings in the magical appearance of a perfect little boy on a white blanket. An enthusiastic, but gentle, voice-over suggests baby's thoughts: 'Where am I? How did I get here?'

Another chord and the baby is surrounded by Fisher-Price toys. Baby reveals his thoughts: 'What's the box? What if I push ... What if ...?', etc. The ad closes with the thought: 'Fisher-Price, for the most enquiring minds in the world.'

The women in the focus group sessions related well to the ad. The agency was excited about it. However, when the commercial was presented for the first time in general advertising, mothers admitted they were terrified by the opening sequence. The billowing curtains and the dramatic chord suggested Alfred Hitchcock, not creation. When the baby appeared, the mothers expected some harrowing warning (like ... 100 babies die each year through being left alone!), not plastic toys. The agency reviewed the mothers' reaction to the commercial. The ad was indeed impactful. It would, however, lead to a negative association for Fisher-Price toys.

The agency changed the beginning of the ad to remove the sinister overtones.

- *Scientific evidence.* This style presents survey or scientific evidence that the brand is better or better liked than one or more other brands. For years, Crest toothpaste has used scientific evidence to convince buyers that Crest is better than other brands at fighting cavities. In Elida Gibbs' relaunch of the skin-care brand Pond's, the advertisement referred to the 'Pond's Institute' where women were shown having their skin analysed, the ad emphasizing the brand's scientific problem-solving qualities.
- *Testimonial evidence.* This style features a highly believable or likable source endorsing the product. It could be a celebrity, like sports star Daley Thompson, who was used to endorse Smith Kline Beecham's energy drink Lucozade, which is targeted at young consumers, or ordinary people saying how much they like a given product.

The advertiser must also choose a tone for the ad. Positive appeals that evoke happiness, feelings of achievement, fun and so forth tend to be more effective than negative tones. Research has shown that negative appeals that evoke fear discourage viewers from looking at the advertisement, and so would be counterproductive (see Marketing Highlight 19.1).

The advertiser must also use memorable and attention-getting words in the ad. For example, the following themes on the left would have had much less impact without the creative phrasing on the right:

Theme	*Creative copy*
KLM would like frequently flying business passengers to see it as the all-round, reliable specialist in air travel.	'KLM - Royal Dutch Airlines - the reliable airline'

Nothing is too much trouble in the pursuit of creating the perfectly functioning mechanism.	'Pure, undiluted BMW
Miele offers top-quality premium kitchen products that are miles abend of the competition.	'Miele - there is no better one' (The German company's advertising for dishwashers and washing machines in Belgium, Holland, the United States and Canada)
Philishavo gives optimum shaving satisfaction due to its high quality and advancc-d technology, making it superior to competitors in every way.	'For a better, closer shave - Philips'
7-Up is not a cola.	The Uncola'
Stella Artois is a high-price, high-quality beer.	'Stella Artois - reassuringly expensive'

Finally, *format* elements make a difference to an ad's impact as well as its cost. A small change in ad design can make a big difference to its effect. The *illustration* is the first thing the reader notices, so it must be -strong enough to attract attention. Next, the *headline* must effectively entice the right people to read the copy. Finally, the copy, which is the main block of text in the ad, must be simple but strong and convincing.

> Consider Ericsson's recent advertising campaign, simply headlined '*Ericsson Made/Bond Approved*', which shows Piers Brosnan, who plays James Bond, clutching an Ericsson mobile phone to his ear, rather than the traditional hand-gun. Those of you who have seen the movie Tomorrow *Never Dies* will recall that Bond's 'Ericsson-made' phone is no ordinary phone - it can steer a car, break open a safe, scan fingerprints, take photographs and even stun 'baddies'. Ericeson hopes that the link-up with Bond will help transform its slightly lack-lustre, anonymous image. The company hopes that the association with 007 will make Ericsson 'big, famous and sexy across all of its markets', and thereby help sales.[15]

Importantly, all the elements - style, tone, words, format - must effectively work *together*. Even then, less than 50 per cent of the exposed audience will notice even a truly outstanding ad: about 30 per cent will recall the main point of the headline; about 25 per cent will remember the advertiser's name; and less than 10 per cent will have read most of the copy. Less than outstanding ads, unfortunately, will not achieve even these results.

• *Selecting Advertising Media*

The advertiser must next decide upon the media to carry the message. The main steps in media selection are: (1) deciding on reach, *frequency* and *impact;* (2) choosing among chief *media* types; (3) selecting specific *media vehicles;* and (4) deciding on media timing.

reach
The percentage of people in the target market exposed to an ad campaign during a given period.

DECIDING ON REACH, FREQUENCY AND IMPACT. TO select media, the advertiser must decide what reach and frequency are needed to achieve advertising objectives. Reach is a measure of the *percentage* of people in the target market who arc exposed to the ad campaign during a given period of time. For example, the advertiser might try to reach 70 per cent of the target market during the first three months of the campaign. Frequency is a measure of how many times the average person in the target market is exposed to the message. For example, the advertiser might want an average exposure frequency of three. The advertiser must also decide on the desired media impact - that is, the qualitative value of a message exposure through a given medium. For example, for products that need to be demonstrated, messages on television may have more impact than messages on radio because television uses sight and sound. The same message in a national newspaper may be more believable than in a local daily.

frequently
The number of times the average person in the target market is exposed to an advertising message during a given period.

media impact
The qualitative value of an exposure through a given medium.

Suppose that the advertiser's product might appeal to a market of 1 million consumers. The goal is to reach 700,000 consumers (70 per cent of 1,000,000). Because the average consumer will receive three exposures, 2,100,000 exposures (700,000 x 3) must be bought. If the advertiser wants exposures of 1.5 impact (assuming 1.0 impact is the average), a rated number of exposures of 31,500,000 (2,100,000 x 1.5) must be bought. If a thousand exposures with this impact cost ecu10, the advertising budget will have to be ecu31,500 (3,150 x 10). In general, the more reach, frequency and impact the advertiser seeks, the higher the advertising budget will have to be.

CHOOSING AMONG CHIEF MEDIA TYPES. The media planner has to know the reach, frequency and impact of each of the major media types. Table 19.2 shows the available media in key western and Asian markets. Table 19.3 displays the distribution of advertising spend by type of mass medium in these countries. The leading media have advantages and limitations, as shown in Table 19.4.

How do advertisers select appropriate media from the range of media available? Media planners consider many factors when making their media choices. The *media habits of target consumers* will affect media choice: for example, radio and television are the best media for reaching teenagers. So will the *nature of the product*: fashions, for example, are best advertised in colour magazines and Nikon cameras are best demonstrated on television. Different *types of message* may require different media: for instance, a message announcing a big sale tomorrow will require radio or newspapers; a message with a lot of technical data might require magazines or direct mailings or an online ad and Web site (see Chapter 22). *Cost* is also an important consideration in media choice: whereas television is very expensive, newspaper advertising costs much less. The media planner looks at both the total cost of using a medium and the cost per thousand exposures - that is, the cost of reaching 1,000 people using the medium.

Media impact and cost must be re-examined regularly. For a long time, television and magazines dominated in the media mixes of national advertisers, with other media often neglected. Recently, however, the costs and clutter of these media have gone up, audiences have dropped and marketers are adopting strategies aimed at narrower segments. Advertisers are also turning increasingly to alternative media, ranging from cable TV and outdoor advertising to parking meters, taxis and even shopping trolleys.

SELECTING SPECIFIC MEDIA VEHICLES. The media planner must now choose the best media vehicles - that is, specific media within each general media type. In most cases, there is an incredible number of choices. For radio and television, and in any one country, there are numerous stations and channels to choose from, together with hundreds, even thousands, of programme vehicles - the particular programmes or shows where the commercial should be broadcast. Prime-time programmes are the favourites; the costs, however, tend to escalate with the popularity of the programme.

media vehicles
Specific media within each general media type, such as specific magazines, television shows or radio programmes.

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Table [illegible] Available media in major European, North American and Asian countries

	DAILY NEWSPAPERS, NATIONAL/REGIONAL[1]	EXECUTIVE MEDIA[1]	CONSUMER MAGAZINES, GENERAL INTEREST[1]	CONSUMER MAGAZINES, SPECIAL INTEREST	COMMERCIAL TV STATIONS[2]	TV HOUSEHOLDS PENETRATION (%)[3]	CABLE PENETRATION[a] (%)	DTH SATELLITE PENETRATION[b] (%)	VCR PENETRATION (%)[2]	COMMERCIAL RADIO STATIONS[2]	CINEMA SCREENS NUMBER	OUTDOOR POSTER PANELS (000)
Austria	20	20	29	55	2	97	23.0	3.4	42	2	395	10fT
Belgium	57	37	61	164	4	96	57.0	0.3	39	610	393	100
Denmark	47	12	19	84	4	95	47.0	3.0	53	80	276	18
Finland	56	12	20	44	6	98	37.0	0.7	55	52	340	100
France	86	26	68	153	5	94	4.0	0.2	41	1,397	3,058	575
Germany	232	33	99	127	5	96	33.0	7.6	28	157	3,170	358
Greece	110	16	64	30	30	93	–	0.2	46	245	323	13
Ireland	8	8	34	36	2	95	38.0	2.4	44	22	183	/
Italy	91	41	90	315	4	99	–	–	40	4,000	3,000	100
Netherlands	60	20	35	141	4	98	86.0	3.6	55	200	422	75
Norway	62	16	8	52	3	98	44.0	5.4	60	404	292	13
Portugal	18	6	17	33	2	95	–	0.7	36	294	400	16
Spain	106	22	68	147	13	99	5.0	1.5	45	840	2,160	45
Sweden	92	10	16	83	1	97	46.0	4.5	61	–	550	11
Switzerland	69	20	37	129	4	94	77.0	1.1	63	35	330	150
Turkey	47	10	10	16	7	n.a	1.0	0.8	40	nil	355	3
United Kingdom	104	75	91	1,214[a]	3	97	1.0	11.0	64	109	1,791	101
Bulgaria	14	2	5	11	–	95	*	–	7	na	558	na
Czech Slov. Rep.	27	8	25	44	2	96	2.0	2.0	16	na	2,778	na
Hungary	12	10	7	15	2	98	27.0	1.7	28	6	1,603	7
Poland	7	7	16	14	n.a	98	2.0	1.7	20	na	1,600	na
Romania	10	1	4	18	n.a	52	n.a	*	12	na	630	na
United States	1,159	85	112	561	1,426	97	60.0	n.a	72	na	2,1,132	399
Canada	97	43	41	160	132<	69	74.0	n.a	68	na	790	na
Australia	47	19	44	217	52	99	n.a	n.a	73	151	744	53
China	27	9	9	51	292	57	n.a	n.a	3	568	8,090	na
Hong Kong	23	20	37	50	4	98	n.a	7.5	70	3	154	7
India	114	13	50	38	n.a	66	7.7	5.0	17	85	10,000	6
Indonesia	39	11	15	14	5	74	n.a	1.0	13	694	1,654	32[b]
Japan	113	54	82	164	115	100	16.5	8.2	67	88	1,800	72[c]
Malaysia	36	6	11	12	3	89	n.a	n.a	33	1	237	2
New Zealand	29	13	27	72	7	94	n.a	n.a	69	66	87	2
Singapore	9	11	20	40	5	100	n.a	n.a	78	11	71	15
South Korea	36	5	7	6	4	99	1.0	1.0	44	7	671	3
Taiwan	25	8	9	5	3	99	n.a	10.0	62	33	600	na

NOTES: Cable penetration * less than 0.5 per cent; DTH penetration: * less than 0.05 per cent; n.a. not available.
[a] *Benn's Media Directory* is a UK publication which gives information on the UK in far more detail than on other countries: this may explain the large number; [b] Jakarta only; [c] Tokyo & Osaka only.

SOURCES: [1] *Benn's Media Directory*, 1992; [2] *Zenith's Europe Market Media Facts*, 1992; [3] *BIB World Guide*, 1993;
[4] Euromonitor 1992; [5] OAAA.

Table 19.3 **Distribution of advertising expenditure by medium in major European, North American and Asian countries**

	TOTAL MASS MEDIA (US$ M)	PRINT (%)	TV(%)	RADIO (%)	CINEMA (%)	OUTDOOR/ TRANSIT (%)
Austria	1,012	56	26	12	n.a.	6
Belgium	1,018	52	32	2	1	13
Denmark	1,081	83	12	2	1	2
Finland	7,893	45	32	8	1	14
France	1,482	79	14	4	*	3
Germany (W)	11,246	75	15	5	1	4
Greece	526	44	42	7	*	7
Ireland	311	55	27	11	n.a.	7
Italy	5,710	43	51	2	n.a.	4
Netherlands	2,712	83	12	2	1	3
Norway	786	93	3	1	1	2
Portugal	415	37	44	8	n.a.	11
Spain	7,652	53	31	10	1	5
Sweden	1,837	93	2	n.a.	1	T4
Switzerland	2,421	78	7	2	1	12
United Kingdom	14,069	65	29	2	*	4
United States	80,389	53	35	11	n.a.	1
Canada (1988)	4,781	54	22	12	n.a.	12
Australia	3,848	48	35	9	2	6
China	297	54	40	6	*	n.a.
Hong Kong	861	42	50	4	1	3
India	896	67	20	3	*	10
Indonesia	287	60	9	19	1	11
Japan	34,747	35	32	5	n.a.	13
Malaysia	317	49	41	2	*	8
New Zealand	575	49	36	15	n.a.	n.a.
Singapore	313	65	30	2	*	3
South Korea	2,826	48	30	5	n.a.	17
Taiwan	1,294	55	35	7	*	3

NOTES: * less than 0.5 per cent; n.a. not available.

SOURCE: *World Advertising Expenditures*, 25th edn (New York: Starch Inra Hooper, Inc., in co-operation with the International Advertising Association, 1993).

In the case of magazines, the media planner must look up circulation figures and the costs of different ad sizes, colour options, ad positions and frequencies for specific magazines. Each country has its own high- or general-circulation magazines (for example, TV guides) which reach general audience groups. There is also an array of special-interest publications that enable advertisers to reach special groups of audience (for instance, business magazines to reach business executives). The planner selects the media that will do the best job in terms of reaching the target customer group - that is, in terms of their selectivity towards the target. Then he or she must evaluate each magazine on factors such as credibility, status, reproduction quality, editorial focus and advertising submission deadlines. The

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Table 19.4 **Advantages and limitations of media forms**

MEDIUM	ADVANTAGES	LIMITATIONS
Newspapers	Flexibility; timeliness; local market coverage; broad acceptance; high believability.	Short life; poor reproduction quality; small pass-along audience.
Television	Combines sight, sound and motion; appealing to the senses; high attention; high reach.	High absolute cost; high clutter; fleeting exposure; less audience selectivity.
Radio	Mass use; high geographic and demographic selectivity; low cost.	Audio presentation only, lower attention than TV; fleeting exposure.
Magazines	High geographic and demographic selectivity; credibility and prestige; high-quality reproduction; long life; good pass-along readership.	Long ad purchase lead time; some waste circulation; no guarantee of position.
Outdoor	Flexibility; high repeat exposure; low cost; low competition.	No audience selectivity; creative limitations.

media planner ultimately decides which vehicles give the best reach, frequency and impact for the money.

Media planners have to compute the cost per thousand persons reached by a vehicle. For example, if a full-page, four-colour advertisement in *The Economist* costs $30,000 and its readership is 3 million people, the cost of reaching each group of 1,000 persons is about £10. The same advertisement in *Business Week* may cost only £20,000 but reach only 1 million persons, giving a cost per thousand of about £20. The media planner would rank each magazine by cost per thousand and favour those magazines with the lower cost per thousand for reaching target consumers. Additionally, the media planner considers the cost of producing ads for different media. Whereas newspaper ads may cost very little to produce, flashy television ads may cost millions. Media costs vary across different countries, so care must be taken not to generalise the figures.

Thus the media planner must balance media cost measures against several media impact factors. First, the planner should balance costs against the media vehicle's *audience quality*. For a mobile telephone ad, business magazines would have a high-exposure value; magazines aimed at new parents or woodwork enthusiasts would have a low-exposure value. Second, the media planner should consider *audience attention*. Readers of *Vogue*, for example, typically pay more attention to ads than do *Business Week* readers. Third, the planner should assess the vehicle's *editorial quality*. For example, the *Financial Times* and *Wall Street Journal Europe* are more credible and prestigious than *the News of the World*.

DECIDING ON MEDIA TIMING. Another decision that must be made concerns timing: how to schedule the advertising over the course of a year. Suppose sales of a product peak in December and drop in March. The firm can vary its advertising to follow the seasonal pattern, to oppose the seasonal pattern, or to be the same all year. Most firms do some seasonal advertising. Some do *only* seasonal advertising: for example, many department stores advertise — usually their seasonal sales - in specific periods in the year, such as Christmas, Easter and summer. Finally, the advertiser has to choose the pattern of the ads. Continuity means scheduling ads evenly within a given period. Pulsing means scheduling ads unevenly over a given time period. Thus 52 ads could either be scheduled at one per week during the year or pulsed in several bursts. The idea is to advertise heavily for a short period to build awareness that carries over to the next advertising period. Those who favour pulsing feel that it can be used to achieve the same impact as a steady schedule, but at a much lower cost. However, some media planners believe that although pulsing achieves minimal awareness, it sacrifices depth of advertising communications.

continuity
Scheduling ads evenly within a given period.

pulsing
Scheduling ads unevenly, in bursts, over a certain time period.

Advertising Evaluation

The advertising programme should regularly evaluate both the communication impact and the sales effects of advertising. Measuring the communication effect of an ad or copy testing tells whether the ad is communicating well. Copy testing can be done before or after an ad is printed or broadcast. There are three principal methods of *pretesting* in advertising. The first is through *direct rating*, where the advertiser exposes a consumer panel to alternative ads and asks them to rate the ads. These direct ratings indicate how well the ads gain attention and how they affect consumers. Although this is an imperfect measure of an ad's actual impact, a high rating indicates a potentially more effective ad. In *portfolio tests*, consumers view or listen to a portfolio of advertisements, taking as much time as they need. They are then asked to recall all the ads and their content, aided or unaided by the interviewer. Their recall level indicates the ability of an ad to stand out and for its message to be understood and remembered. *Laboratory tests* use equipment to measure consumers' physiological reactions to an ad, such as their heartbeat, blood pressure, pupil dilation and perspiration. These tests measure an ad's attention-getting power, but reveal very little about the overall impact on brand awareness, attitudes and brand preference of a completed advertising campaign.

copy testing
Measuring the communication effect of an advertisement before or after it is printed or broadcast.

There are two popular methods of *post-testing* ads. Using *recall tests*, the advertiser asks people who have been exposed to magazines or television programmes to recall everything they can about the advertisers and products they saw. Recall scores indicate the ad's power to be noticed and retained. In *recognition tests*, the researcher asks readers of a given issue of, say, a magazine to point out what they recognize as having seen before. Recognition scores can be used to assess the ad's impact in different market segments and to compare the company's ads with competitors' ads.

To identify the extent to which the campaign increased brand awareness, or affected brand comprehension, brand beliefs and preference or intentions to buy, the advertiser must, in the first instance, measure these levels before a campaign. It then draws a random sample of consumers after the campaign to assess the communication effects. If a company intended to increase brand awareness from 20 to 50 per cent, but succeeded only in increasing it to 30 per cent, then something is wrong: it is not spending enough, its ads are poor, its message is ill-targeted, or some other factor is missing.

Figure 19.2 shows the levels of communication effect that advertisers are likely to monitor and measure with respect to a campaign:

- The change in brand awareness is determined by the number of customers who were previously unaware of the brand and the number who *notice* the advertisement and are now aware of the brand, or by the difference in the number of customers who are aware that the brand exists before and alter the campaign. If there has been little increase or even a decline in brand awareness, the advertiser has to determine whether the reason is the poor impact achieved by the communications campaign or that customers *forget* because of poor recall or inadequate advertising investment.

The nature of consumers' attitudes towards a brand can be ascertained before and after a campaign. An informative ad allows consumers to *learn* more about produet/brand benefits. If the message is poorly targeted, or conveys an undesirable or unbelievable message, consumers are *antipathetic* towards the brand. They do not develop any liking for the product. Advertisers may have to redesign the copy to generate greater interest among customers or improve message content in order to enhance the level of comprehension of brand benefits among target customers.

Consumers who are *sympathetic* towards advertised brand benefits would manifest their favourable response in the form of stated brand preference. Similarly, before-and-aftcr (the campaign) studies would enable changes in consumer brand preference to be determined. Reasons for brand *rejection* should be identified so that communication weaknesses can be redressed.

An advertising campaign may be used to turn preference among customers into more definite *intention* to buy. Again, this response can be measured and changes in the level of buying intent may be determined.

It is usually difficult to measure the sales effect of a campaign. Questions such as 'What sales are caused by an ad that increases brand awareness by 20 per cent and brand preference by 10 per cent?' are not easy to answer. Sales or *trial* arc affected by many factors besides advertising, such as product features, price and availability. One way to measure the sales effect of advertising is to compare past sales with past advertising expenditures. Another way is through experiments. For example, to test the effects of different advertising levels, Pizza Hut could vary the amount it spends on advertising in different market areas and measure the differences in resulting sales levels. It could spend the normal amount in one market area, half the normal amount in another area, and twice the normal amount in a third area. If the three market areas are similar, and if all other marketing efforts in the area are the same, then the differences in sales in the three cities conkl be related to advertising level. More complex experiments could be designed to include other variables, such as differences in the ads or media used.

If the customer is *satisfied* with the brand he or she has bought, this will lead to *repeat purchase* on another buying occasion. The extent to which advertising or a speeifie 'reminder' campaign affects repeat purchase is difficult to measure because of the difficulty of separating out the immediate and long-term effects of advertising. 'Before-and-after' type studies and controlled experiments can be used, nonetheless, to detect changes, in purchase and usage frequency. Again, advertisers should obtain consumer feedback to increase their understanding of the impact of communications on repeat purchase. Advertising may not be blamed for non-repeat sales due to the nature of product consumption: for example, consumers get *bored* with the same product and want variety. In this ease, advertising is not powerful enough to arrest that desire. Few of us would relish the thought of surviving on an uninterrupted diet of Ilcinfc beans, Heinz soup and Heinz sausages all year round!

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Organizing for Advertising

Different organizations handle advertising in different ways. In small and medium-sized companies, advertising might be handled by someone in the sales or marketing department. Large companies might set up advertising departments whose job it is to set the advertising budget, work with the ad agency and handle dealer displays and other advertising not done by the agency. Most companies, small or large, tend to use outside advertising agencies because they offer several advantages:

- Agencies have specialists who can perform specialist functions (e.g. research, creative work) better than a company's own staff.
- Agencies bring an outside point of view to solving a company's problems, together with years of experience from working with different clients and situations.
- Agencies have more buying power in media than the firm. They are also paid partly from media discount, which would cost the firm less.

There are disadvantages in relinquishing the advertising function to an outside agency: loss of total control of the advertising process, a reduction in flexibility, conflicts arising when the agency dictates working practices, and client inability to exercise control or co-ordination. Despite the potential problems, however, most firms find that they benefit from employing the specialized expertise of agencies.

How does an advertising agency work? Advertising agencies were started in the mid-to-late 1800s by salespeople and brokers who worked for the media and received commission for selling advertising space to companies. As time passed, the salespeople began to help customers prepare their ads. Eventually they formed agencies and grew closer to the advertisers than to the media.

Some ad agencies are huge - Leo Burnett has annual billings (the value of advertising placed for clients) of more than $2.6 billion. In recent years, many agencies launched ;i series of mergers and takeovers to build global marketing companies. The largest of these 'agency mega-groups', WPP Group, includes several large agencies - Ogilvy & Mather, J. Walter Thompson, Fallon McElligot and others - with combined billings approaching 825 billion.

Most large agencies have staff and resources to handle all phases of an ad campaign for their clients, from creating a marketing plan to developing campaigns and preparing, placing and evaluating ads. Agencies usually have four departments: creative, which develops and produces ads; media, which selects media and places ads; research, which studies audience characteristics and wants; and business, which handles the agency's business activities. Each account is Supervised by an account executive and people in each department are usually assigned to work on one or more accounts.

Ad agencies have traditionally been paid through commission and fees. Higher commissions are paid to the well-recognized agencies for their ability to place more advertisements in media. However, both avertisers and agencies are becoming more and more unhappy with the commission system. Larger advertisers complain that they have to pay more for the same services received by smaller ones simply because they place more advertising. Advertisers also believe that the commission system drives agencies away from low-cost media and short advertising campaigns. Agencies are unhappy because they perform extra services for an account without getting more pay. As a result the trend is now

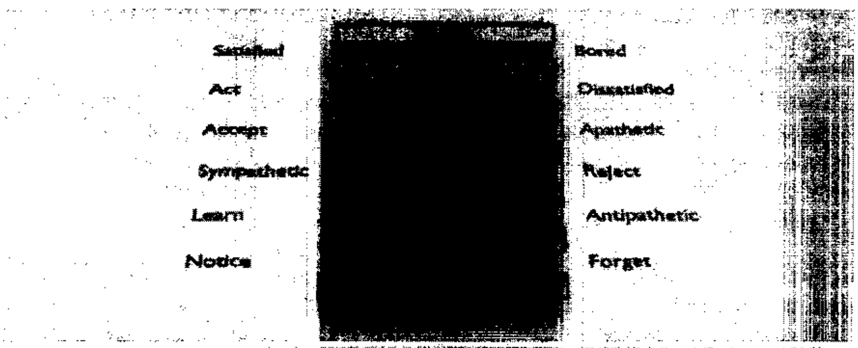

Figure 19.2 **Advertising: [illegible] communications and sales effectiveness**

towards paying a straight fee or a combination commission and fee. Some are tying agency compensation to the performance of the agency's ad campaigns.

There is another trend affecting the agency business. Many agencies are seeking growth by diversifying into related marketing services. These diversified agencies offer a one-stop shop - a complete list of integrated marketing and promotion services under one roof, including advertising, sales promotion, direct marketing and marketing research. Some have added marketing consulting, television production and sales training units in an effort to become full 'marketing partners' to their clients. Some companies favour buying marketing services from a consolidated one-stop-shop. Reckitt & Colman, a British maker of soaps and household polishes, Burger King, the restaurant chain, S.C. Johnson & Son, which makes household products, and German Pharmaceuticals firm Bayer AG have relied on a single agency rather than many. Those companies argue that there are a number of benefits to be gained from using one agency: it increases their clout with the agency; it is more efficient to deal with one 'contractor' than with many; it greatly simplifies the advertising for their products, including gaining the convenience of having to negotiate fees once only; it ensures that their marketing will be consistent worldwide; and a big international broad-line agency can help carry good ideas into many country markets quickly.

However, many agencies are finding that advertisers do not want much more from them than traditional media advertising services plus direct marketing, sales promotion and sometimes public relations. Client companies may want to keep a few agencies on call in a state of perpetual competition. Some, like Coca-Cola, seek creative variety, so they scatter the work to many different small and large agencies. Others such as Procter & Gamble, Unilever and Nestlé tended to keep a 'club' of three to six agencies on call to cover one agency's weak spots by drawing on the ideas of another with more talent in a particular market or service. Thus, many agencies have recently dropped unrelated activities in order to focus more on traditional services or their core expertise. Some have even started their own 'creative boutiques' - smaller and more independent agencies that can develop creative campaigns for clients free of large-agency bureaucracy.[17]

International Advertising

We have discussed advertising decisions in general. International advertisers face many complexities not encountered by domestic advertisers. We define international or worldwide advertising as: advertising *that promotes a cause, or an organization and tlie sale of its goods or services in more tlian o-ne country and in different parts of the iKorld.*[29]

When developing advertising for international markets, a number of basic issues must be considered.

Standardization or Differentiation

The first issue concerns the degree to which advertising should be adapted to the unique characteristics of various country markets. Some large advertisers have attempted to support their global brands with highly standardized worldwide advertising. The chances of success tor standardized advertising depend on how culture-bound a product or service is, the buying behaviour of consumers, the competition, and national laws and regulations. All these factors dictate how well the advertising concepts cross borders.

Standardization produces many benefits, such as lower advertising costs, greater co-ordination of global advertising efforts and a more consistent worldwide company or product image. However, standardization also has drawbacks. Most importantly, it ignores the fact that country markets, not just across the continents, but also within supposedly 'harmonized' trading communities, such as the European Union, differ greatly in their cultures, demographics and economic conditions. Pan-European advertising, for example, is complicated because of the EU's ctdtural diversity as reflected in the differences in circumstances, language, traditions, music, beliefs, values and lifestyles among member nations. Ironically, the English have more in common with the Australians, who live on the opposite side of the globe, than with the Germans or the French, their closer neighbours. Cultural differences also exist across Asian countries (Japanese and Indonesian consumers are as alike as the Germans and Italians), as they do among emerging European markets. For example, the three Baltic states - Estonia, Latvia and Lithuania - are far from being a common market, with each displaying different languages, currencies and consumer habits.

Although advertising messages might be standardized, their executions cannot be, as culture invariably dominates communications.[30] Indeed, a recent survey in Europe among 210 pan-European brand managers showed that a majority (57 per cent) believe it is difficult to standardize advertising execution.[31] Most international advertisers must therefore think globally, but act locally. They develop global advertising *strategies* that bring efficiency and consistency to their worldwide advertising efforts. Then they adapt their advertising" programmes to make them more responsive to consumer needs and expectations within local markets. In many cases, even when a standard message is used, execution styles are adapted to reflect local moods and consumer expectations.

For example, one Kellogg's Frosted Flakes ad campaign is almost identical worldwide, with only minor adjustments for local cultural differences.[32] The advertising uses a tennis theme that has worldwide appeal and features teenage actors with generic good looks - neither too northern European nor too Latin American. Of course, Kelloggs translates the commercials into different languages. In the English version, for example, Tony growls 'They're Gr-r-reat!', whereas in the German version it's 'Gr-r-rossartig!' Other adaptations are more subtle. In the American ad, after winning the match, Tony leaps over the net in celebration. In other versions, he simply 'high fives' his young" partner. The reason: Europeans do not jump over the net after winning at tennis.

In contrast, Parker Pen Company changes its advertising substantially from country to country:

> Print ads in Germany simply show the Parker Pen held in a hand that is writing a headline - 'This is how you write with precision.' In the UK, where it is the brand leader, [ads emphasize] the exotic processes used to make pens, such as gently polishing the gold nibs with walnut chips ... In America, the ad campaign's theme is status and image. The headlines are ... 'Here's how you tell who's boss', and 'There are times when it has to be Parker.' The company considers the different themes necessary because of different product images and ... customer motives in each market.[22]

Successful standardized advertising is most likely to work for capital goods or business-to-business marketing, where targets are more homogeneous in their needs and buy the product for the same reasons. For example, whether it be a European, Asian or American construction company, the purchase of bulldozers is governed by similar economic rationality (for example, productivity, lifetime cost of running the equipment, parts delivery)- Consumer-goods advertising is less amenable to cross-cultural standardization. However, considerable similarities are found in segments, such as the world's rich to whom lifestyle goods and brands like Cartier, Montblanc, Mercedes and Hugo Boss appeal. Similarly, youth culture across the globe may be targeted with a common message. Brands such as Nike, Pepsi and Jeep are advertised in much the same way globally; Jeep has created a worldwide brand image of ruggedness and reliability; Nike urges Americans, Africans, Asians and Europeans alike to 'Just do it'; Pepsi uses a standard appeal to target the world's youth.

Several basic conditions favour a standardized approach:

- Product or brand values offered to consumers and as conveyed by the advertisement are similar in every target country.
- Target customers in each country have similar expectations regarding the product and they do not differ in the way they evaluate the product. For example, business airline passengers' expectations of airline services are virtually the same in all countries.
- The target groups in each country are homogeneous, so that similar media can be used to reach them.
- The advertised product is in the same stage of its life cycle in every country market. Different messages and executions are needed for the product that is newly launched into one market and one that is already in its growth stage in another.
- The brand is a true 'megabrand' with a strong position in each market as well as the advertising budget necessary to support it in each market.
- The advertising idea must be transportable (universal, functional appeals, fantasies and symbols, fashions, movies/television, international celebrities and current events travel better than cultural values such as idiosyncratic lifestyles, habits and sports and leisure activities, local accents and language, and endorsements by local celebrities).
- The different countries can support the same advertising style of execution, or the company's preferred style can be accommodated in each country. Many European countries find the display of emotions in American ads ludicrous, and whereas lifestyle and glamour work well in the United States, innovative, modern and attention-getting styles are better received in France. Humour, subtlety, understatement and irony are favoured in the United Kingdom; while in Germany, rational, descriptive and informative executions will not go wrong.

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- If countries can be clustered on the basis of showing similar economic, cultural, legal and media characteristics, standardized advertising becomes more feasible.[23]

There is no simple answer for companies as to whether a standardized or differentiated approach would work best for their brand. They must therefore identify both the differences and similarities among target audiences in different national or regional markets, and determine opportunities for standardization or differentiation.

Centralization or Decentralization

Global advertisers are concerned with the degree to which advertising decision making and implementation should be centralized or decentralized. This decision is directly linked to the decision about whether to follow a standardized or differentiated advertising approach. Five key factors influence the choice between centralization and decentralization of the responsibility for international advertising decisions and implementation:

1. *Corporate and marketing objectives.* A company whose global marketing objectives dominate over domestic objectives is likely to centralize advertising and communications decisions. Where it emphasizes short-term profit and local objectives, decentralized decision making is favoured.
2. *Product uniformity.* The more similar the product or service marketed across different countries, the greater the feasibility of a uniform approach, which allows for centralized management of advertising.
3. *Product appeal.* Underpinning the product's appeal are die reasons why customers use the product. The reasons for consumption may differ among different cultures, whatever the demographic or psychographic characteristics of consumers. French women drink mineral water to stay slim; German women drink it to keep healthy. Golf club membership is a status purchase in Singapore; in the United Kingdom it is a moderate leisure activity, without the same label of exclusivity attached. Where underlying appeals vary significantly, decentralized decision making makes better sense.
4. *Cultural sensitivities.* Where a product's usage and appeal are culture-bound in terms of the local attitudes towards consumption, habits and preferences, as in the case of drinks and food products, more decentralization is necessary.
5. *Legal constraints.* Individual country rules and regulations affect advertising decisions and their implementation. Decentralization of responsibility, with the aim of tapping local wisdom and knowledge, is necessary where strict country regulations apply. In the European Union, until real 'harmonization' exists, cross-border advertisers must remain alert to subtle differences in nations' rides and codes of practice in order to avoid costly mistakes.

There has been a tendency for international organizations, especially in Europe, to centralize their marketing activities, resulting in more attempts to centralize the advertising function. In many product categories, including cars, durable goods, electronics products, cosmetics and alcoholic beverages. European multinationals have adopted single-agency networks across Europe. Retailers, media companies and food and drinks manufacturers, however, remain

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less positive about centralization as they have to respond to cultural differences and legislation.[34]

The modes used by firms vary. Some organizations exert tight control from the centre and executionary changes for local culture and conditions are closely monitored, as in the case of Unilever's Lever Europe. Some corporations, like Nestle', grant local management some degree of freedom to develop advertising within broad strategic guidelines, but with central directives on agencies and media buying groups. Yet others, such as Heinz, have tended to give local management total autonomy in both strategy determination and local implementation of product and advertising strategies.

Worldwide Advertising Media

The international media comprise an extensive mix:

- *Newspapers.* Faster and more efficient circulation is possible with new technologies, such as satellite printing, which allows advertising copy to be sent by satellite to the printers. Many international newspapers (e.g. *International Herald Tribune, Financial Times, Asahi Shimbun, Wall Street/Asian Wall Street Journal)* are printed simultaneously in more than one country. In general there have been enormous developments in local and global press, and more newspapers have gone global to reach specific audiences.
- *Magazines.* There are some national and international journals which carry ads that target regional, international or global customers (e.g. *Fortune, News/week,* Time, *The Economist).* Women's magazines, such as *Cosmopolitan, Elle, Vogue* and *Harper's Bazaar,* are printed in different editions for readers in different target countries/regions. And there are other international magazines such as *Reader's Digest* and men's magazines like *Playboy* and *Penthouse.*
- *Professional and technical magazines.* In Europe alone, there are more than 15,000 titles, and the number is rising yearly.
- *Cinema.* This is a relatively popular medium for reaching younger viewers, such as teenagers. In developing and less developed nations, cinema remains important.
- *Television.* There are few country markets where television is not available or where advertising is not carried via that medium. Satellite and cable opportunities have expanded enormously and accelerated the use of TV for international advertising. A few stations - notably, CNN, NBC Super Channel and Eurosport - are well-recognized international media channels. Other international TV channels include Uow Jones's European Business News, BBC Worldwide, Bloomberg information's TV Europe and NBC's CNBC.
- *Outdoor advertising and transport advertising.* This medium is used throughout the world. In the western developed markets, advertisers are expanding their repertoire of outside media (e.g. park benches, trucks, taxis, bus stop shelters). This medium is used as an alternative in cases where the product category cannot be advertised on TV, as in the case of tobacco and alcoholic products. In some countries, such as India and the People's Republic of China, outdoor advertising has become more important.
- *Interactive communication media.* Interactive systems, such as videotex! and pay-TV, are gaining importance as cable TV continues to develop. Fiance's Minitel, for example, offers over 3,000 different services to subscribers.

- *Radio.* As a medium for international advertising, radio is constrained by availability in the sense that most commercial radio is regional. Radio Luxembourg, the international European station, transmits ads in several languages and reaches the whole of Europe.
- *Place-based media.* This is a worldwide development and advertisers are increasingly deploying the medium to reach audiences wherever they happen to be - at work, the fitness centre, the supermarket, airports and in the aeroplane. The programming and advertising can be produced internationally.
- *Trade fairs and exhibitions.* These can be costly, but are useful media for international communications.
- *Sponsorship.* Sponsorship of sports or art events, like the Olympic Games and the soccer World Cup, offers vast audience reach. However, such global audiences are rare and the effectiveness of the initiatives is not easy to measure.
- *Other media.* Point-of-sale materials are not easy to reproduce internationally. Invariably, they have to be adapted to local conditions, specifically the language, regulations and distribution outlets. Direct mail is used in many countries, but it is primarily a local technique. As postal services vary from country to country, including within the EU, the medium has yet to be applied internationally. Nonetheless, credit card companies that have an international customer database can exploit this medium for worldwide communications. Online media such as the Internet are gaining recognition and organizations are increasingly investing in this channel given its potential to reach a global audience (Chapter 22 discusses online marketing in greater detail).

There have been important trends in media development worldwide. Most notable are developments in TV and telecommunications. A second force is deregulation, which results in the proliferation of commercial TV and satellite broadcasting. In deregulated central Europe and in Asia, as state control over media relaxes, opportunities open up for advertising. Another development in the 1990s is the emergence of megabrands as a result of merger activities. Such megabrands can concentrate media buying, which in turn influences media development. Furthermore, as more companies seek a pan-European or global approach to media buying, only large media groups with a broad European or international base, owning a network of media companies worldwide - such as Berlusconi, Bertelsmann, Time-Warner and Murdoch - are in a position to negotiate at this level and have their own grip on media developments.[35]

Media Planning, Buying and Costs

International media planning is more complicated than local media planning as the media situation differs from country to country. To plan effectively, international advertisers require high-quality, reliable cross-country media and audience research data. In some countries, there is inadequate media research. Moreover, research techniques and measurement standards vary greatly across countries, making cross-country comparisons of media research data almost impossible. Research into international media is still relatively expensive. Unless reliable inter country comparisons can be made, international advertisers will find it difficult to evaluate and quantify international media effectiveness. In the EU, the European Association of Advertising Agencies is working on the harmoniza-

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tion of data to help pan-European media researchers. More recently, pan-European research projects such as the Yanklelovieh Young Adult Europe study, the Pan-European Television Research Group (PETAR) and the European Media and Marketing Survey (EMS), a syndicated research project funded jointly by advertisers, agencies and print and TV media, are generating a range of data that will help media planners go some way towards building more effective campaigns across Europe as well as in individual territories.[26]

International advertisers also face the problem of media availability. Media availability differs considerably from country to country. Some countries have too few media to handle all of the advertising offered to them. Other countries are peppered with so many media that an advertiser cannot gain national coverage at a reasonable cost. Moreover, media quality also differs across nations. For example, in most advanced economies, the existence of high-quality print media, a well-developed outdoor billboard market and professional radio and TV stations offer high-quality 'environments' for advertisers. By contrast, in many developing and emerging markets, such as Russia, media quality has been one of the barriers to rapid development of the region's advertising industry.

International media buying is changing rapidly. On the one hand, global advertisers have concentrated advertising budgets. They have the power of scale because of the revenues they generate for thy media. They are in a position to require their agencies to negotiate the best prices for them. On the other hand, there are just the few - large and powerful - international media corporations, which, given their cross-ownership across different media and countries, are in a strong position to influence prices and the outcome of negotiations. These media empires can offer multimedia advertising, one-stop media shopping and even multimedia discount opportunities. So, for international advertising, prices must be negotiated. Prices may vary greatly per country. For example, one source shows that, for television, the cost per thousand to reach housewives in 16 European countries ranged from ecu8.37 in Ireland to ecu35.5 in Sweden.[27] Another survey suggests that, in the Scandinavian countries, print media dominate as an advertising medium, with two in three consumers polled voicing positive attitudes towards print advertising; only one in five held the same opinion of TV advertising. The preference for the printed word has important implications for advertising media choice.[28]

Thus, firms that advertise their products in different country markets must decide on what media to use based on a consideration of their target groups, the budget available and an understanding of the media scene and relative media cost efficiencies in these countries. The media planner must research the market adequately. Although this could be a difficult task in some countries, such as the emerging eastern European, Russian and Baltic markets, where there are few research services, investment in gaining as much local insight and basic knowledge about the media helps firms to avoid disasters. For example, one agency in Finland produced a print campaign for the Baltic states whose effect was based on colour contrasts. Unfortunately, Latvian and Lithuanian newspapers do not print in colour and the agency had. to come up with an entirely new campaign.[29]

International Advertising Regulations

Countries also differ in the extent to which they regulate advertising practices. Many countries have extensive systems of laws restricting how much a company can spend on advertising, the media used, the nature of advertising claims and other aspects of the advertising programme. For example, toys cannot be advertised on TV in Greece, France bans alcohol advertising on television and at sports grounds and, in Germany, any advertisement thought to be in bad taste is banned. Different national legal regimes across countries often require that advertisers adapt their campaigns from country to country, which can add to the costs of shooting commercials. Consider the following examples:

> When 'G.I. Joe' war toys and soldiers were launched in Europe, two television commercials were developed - a general version for most European countries and another for countries that bar advertisements for products with military or violent themes. As a result, in the version running in Germany, Holland and Belgium, jeeps replaced the toy tanks and guns were removed from the hands of toy soldiers.[20]
>
> Pizza Hut ran one of its biggest commercials across 30 countries around the world, including 16 in Europe, starring Cindy Crawford and Linda Evangelista. From a regulatory standpoint in the United Kingdom, there has to be an exact representation of the product: if the size or look is what you would get in another country, but not in the UK, that commercial could not be screened in the UK. Fortunately for Pizza Hut, the British version can be shown everywhere else as no other country has that rule. Subsequently, how the pizza looked in the commercial was dictated by the advertising rules of the United Kingdom.
>
> Heineken decided to use a highly successful Dutch TV commercial for the non-alcoholic beer Buckler, made by Lintas Amsterdam, across Europe. In the advertisement, a woman crawls along a bar of a crowded saloon to reach her boyfriend. In some countries it had to be reshot for being sexually overt.[21]

In the European Union, the EU Internal Market Commission is keen to resolve the patchwork of national advertising regulations and to bring some order into the EU's ecu75 billion advertising agency. The advent of online interactive media and electronic commerce means that cross-border advertising will develop further, but until the problem of different rules is ironed out, advertising campaigns can never be truly pan-European or global. Thus although advertisers may develop global strategies to guide their overall advertising efforts, specific advertising programmes and executions must usually be adapted to meet local cultures and customs, media characteristics and advertising regulations.

Having discussed advertising in the previous sections, let us now examine sales promotion.

Sales Promotion

sales promotion *Short-term incentives to encourage purchase or sales of a product or service.*

An increasingly important communication tool is sales promotion. This promotional vehicle has traditionally been labelled the 'poor relation' of advertising. Advertising assumed significance because there was greater scope for advertising agencies to differentiate brands through creative campaigns, which also helped to enhance their organization's profile. However, a number of pressures have fuelled the recent growth in emphasis on sales promotions. Sales promotion consists of short-term incentives, in addition to the basic benefits offered by the product or service, to encourage purchase or sales of that product or service. Whereas advertising offers reasons to buy a product or service, sales promotion offers reasons that would achieve immediate sales. It seeks to motivate the customer to buy now.

Table 19.5 **Sales promotion tools**

TARGETS	VEHICLES		
Sales force	Coupons	Competitions	• Points system with
	Vouchers	Free samples/gifts	gift catalogue
	Commissions	Bonus scheme	Club for high achievers
Consumer	Demonstrations	Events	Reduced-price pack
	Competitions	Club for repeat buyers	Extra-value pack
	Sweepstake	Money-back guarantees	Coupon
	Premiums:	Joint promotion:	Voucher with cash
	Free with pack	Complimentary product	value
	Free on-pack	with charity	Banded pack
	Free mail-in	• Samples	Collector series
Trade or	• Credit/extended credit	• Competitions	Self-liquidating
retailer	• Free services	• Free samples	Trade-in offers
	• Training	• Discount on bulk	Sale or return
	• Club for special	purchases	Loyalty bonuses
	customers	• Discount for early payment	Range bonuses
			Reciprocal buying

Sales promotion includes a wide variety of promotion tools designed to stimulate earlier or stronger market response. It can be targeted at three levels within the distribution chain - the consumer, the trade or retailer and the company's sales force. Consumer promotions include money-off, coupons, premiums, contests and others. Trade promotions range from special discounts, free goods and loyalty bonuses to training. Sales force promotions include bonuses, commissions, free gifts and competitions. Table 19.5 lists the array of sales promotion vehicles that apply to each type of sales promotion target.

consumer promotion
Sales promotion designed to stimulate consumer purchasing, including samples, coupons, rebates, prices-off, premiums, patronage rewards, displays, and contests and sweepstakes.

trade (or retailer) promotion
Sales promotion designed to gain reseller support and to improve reseller selling efforts, including discounts, allowances, free goods, co-operative advertising, push, money, and conventions and trade shows.

sales force promotion
Sales promotion designed to motivate the sales force and make sales force selling efforts more effective, including bonuses, contests and sales rallies.

Reasons for Growth of Sales Promotion

There are several reasons for the recent rapid growth of sales promotion, particularly in consumer markets:

- Sales promotion is increasingly accepted by top management as an effective sales tool. More product managers are using sales promotion tools to support their brands, in the face of mounting pressures to increase current sales. In mature markets, manufacturers are striving to maintain market share through a balance between longer-term 'share-of-voice' gained from advertising and shorter-term incentives for the consumer.
- The company faces more competition, and competing brands are less differentiated. Competitors are using more and more promotions, and consumers have become more deal-prone.
- Advertising efficiency has declined because of rising costs, media clutter and legal restraints. Sales promotion used in conjunction with other communications, such as direct mail, can offer a more cost-effective route to reach target consumers.

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- Retailers are demanding more deals from manufacturers.
- More agencies are aware of roecnt manufacturer pressure. They want to become involved in this fast-growing sector because sales promotion is an area offering opportunities tor creativity and revenue.
- Developments in information technology, the reduction in data storage and retrieval costs, and the increased sophistication of targeting techniques have facilitated implementation and enabled more effective measurement and control of sales promotion efforts.

The growing use of sales promotion has resulted in promotion clutter, similar 10 advertising clutter. Consumers who are continually bombarded with promotions are increasingly tuning out' promotions, weakening their ability to trigger immediate purchase. Many sales promotions fail to create excitement among promotion-prone consumers. To capture the attention and interest of customers, manufacturers are now searching for ways to rise above the clutter, such as offering larger coupon values, creating more dramatic point-of-purchase displays or developing more creative campaigns that stand out from the crowd.

Purpose of Sales Promotion

Sales promotion tools vary in their specific objectives. For example, a free sample *stimulates consumer trial*, a free management advisory service *cements a long-term relationship* with a retailer. Sellers use sales promotions to *attract new triers*, to *reward loyal* customers and to *increase the repurchase rates* of occasional users.

There are three types of new trier: consumers of the product category, loyal users of another brand, and users who frequently switch brands. Sales promotions often attract the last group - *brand switchers* - because non-users and users of other brands do not always notice or act on a promotion. Brand switchers are looking mostly for low price or good value. Sales promotions are unlikely to turn them into loyal brand users. Thus sales promotions used in markets where brands are very similar usually produce a high short-run sales response, but little permanent market-share gain. In markets where brands differ greatly, however, sales promotions can alter market shares on a long-term basis.

Many sellers think of sales promotion as a tool for *breaking down* brand loyalty and advertising as a tool for *building up* brand loyalty. Thus an important issue for marketing managers is how to divide the budget between sales promotion and advertising. Ten years ago, marketing managers would typically first decide how much they needed to spend on advertising and then put the rest into sales promotion. Today, more and more marketing managers first decide how much they need to spend on trade promotion, then decide what they will spend on consumer promotion, and then budget whatever is left over for advertising.

There is a danger in letting advertising take a back seat to sales promotion, however. Reduced spending on advertising can result in lost consumer brand loyalty. And there are other dangers. For instance, when a company uses price promotion for a brand too much of the time, consumers begin to think of it as a cheap brand. Or many consumers will buy the brand only when there is a special offer. Marketers therefore rarely use sales promotion for dominant brands because it would do little more than subsidise current users.

Most analysts believe that sales promotion activities do not build long-term consumer preference and loyalty, as does advertising. Instead, they only boost short-term sales that cannot be maintained. Small-share competitors find it advantageous to use sales promotion because they cannot afford to match the large advertising budgets of the market leaders. Nor can they obtain shelf space without offering trade allowances or stimulate consumer trial without offering consumer incentives.[32]

Despite the dangers, many consumer packaged-goods companies have had to use sales promotion more than they would like. Recently, however, traditional brand leaders like Kellogg's, Kraft and Procter & Gamble have been putting more emphasis on 'pull' promotion and increasing their advertising budgets. They blame the heavy use of sales promotion for decreased brand loyalty, increased consumer price sensitivity, a focus on short-run marketing planning and an erosion of brand-quaiity image.

Some marketers dispute this criticism, arguing that the heavy use of sales promotion is a symptom of these problems, not a cause. They point to more basic causes, such as slower population growth, more educated consumers, industry overcapacity, the decreasing effectiveness of advertising, the growth of reseller power and business's emphasis on short-run profits. These marketers assert that sales promotions benefit manufacturers by letting them adjust to short-term changes in supply and demand and to differences in customer segments. Sales promotions encourage consumers to try new products instead of always staying with their current ones. They lead to more varied retail formats, such as the everyday-low-price store or the promotional-pricing store, which give consumers more choice. Finally, sales promotions lead to greater consumer awareness of prices, and consumers themselves enjoy the satisfaction of taking advantage of price specials.[33]

Kales promotions are usually used together with advertising or personal selling. Consumer promotions are normally advertised and can add excitement and pulling power to ads. Trade and sales force promotions support the firm's personal selling process. In using sales promotion, a company must set objectives, select the right tools, develop the best programme, pretest and implement that programme, and evaluate the results. We will examine each of these issues in turn.

Setting Sales Promotion Objectives

Sales promotion objectives vary widely. Let us take consumer *promotions* first. Sellers may use consumer promotions to: (1) increase short-term sales; (2) help build long-term market share; (3) entice consumers to try a new product; (4) lure consumers away from competitors' products; (5) encourage consumers to load up' on a mature product; or (6) hold and rew.ard loyal customers.

Objectives for *trade promotions* include: (1) motivating retailers to carry new items and more inventory; (2) inducing them to advertise the product and give it more shelf space; and (3) persuading them to buy ahead.

For the *salesforce*, objectives may be to; (1) prompt more sales force support for current or new products; or (2) stimulate salespeople to sign up new accounts.

Objectives should be measurable. Rather than stating that the promotion aims to increase sales, the objective should be specific about the level of increase, who the main targets are and whether increased sales are expected to come from new trialists or from current consumers who are loading up or bringing forward their purchase.

consumer relationship-building promotions
Sales promotions that promote the product's positioning and include a selling message along with the deal

In general, sales promotions should be consumer relationship building. Rather than creating only short-term sales volume or temporary brand switching, they should help to reinforce the product's position and build long-term relationships with customers. Increasingly, marketers are avoiding the 'quick fix', price-led promotions in favour of promotions designed to build brand equity. For example, in France, Nestle set up roadside Relais Bebe centres, where travellers can stop to feed and change their babies. At each centre, Nestle hostesses provide free disposable nappies, changing tables, high chairs and free samples of Nestle baby food. Each summer, 64 hostesses welcome 120,000 baby visits and dispense 6,000,000 samples of baby food. This ongoing promotion provides real value to parents and an ideal opportunity to build relationships with customers. Nestle also provides a freephone number for free baby nutrition counselling.[14]

Even price promotions can be designed to build customer relationships. Examples include all the 'frequency marketing programmes' and 'clubs' that have mushroomed in recent years. If properly designed, every sales promotion tool has consumer relationship-building potential.

Selecting Sales Promotion Tools

Many tools can be used to accomplish sales promotion objectives. The promotion planner should consider the type of market, the sales promotion objectives, the competition and the cost-effectiveness of each tool. Descriptions of the main consumer and trade promotion tools follow.

• *Consumer Promotion Tools*

The main consumer promotion tools include samples, coupons, cash refunds, price packs, premiums, advertising specialities, patronage rewards, point-of-purchase displays and demonstrations, and contests, sweepstakes and games.

samples
Offers to consumers of a trial amount of a product.

Samples are offers of a trial amount of a product. Some samples are free; for others, the company charges a small amount to offset its cost. The sample might be delivered door to door, sent by mail, handed out in a store, attached to another product or featured in an ad. Sampling is the most effective, but most expensive, way to introduce a new product.

coupons
Certificates that give buyers a saving when they purchase a product.

Coupons are certificates that give buyers a saving when they purchase specified products. Coupons can be mailed, included with other products or placed in ads in newspapers and magazines. They can stimulate sales of a mature brand or promote early trial of a new brand. Today, marketers are increasingly distributing coupons through shelf dispensers at the point of sale, by electronic point-of-sale printers or through 'paperless coupon systems' that dispense personalized discounts to targeted buyers at the checkout counter in stores. Some companies are now offering coupons on their Web sites or through online coupon services.

cash refund offers (rebates)
Offers to refund part of the purchase price of a product to consumers who send a 'proof of purchase' to the manufacturer.

Cash refund offers (or rebates) are like coupons except that the price reduction occurs after the purchase rather than at the retail outlet. The consumer sends a 'proof of purchase' to the manufacturer, which then refunds part of the purchase price by mail.

price packs
Reduced prices that are marked by the producer directly on the label or package.

Price packs or reduced prices offer consumers savings off the regular price of a product. The reduced prices are marked by the producer directly on the label or package. Price packs can be single packages sold at a reduced price (such as two for the price of one) or two related products banded together (such as a toothbrush and toothpaste). Price packs are very effective–even more so than coupons, in stimulating short-term sales.

premiums
Goods offered either free or at low cost as an incentive to buy a product.

Premiums are goods offered either free or at low cost as an incentive to buy a product. A premium may come inside the package (in-pack) or outside the package (on-pack) or through the mail. If reusable, the package itself may serve as a premium, such as a decorative biscuit container. Premiums are sometimes mailed to consumers who have sent in a proof of purchase, such as a box top. A

Table [illegible] **Sales promotions in European countries: what is permitted and what is not**

	UK	IRL	SPA	GER	F	DEN	BEL	NL	POL	ITA	GRE	LUX	AUS	FIN	NOR	SWE	SWI	RUS	HUN	CZ
On-pack price cut	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Branded offers	Y	Y	Y	?	Y	?	N	Y	Y	Y	Y	N	?	?	?	?	N	Y	Y	Y
In-pack premiums	Y	Y	Y	?	?	?	Y	?	Y	Y	Y	N	?	Y	N	?	N	Y	Y	Y
Multi-buy offers	Y	Y	Y	?	Y	?	?	Y	Y	Y	Y	N	?	?	Y	?	N	?	Y	Y
Extra product	Y	Y	Y	?	Y	Y	?	?	Y	Y	Y	Y	?	Y	?	?	?	Y	Y	Y
Free product	Y	Y	Y	Y	Y	Y	?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Re-use pack	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	?	Y	Y	Y	Y	Y	Y	Y
Free mail-ins	Y	Y	Y	N	Y	?	Y	Y	Y	Y	Y	?	N	Y	Y	N	N	Y	Y	Y
With-purchase	Y	Y	Y	?	Y	?	?	?	Y	Y	Y	N	?	Y	?	?	N	Y	Y	Y
X-product offers	Y	Y	Y	?	Y	?	N	?	Y	Y	Y	N	?	?	N	?	N	Y	Y	Y
Collector devices	Y	Y	Y	?	?	?	?	?	Y	Y	Y	N	N	?	N	N	N	Y	Y	Y
Competitions	Y	Y	Y	?	?	?	Y	?	Y	Y	Y	?	?	Y	?	Y	Y	Y	Y	Y
Self-liquidators	Y	Y	Y	Y	Y	Y	Y	?	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y
Free draws	Y	Y	Y	N	Y	N	N	N	Y	Y	Y	N	N	Y	N	N	N	Y	?	Y
Share-outs	Y	Y	Y	N	?	N	N	N	Y	?	Y	N	N	?	?	N	N	Y	Y	Y
Sweep/lottery	?	?	?	?	?	N	?	?	?	?	?	N	?	Y	N	N	N	Y	?	?
Cash-off vouchers	Y	Y	Y	N	Y	?	Y	Y	Y	?	Y	?	?	?	N	?	N	Y	Y	Y
Cash off purchase	Y	Y	Y	N	Y	N	Y	Y	Y	?	Y	N	N	?	N	N	N	Y	Y	Y
Cash back	Y	Y	Y	?	Y	Y	Y	Y	Y	N	Y	N	?	?	?	Y	N	Y	Y	Y
In-store demos	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	?	Y

NOTES: Y permitted, N not permitted, ? maybe permitted with certain conditions.

SOURCE: IMP.

self-liquidating premium is a premium sold below its normal retail price lo consumers who request it.

Advertising specialities are useful articles imprinted with an advertiser's name and given as gifts to consumers. Typical items include pens, calendars, key rings, matches, shopping bags, T-shirts, caps and coffee mugs. Such items can be very effective. In a recent study, 63 per cent of all consumers surveyed were either carrying or wearing an ad speciality item. More than three-quarters of those who had an item could recall the advertiser's name or message before showing the item to the interviewer.^

advertising specialities
Useful articles imprinted vaith an advertiser's name, given at gifts to consumers.

Patronage rewards are cash or other awards offered for the regular use of a certain company's products or services. For example, airlines offer 'frequent flyer plans', awarding points for miles travelled that can be turned in for free airline trips. Some international hotels like Holiday inn and Marriott Hotels have an 'honoured guest' plan that awards points to users of their hotels.

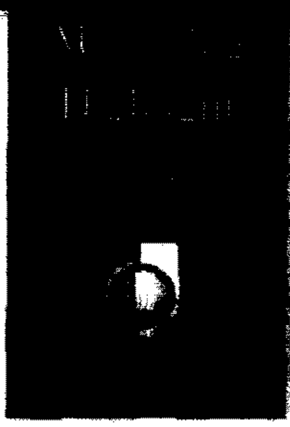
patronage rewards
Cash or other awards for the reg'ldarune of a certain company's products or seroives.

Point-of-purchase (POP) promotions include displays and demonstrations that take place at the point of purchase or sale. Unfortunately, many retailers do not like to handle the hundreds of displays, signs and posters they reeeive from manufacturers each year-Manufacturers have responded by offering better POP materials, tying them in with television or print messages, and offering to set them up.

point-of-purchase (POP) promotions
Displays and demonstrations that take place at the point of purchase or sale.

Competitions, sweepstakes, lotteries and games give consumers the chance to win something, such as cash, trips or goods, by luck or through extra effort, A

Sales Promotions; Creating Successful Europe-Wide Campaigns



Sales promotion tactics as marketing tools are difficult enough to gauge in domestic markets, let alone outside them. Like advertising, using a single theme, through one medium, to target a single audience across different countries is tempting, but rarely successful.

Experts from the European Federation of Sales Promotion argue that the mechanics of promotional campaigns can translate well across national borders, on the basis that the most powerful word which is understood across cultures is 'free'. Giving away items free with a purchase tends to work well in most countries. Samples, where permitted, also work well, especially if they are attached to something bought or given away. Pan-European sampling campaigns were run for Procter & Gamble's new Wash & Go and Johnson & Johnson's pH 5.5 shampoo: the colours, on-card samples and branding were consistent in each market. Only the language on the packaging was changed. Minipack Sampling Solutions, the company that ran the campaigns, stressed that the principle behind pan-European sampling campaigns is to look for cross-country convergences, not differences, and to leverage these similarities.

[illegible] Johnson & Johnson's pH5.5 [illegible] worked on the basis of common [illegible] the language being changed for each [illegible]

[illegible] cross-country [illegible] looking for [illegible], then, [illegible] Wunder- [illegible] Europe's vice [illegible] that give [illegible] to win [illegible] are very [illegible]

[illegible] of barriers [illegible] understood. [illegible] legislation [illegible] countries. For example, it is [illegible] Spain and Portugal, where [illegible] prizes-with-purchase and on-[illegible] commonplace. In Germany, [illegible] the 1930s mean that a free [illegible] is illegal, as is sampling if [illegible]. France is moderately liberal [illegible] so long as they do not [illegible] value of products up to and [illegible] or go above Fr350. In the Netherlands, [illegible] must not exceed 4 per cent of the [illegible] main purchase, while in [illegible] per cent.

Another hurdle [illegible] national safety standards. In [illegible] standards are particularly [illegible] testing procedure than [illegible] Kingdom. In France, the firm's [illegible] into promotional products.

The concept of [illegible] market is slowly making its [illegible]. The latest ruling is that [illegible] disadvantaged due to indi[illegible]. Countries with restrictive [illegible] to open up to those which [illegible] restrictions. Thus German[illegible] as a result. For example, [illegible] firm Yves Rocher [illegible] of special offers that were [illegible] illegal. The European [illegible] of Yves Rocher. Germany's [illegible] forbids the offer of certain [illegible] has been amended. Discou[illegible] permitted in Germany. [illegible] intend to run a promotion [illegible] European countries, they [illegible] of it across those markets.

If it is becoming easier to get round national laws in Europe, it is not so easy to overcome cultured differences, *prejudices* and suspicions. If a German buyer is offered a discounted product, he or she usually thinks that there is something wrong with it or it is deficient in some way. Any price reduction must therefore reassure the customer and offer a good rationalization for the discount. Cultural differences also affect the type of merchandise used in the promotion. Household items, especially electrical goods, are very popular in Germany. Beach towels, sunglasses and T-shirts are more popular in Spain and Portugal, while in France, it is pens, lighters and watches. In Italy, brand association is important - if the merchandise features a designer name, a recognized brand name or a football club, the chances are that it will be well received.

Media costs vary significantly. Marketers must take care not to put money-off vouchers in publications that are worth less than the voucher, since dishonest shopkeepers will simply keep the newspaper or cut the coupons out. *Fraud* is a problem too. In poorer countries, if an incentive is worth cheating for, people will cheat.

To achieve successful European promotional campaigns, managers have to carry out accurate research. Achieving economies of scale with global brands and consistent campaigns may be attractive, but insufficient. Successful Europe-wide promotions are invariably built around local and national criteria as opposed to being pan-European or global. Other experts, however, argue that firms can mix the two in the face of *mass customization* in many markets, where the mass is the *core idea or strategy*, which is customized to suit different markets. For example, Schweppes tonic devised a core theme based on the game Trivial Pursuit, which they called *Schqui%*. In France, tonic is a soft drink, while in the United Kingdom it is a mixer, in Spain a refreshment and in Germany a 'sophisticated' drink. The main [illegible] the different co[illegible]th of the brand. [illegible] which is po[illegible] A TV phone-in was [illegible] of this and the fact [illegible]. In France, the [illegible] tonic meant a smalle[illegible] and a radio phone-in [illegible]

Experts [illegible] pro-motional camp[illegible] begin by clarifying [illegible] and then decide on the [illegible] limitations of budgets [illegible] these objectives on a [illegible]. It is also advisable to [illegible] of local experts, who u[illegible] promotion business and the[illegible] order to avoid costly erro[illegible] Procter & Gamble distribute[illegible] & Go shampoo and con[illegible]holds, only to find that p[illegible] into letter boxes and selling [illegible] on market stalls!

More recently, [illegible] of Sales Promotion [illegible] groups representing the sale[illegible] in the Netherlands, Irel[illegible] Italy, France, Denmark, [illegible]m, has been working tow[illegible]ork governing sales pro[illegible] across Europe. This will pro[illegible] challenge, as members seek [illegible] and regulations for Europe-[illegible] denying altogether ind[illegible] tioners' freedom to promote.

Sources: [illegible] Week (14 [illegible] up over [illegible]), p. 16; Mar[illegible] Week (3 March 19[illegible]

competition calls for consumers to submit an entry - a jingle, guess, suggestion - to be judged by a panel that will select the best entries. A *sweepstake* calls for consumers to submit their names for a draw. For a *lottery*, consumers buy tickets which enter their names into a draw. A *game* presents consumers with something, such as bingo numbers or missing letters, every time they buy, which may or may not help them win a prize.

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• Sales Promotions in Europe

The sales promotion industry is significantly more developed in the United States than in Europe, where the United Kingdom leads other EU member states. In the UK, sales promotion activities are relatively free from legal constraints, with self-policing, in alignment with the industry's code of practice, being the norm. Supermarket retailing in the United Kingdom is dominated by a few key players and decisions regarding acceptance of manufacturers' sales promotion activities are centralized. Cost-effectiveness is increased as the sales promotion handling house is able to use the retailing groups' own administrative processes. Cultural differences also affect consumers' acceptance of different sales promotion techniques. Furthermore, the legal position of sales promotion techniques in different EU countries varies (see Table 19.6). In general, greater freedom is found in the United Kingdom, Ireland and Spain. Legal controls are stricter in the Benelux countries, Germany and, notably so, in Norway. Outside the EU, countries like Poland, Hungary, Russia and the Czech Republic have relatively liberal policies on promotions and incentives, whereas Switzerland appears to be the most restrictive.[34]

The European market for sales promotion remains fragmented for the time being and, until true harmonization is achieved, marketers must retain a sensitivity to national constraints and adapt strategies to fit individual country markets (see Marketing Highlight 19.2).

• Trade Promotion Tools

Trade promotion can persuade retailers or wholesalers to carry a brand, give it shelf space, promote it in advertising and push it to consumers. Shelf space is so scarce these days that manufacturers often have to offer price discounts, allowances, buy-back guarantees or free goods to retailers and wholesaler to get on the shelf and, once there, to stay on it.

Manufacturers use several trade promotion tools. Many of the tools used for consumer promotions - contests, premiums, displays - can also be used as trade promotions. Alternatively, the manufacturer may offer a straight discount off the list price on each case purchased during a stated period of time (also called a *price-off, off-invoice or off-list*). The offer encourages dealers to buy in quantity or to carry a new item. Dealers can use the discount for immediate profit, for advertising or for price reductions to their customers.

discount
A straight reduction in price on purchases during a stated period of time.

Manufacturers may also offer an allowance (usually so much off per case) in return for the retailer's agreement to feature the manufacturer's products in some way. An *advertising allowance* compensates retailers for advertising the product. A *display allowance* compensates them for usingspecial displays.

allowance
Promotional money paid by manufacturers to retailers in return for an agreement to feature the manufacturer's product in some way.

Manufacturers may offer *free goods*, which are extra cases of merchandise, to intermediaries that buy a certain quantity or that feature a certain flavour or size. They may offer *push incentives* - cash or gifts to dealers or their sales force to 'push' the manufacturer's goods. Manufacturers may give retailers free *specialty advertising items* that carry the company's name, such as pens, pencils, calendars, paperweights, matchbooks, memo pads and ashtrays.

• Business Promotion Tools

Companies also promote to industrial customers. These business promotions are used to generate business leads, stimulate purchases, reward customers and motivate salespeople. Business promotion includes many of the same tools used for consumer or trade promotions. Here, we focus on two of the main business promotion tools - conventions and trade shows, and sales contests.

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CONVENTIONS AND TRADE SHOWS. Many companies and trade associations organize conventions and trade shows to promote their products. Firms selling to the industry show their products at the trade show. Vendors receive many benefits, such as opportunities to find new sales leads, contact customers, introduce new products, meet new customers, seli more to present customers and educate customers with publications and audiovisual materials.

Trade shows also help companies reach many prospects not reached through their sales forces. Business managers face several decisions, including which trade shows to participate in, how much to spend on each trade show, how to build dramatic exhibits that attract attention, and how to follow up on sales leads effectively.[37]

SALES CONTESTS. A *Kales contest* is a contest for salespeople or dealers to urge their sales force to increase their efforts over a given period. Galled 'incentive programmes', these contests motivate and recognize good company performers, who may receive trips, cash prizes or other gifts. Sales contests work best when they are tied to measurable and achievable sales objectives (such as finding new accounts, reviving old accounts or increasing account profitability) and when employees believe they have an equal chance of winning. Otherwise, employees who do not think the contest's goals are reasonable or equitable will not take up the challenge.

Developing the Sales Promotion Programme

The marketer must decide on the *creative idea* and the *mechanics* of the promotion. The creative idea concerns adding some kind of value to the product. It is often difficult to generate an innovative idea which sets a sales promotion apart, since it is easy for competitors to copy price reductions, free products or gifts, and in-store demonstrations. The marketer must ensure the promotion genuinely offers extra value and incentives to targets, that it is not misleading, and that the firm has the ability to honour redemptions. If not, the campaign could backfire, exposing the firm to bad publicity which might damage its reputation and brand image (see Marketing Highlight 19.3).

Some of the large consumer packaged-goods firms have a sales promotion manager who studies past promotions and uses past experience to decide on incentive levels to adopt. Many firms also use marketing companies and agencies to assist them in designing and implementing the sales promotion campaign.

The marketer must also set *conditions for participation*. Incentives might be offered to everyone or only to select groups. For example, competitions may not be offered to families of company personnel or to people under a certain age. Conditions, such as the proof of purchase or closing date of die offer, must be clearly stated.

The marketer must then decide how to *promote and distribute the promotion* programme itself. A money-off coupon could be given out in a package, at the store, by mail or in an advertisement. Each distribution method involves a different level of reach and cost. Increasingly, marketers are blending several media into a total campaign concept. They must also decide on the choice of media used to announce the sales promotion programme:

> Consider a food company which plans to launch a campaign to promote a new health snack product. The peak purchasing period for health snacks is usually after the winter, particularly Christmas, indulgence period and before summer. It schedules TV and magazine advertising to coincide

Marketing Highlight 19.3

Hoover: Have Promotions, Will Travel

In the summer of 1992, Hoover launched a promotion offering consumers two free return flights to Europe or America if they bought any of its vacuum cleaners, washing machines or other household appliances worth more than $100.

The campaign put the Hoover name on everybody's lips - but for the wrong reason. What happened? The promotion was a ploy dreamed up to tempt people to buy a new appliance. It seemed to have the advantage of raising cash on extra sales, at a time when the UK market for household appliances was depressed, with costs that did not have to be incurred until later, in the form of heavily discounted air tickets, when the appliance market would have improved. Hoover's mistake was to expect many consumers to be attracted by the promise of free flights, but to be deterred from redeeming their air tickets by the offer's small print, which lays down conditions about available dates for flights and choice of hotel accommodation, including one-application-per-household restrictions. Unfortunately, the company had miscalculated, although, according to a company lawyer for Hoover European Appliance Group, no fewer than three sales promotions agencies were involved in originating and costing the promotion. Each of them was sufficiently confident to accept the risk on take-up rates. As it happened, most consumers bought cheap vacuum cleaners that cost as little as $120. The cheapest pair of return air tickets to New York cost about £500. The firm was inundated with as many as 200,000 applications for free flights within the first ten months of the campaign. The company had only issued about 6,000 tickets within that same period. The travel agents hired by Hoover were also alleged to be unfairly dissuading consumers from taking up the offer. Angry customers were, nonetheless, adamant and many were still waiting for their tickets. Although Hoover had put aside some money to cover the air fares, it was nothing like enough. When the three agencies [illegible]

name became a [illegible] sumers.

However, th[illegible] Hundreds of dis[illegible] compensation a[illegible] up-to-date total [illegible] the company ha[illegible] heard in small cl[illegible] the company w[illegible] rules, complain[illegible] £450 in damages [illegible] returned to cour[illegible] gations of misc[illegible] who expected [illegible] (some 300,000 [illegible] made it to the U[illegible] appointed custo[illegible]

Which party [illegible] agement or the [illegible] Both parties disp[illegible] the experts sev[illegible] at Hoover cannot [illegible] It is the firm's re[illegible] justify its spendi[illegible] return on its pro[illegible] ing? What woul[illegible] they realistic? W[illegible] given the size or [illegible]

It follows th[illegible] sales promotion [illegible] rates when deci[illegible] certain minimu[illegible] promotion is to [illegible] produce more sa[illegible] strike a balance [illegible] cient substance [illegible] merit and to tempt lapsed users to buy, and too generous an incentive, triggering an extreme rate of redemption, that could financially cripple the firm.

A Hoover spokesperson insists that the company has publicly admitted it made a mistake. Technically, the promotion was legal. It did not breach the British Code of Sales Promotion Practice, since the small print spelled out the hurdles involved. But it played on consumers' lack of knowledge. And when the company faced difficulties, it did not act until the promotion got serious media attention. Subsequently, redemption rates soared [illegible] claim became det[illegible] the fiasco, the com[illegible]. But, as court cases open [illegible] claims, Hoover is busy [illegible].

SOURCES: 'Hoov[illegible] 1993), p. 88; 'Hoover [illegible] (21 October 1994), [illegible]', *Marketing Week* [illegible] Cheery, 'Hoover fails to [illegible]', *Marketing Week* (1 May 1997), p. [illegible]

with this period. Some of the magazine advertising is used to announce a competition and free health booklet. It also plans a trade promotion to sustain retailer awareness and to ensure they stock up for demand. Sales force incentives arc also planned to bolster the effects of the trade promotion.

The *duration of the promotion* is also important. If the sales promotion period is too short, many prospects (who may not be buying during that time) will miss it. If the promotion runs for too long, the deal will lose some of its 'act now' force.

The marketer also must decide on the response *mechanism:* that is, the redemption vehicle to be used by the customer who takes part in the promotion. The easier it is for the customer to respond to an offer, the higher the response rate. Immediate gratification - for example, a price reduction, or a free gift attached to the product on offer - often yields a higher response. If the incentive requires further action to be taken by the consumer - for instance, to make another purchase or to collect the required number of tokens in promotion packs and then post these off to claim a gift or free product - the redemption rate can be reduced.

Finally, the marketer must determine *the sa/es promotion budget,* which can be developed in one of two ways. The marketer may choose the promotions and estimate their total cost. However, the more common way is to use a percentage of the total budget for sales promotion. One study found three serious problems in the way companies budget for sales promotion. First, they do not consider cost effectiveness. Second, instead of spending to achieve objectives, they simply extend the previous year's spending, take a percentage of expected sales or use the 'affordable approach'. Finally, advertising and sales promotion budgets are too oftenprepared separately.-[1"]

Pretesting and Implementing

Whenever possible, sales promotion tools should be pretested to find out if they are appropriate and of the right incentive size. Consumer sales promotions can be pretested quickly and inexpensively. For example, consumers can be asked to

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rate or rank different possible promotions, or promotions can be tried on a limited basis in selected geographic areas.

Companies should prepare implementation plans for each promotion, covering lead time and sell-off time. *Lead time* is the time necessary to prepare the programme before launching it. *Sell-off time* begins with the launch and ends when the promotion ends.

Evaluating the Results

Evaluation is also very important. Many companies fail to evaluate their sales promotion programmes, while others evaluate them only superficially. Manufacturers can use one of many evaluation methods. The most common method is to compare sales before, during and after a promotion. Suppose a company has a 6 per cent market share before the promotion, which jumps to 10 per cent during the promotion, falls to 5 per cent right after and rises to 7 per cent later on. The promotion seems to have attracted new triers and more buying from current customers. After the promotion, sales fall as consumers used up their inventories. The long-run rise to 7 per cent means thac the company gained some new users. If the brand's share had returned to the old level, then the promotion would have changed only the *timing* of demand rather than the total demand.

Consumer research would also show the kinds of people who responded to the promotion and what they did after it ended. Surveys can provide information on how many consumers recall the promotion, what they thought of it, how many took advantage of it and how it affected their buying. Sales promotions can also be evaluated through *experiments* that vary factors such as incentive value, timing, duration and distribution method.

Clearly, sales promotion plays an important role in the total promotion mix. To use it well, the marketer must define the sales promotion objectives, select the best tools, design the sales promotion programme, pretest and implement the programme, and evaluate the results.

public relations
Building good relations with the company's various publics by obtaining favourable publicity, building up a good 'corporate image', and handling or heading off unfavourable rumours, stories and events. Major PR tools include press relations, product publicity, corporate communications, lobbying and counselling.

publicity
Activities to promote a company or its products by planting news about it in media not paid for by the sponsor.

Publi[redacted]

Another important mass-promotion technique is public relations. This concerns building good relations with the company's various publics by obtaining favourable publicity, building up a good 'corporate image' and handling or heading off unfavourable rumours, stories and events. The old name for marketing public relations was publicity, which was seen simply as activities to promote a company or its products by planting news about it in media not paid for by the sponsor. Public relations (PR) is a much broader concept that includes publicity as well as many other activities. Public relations departments use many different tools:

- *Press relations or press agency.* Creating and placing newsworthy information in the news media to attract attention to a person, product or service.
- *Product publicity.* Publicizing specific products.
- *Public affairs.* Building and maintaining local, national and international relations.
- *Lobbying.* Building and maintaining relations with legislators and government officials to influence legislation and regulation.

Attractive, distinctive, memorable company logos become strong corporate communications tools.

- *Investor relations.* Maintaining relationships with .shareholders and others in the financial community.
- *Development.* Public relations with domms or members of non-profit organizations to gain financial or volunteer support.

Public relations is used to promote products, people, places, ideas, activities, organizations and even nations. Trade associations have used public relations to rebuild interest in declining commodities such as eggs, apples, milk and potatoes. Even nations have used public relations to attract more tourists, foreign investment and international support. Companies can use PR to manage their way out of crisis, as in the case of Johnson & Johnson's masterly use of public relations to save Tylenol from extinction after its product-tamper ing scare.

Public relations can have a strong impact on public awareness at a much Lower cost than advertising. The company does not pay for the space or time in the media. Rather, it pays for a staff to develop and circulate information and to manage events. If the company develops an interesting story, it could be picked up by several different media, having the same effect as advertising that would cost a lot more money. And it would have more credibility than advertising.

Despite its potential strengths, public relations, like sales promotions, is often described as a marketing stepchild because of its limited and scattered use. The public relations department is usually located at corporate headquarters. Its staff is so busy dealing with various publics - stockholders, employees, legislators, city officials - that public relations programmes to support product marketing objectives may be ignored. Moreover, marketing managers and public relations practitioners do not always talk the same language. Many public relations practitioners see their job as simply communicating. In contrast, marketing managers tend to be much more interested in how advertising and public relations affect sales and profits.

This situation is changing, however. Many companies now want their public relations departments to manage all their activities with a view to marketing the company and improving the bottom line. Some companies are setting up special units to support corporate and product promotion and image making directly.

Many companies hire marketing public relations firms to handle their PR programmes or to assist the company public relations team. Major corporations and multinational firms are also placing greater emphasis on analyzing and measuring the effectiveness of their PR activities to provide a basis for forward planning of communication strategies.

Important Public Relations Tools

There are a number of PR tools. One essential tool is *news*. PR professionals find or create favourable news about the company and its products or people. Sometimes news stories occur naturally. At other times, the PR person can suggest events or activities that would create news.

Speeches also create product and company publicity. Increasingly, company executives must field questions from the media or give talks at trade associations or sales meetings. These events can either build or hurt the company's image.

Another common PR tool is *special events*, ranging from news conferences, press tours, grand openings and firework displays to laser shows, hot-air balloon releases, multimedia presentations and star-studded spectaculars designed to reach and interest target publics. Richard Branson, the chief executive of Virgin Group, offers a good example of a practitioner who has perfected the art of deploying both speeches and special events for self- and corporate promotion.

Public relations people also prepare *written materials* to reach and influence their target markets. These materials include annual reports, brochures, articles and company newsletters and magazines.

Audiovisual materials, such as films, slide-and-sound programmes and video and audio cassettes, are being used increasingly as communication tools.

Corporate-identity materials also help create a corporate identity that the public immediately recognizes. Logos, stationery, brochures, signs, business forms, business cards, buildings, uniforms and even company cars and trucks make effective marketing tools when they are attractive, distinctive and memorable.

Companies might improve public goodwill by contributing money and time to *public service activities*: campaigns to raise funds for worthy causes - for example, to fight illiteracy, support the work of a charity, or assist the aged and handicapped - help to raise public recognition.

Sponsorship is any vehicle through which corporations gain public relations exposure. In Europe, the sponsorship industry is growing, with many firms committing huge sums of money around the world to the sponsorship of sport and the arts because it makes good sense as a marketing tool (see Marketing Highlight 19.4).

A company's *Web site* can also be a good public relations vehicle. Consumers and members of other publics can visit the site for information and entertainment.

Main Public Relations Decisions

In considering when and how to use product public relations, management should set PR objectives; choose the PR messages and vehicles; implement the PR plan; and evaluate the results.

Setting Public Relations Objectives

The first task is to set objectives for public relations. These are usually defined in relation to the types of news story to be communicated, the communication objectives to be achieved (for instance, awareness creation, knowledge dissemination, generation of specific publicity for target groups) and the specific target audiences.

• *Choosing Public Relations Messages and Vehicles*

The organization next selects its major public relations message themes and the PR tools it will use. Message themes should be guided by the organization's overall marketing and communications strategics. PR is an important part of the organization's overall integrated marketing communications programme, so the public relations messages should be carefully integrated with the organization's advertising, personal selling, direct marketing and other communications.

In some cases the choice of PR messages and tools will be clear-cut. In others, the organization will have to create the news rather than find it. The company could sponsor newsworthy events. Ideas might include hosting major conventions, inviting well-known celebrities and holding press conferences. Creating events is especially important in publicizing fund-raising drives for non-profit organizations. Fund-raisers have developed a large set of special events such as art exhibits, auctions, benefit evenings, book sales, contests, dances, dinners, fairs, fashion shows, marathons and walkathons. No sooner is one type of event created - like walkathons - than competitors create new versions, such as readathons, bikeathons and swimathons. Whatever next?

• *Implementing the Public Helations Plan*

Implementing public relations requires care. Take, for example, the placing' of stories in the media. A *great* story is easy to place, but, unfortunately, most stories are not earth shattering and would not get past busy editors. Thus one of the main assets of public relations people is their personal relationships with media editors. In fact, PR professionals are often former journalists who know many media editors and know what they want. They view media editors as a market to be satisfied so that editors will continue to use their stories.

Evaluating Public Relations Resulls

Public relations results are difficult to measure because PR is used with other promotion tools and its impact is often indirect. If PR is used before other tools come into play, its contribution is easier to evaluate.

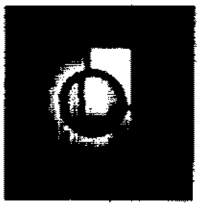
The easiest measure of publicity effectiveness is the number of exposures in the media. Public relations people give the client a 'clippings book' showing all the media that carried news about the product and a summary such as the following:

> Media coverage included 3,500 column inches of news and photographs in 350 publications with a combined circulation of 79.4 million; 2,500 minutes of air time on 290 radio stations and an estimated audience of 65 million; and 660 minutes of air time on 160 television stations with an estimated audience of 91 million.

The summary would also give an indication of the cost of the time and space had they been purchased at current advertising rates.

This exposure measure is not very satisfying, however. It does not tell how many people actually read or beard the message, or what they thought afterwards. In addition, because of the media overlap in readership and viewership, it docs not give information on the *net* audience reached.

Marketing Highlight 19.4



Making Sponsorship Work for the Company

Traditionally, sponsorship has been an underrated medium compared to its more glamorous cousin - advertising. Times are changing and, increasingly, marketers see this tool as an investment that makes good marketing sense. According to the market research company SRI, businesses around the world currently spend over ecul().4 billion on sponsorship. For example, business sponsorship of the arts - investment in return for public relations exposure or corporate hospitality - has been one of the fastest and most sophisticated growth areas in the industry in recent years. Tn the United Kingdom particularly, companies have been establishing partnerships with the arts as a way of reaching specific target markets. Allied-Lyons, one of the world's largest drinks companies, boasted a £3.3 million sponsorship of the Royal Shakespeare Company. It used the prestigious alliance to promote its corporate identity and, ultimately, to increase sales of individual brands. Marks & Spencer spent close to £50,000 a year on the London Philharmonic Orchestra's Concerts for Children, held three times a year at the London Festival Hall. M & S claims that it helped the company to gain access to inner city areas, to schoolchildren, their parents and their teachers. Ice-cream manufacturer Haagen-Dazs sponsored an art exhibition called 'Some Went Mad, Some Ran Away' at London's Serpentine Gallery, as part of the company's 'Dedicated to Pleasure, Dedicated to the Arts' programme. The German Beck's Bier was launched as a premium lager on the British market using arts sponsorship.

Common trends are emerging in almost all European countries, according to Anne Vanhaeverbeke of the Comite Europeen pour le Rapprochement de l'Economic et de la Culture (Cerec). There are professional sponsorship associations in most countries in Europe, and Cerec fosters closer ties between business and the arts and co-ordinates the network of sponsorship associations and its own business members. In Germany, however, due to high public subsidy for the arts and punishing levels of taxation, businesses play a lesser role. Those that do participate, however, like Daimler-Benz, BMW and Lufthansa, do seek public recognition and media coverage for their efforts.

Sponsorship can be cheaper than advertising. Sunkist's $3 million sponsorship of a bowls championship generated $10.8 million worth of media impressions for the brand in the United States. Smaller sums can also result in spectacular returns from sponsorship investment. For example, for under £1,000, companies can get a match-day sponsorship at a small football club. The package includes a hospitality box, twelve seats in the main stand, a buffet and a free bar. The firm gets free advertising in the match programme, banners in the car-park area, the right to present the Man-of-the-Match award, and tickets to join players in the bar after the match. At under £100 per head, this is not bad for a day's entertainment for key customers - as long as the game is good! Furthermore, it offers a sales opportunity and rewards the firm's best sales staff.

Sponsorship should not be used as a substitute for advertising, however. The two should go hand in hand. 'Integrated communications' yield more effective; results. Sponsorship is a deed. Advertising tells the public about it. Sales promotion and direct marketing are integral, too. For example, a Diet Coke campaign used sponsorship of a London marathon as a vehicle for a sports T-shirt offer. Promotional vouchers that were returned had the name and address of the recipient filled in. This provided a useful basis for future communication between the company and customer.

A fast-growing area of sponsorship is one with an environmental focus. In the early 1990s, Volvo ran a £250,000 per annum two-year sponsorship programme in the United Kingdom to stress the fact that Volvo is Swedish and 'green'. The programme was run on two fronts. One, a research project into ground-level ozone, involving children growing and monitoring plants in their own gardens, was carried out in conjunction with the Society for Nature Conservancy Council (SNCC). The other concerned tie-ups among its dealer distribution points and the local SNCC office, which involved building an owl sanctuary and protecting a bluebell wood. Such PR activities have served to reinforce the company's corporate identity.

To be a successful sponsor, the firm must meet certain requirements:

- There are clear marketing objectives.
- The objectives can be fulfilled by sponsorship.
- Legally, the contract is watertight, and has been vetted by a lawyer or a specialist in the field.
- The staff are prepared to work hard to make it a success - the launch of the campaign is the easy part, the hard grind comes later.
- Internally, staff have fully accepted the idea and various departments agree about its relevance.

The firm should decide its sponsorship target: for example, sports, the arts, a national event. It would do well to seek the advice of consultants or specialist bodies in order to decide the best sponsorship area that matches its objectives. Importantly, sponsorship can bring good results if used in conjunction with other elements of the communication mix.

SOURCES: Louella Miles, 'Get noticed', *Marketing Business* (March 1992), pp. 30–3; Terry Eccles, 'Why £9 billion is put on board the sponsorship bicycle', *The European* (6–12 May 1994), p. 20.

A better measure is the change in product awareness, knowledge and attitude resulting from the publicity campaign. Assessing the change requires measuring the before-and-after-the-campaign levels of these measures. Finally, sales and profit impact, if obtainable, is the best measure of public relations effort. If advertising and sales promotion were also stepped up during the period of the PR campaign, their contribution has to be considered.

Increasingly, companies - high-media-profile organizations such as banks, food, chemicals and pharmaceutical firms - are investing in longer-term media tracking to help public relations managers to design and implement more effective PR programmes. They employ specialist media analysis and evaluation agencies or PR consultants to conduct in-depth media analyses that go a long way from mere counting or press cuttings and measuring column inches. Instead, the analyses, which include coverage in both electronic and print media, identify issues and public perceptions about the organization's reputation, products and services and those of their competitors, as well as tracking legislative initiatives. They generate 'management intelligence' to determine the effectiveness of an organization's PR activities and to help forward planning of communications and customer/public relationship building, including how management should react in a crisis management situation. For example, the charity organization Barnado's conducted media content analyses throughout its 150th anniversary year to identify if the public's perception of Barnado's was consistent with the modern aspects of Barnado's work. The charity was concerned that people still thought of Barnado's as an outfit that runs orphans' homes, whereas the last one closed in the early 1980s, and they are now tackling modern childcare issues. By systematically tracking all reference to Barnado's work currently in the press, the organization found that the analyses proved that its initial strategy was working and no changes were made to its campaign as a result. When Shell UK faced adverse publicity over the disposal of its defunct oil rig, Brent Spar, Shell hired experts to

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provide in-depth analyses of media coverage and public opinion. The information helped the company deliver a strategic counter-attack once management understood the issues embedded in the crisis: who the opposition was and the nature of its agenda.39

Summary

Companies must do more than deliver good products and services - they have to inform customers about product benefits and carefully position these in customers' minds. They do this by skilfully employing mass promotions to target specific buyers. The three mass-promotion tools are *advertising, sales promotion* and *public relations*.

Advertising is the use of paid media by a seller to inform, persuade and
remind target audiences about its products or organization. It is a powerful
promotion tool. Advertisements take many forms and have many uses.
Advertising decision making is a five-step process consisting of decisions about
the objectives, the budget, the message, the media and, finally, the evaluation of
results. Advertisers should set clear *objectives* as to whether the advertising is
supposed to inform, persuade or remind buyers. The advertising *budget* can be 1.
based on what is affordable, on a percentage of sales, on competitors' spending, or
on the objectives and tasks to be accomplished. *Message* decisions involve plan-
ning the message strategy - designing messages, evaluating and selecting them -
and executing them effectively. The *media decision* calls for a definition of reach,
frequency and impact goals; choosing chief media types; selecting media vehicles; 2.
and deciding on media timing. Finally, *evaluation* calls for evaluating the com-
munication and sales effects of advertising before, during and after the advertising
is placed. Companies that advertise their products in different country markets
can apply the basic principles relating to domestic advertising, but they must take 3.
into account the complexities involved in international advertising. They must
address the similarities and differencesTri customer needs and buying behaviour,
as well as cultural, socioeconomic, political and regulatory environments across
country markets, which will affect the decision to standardize or differentiate
advertising strategies and executions.

Sales promotion covers a wide variety of purchasing incentives - coupons,
premiums, contests, buying allowances - designed to stimulate consumers, the
trade and the company's own sales force. In general, sales promotions should be
about consumer relationship building. In many countries, sales promotion
spending has been growing faster than advertising spending in recent years. Sales
promotion calls for setting sales promotion objectives; selecting tools; developing,
pretesting and implementing the sales promotion programme; and evaluating the 1.
results.

Organizations use *public relations* to obtain favourable publicity, to build up a good 'corporate image' and to handle or head off unfavourable rumours, stories and events. Public relations involves setting PR objectives, choosing PR messages and vehicles, implementing the PR plan and evaluating PR results. To accomplish these goals, PR professionals use a variety of tools, such as news, speeches and special events. Or they communicate with various publics through written, audio-visual and corporate identity materials, and contribute money and time to public relations activities.

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Key Terms

Advertising 793
Advertising objective 794
Advertising specialities 823
Allowance 826
Gash refund offers (rebates) 822
Comparison advertising (knocking copy) 794
Consumer promotion 819
Consumer relationship-building promotions 823
Continuity 808
Copy testing 808
Coupons 822
Discount 826
Frequency 804
Informative advertising 794
Media, impact 804
Media vehicles 804
Patronage rewards 823
Persuasive advertising 794
Point-of'-purchase (POP) promotions 823
Premiums 822
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Public relations 830
Publicity 830
Pulsing 808
Reach 803
Reminder advertising 795
Sales force promotion 819
Sales promotion 818
Samples 822
Trade (or retailer) promotion 819

Discussing the Issues

1. Comparison advertising is not permitted in some countries. What are sonic of the benefits and drawbacks of comparison advertising? Which has more to gain from using comparison advertising - the leading brand in a market or a lesser brand? Why?
2. Surveys show that many people are sceptical of advertising claims. Do you mistrust advertising? Why or why not? What should advertisers do to increase credibility?
3. What factors call for moreyj-equeney in an advertising media schedule? What, faetors call for more reach? How can you increase one without sacrificing the other or increasing the advertising budget?
4. An ad statos that Brand Y's biscuits are the 'moistcst, chewiest, most perfectly baked biscuits the world has ever tasted', aside from home-made biscuits. You happen to prefer another brand of biscuits that you think is moister or chewier than Brand Y. Is the Brand Y claim false? Should this type of claim be regulated? Why or why not?

Companies often run advertising, sales promotion and public relations efforts at the same time. Can their efforts be separated? Discuss how a company might evaluate the effectiveness of each element in this mis.

Many companies are spending more on trade promotions and consumer promotions than on advertising. Why do you think this is so? Is heavy spending on sales promotions a good strategy for long-term profits? Why or why not?

Applying the Concepts

Buy a Sunday paper and sort through the colour advertising and coupon inserts. Find examples that combine advertising, sales promotion and/or public relations. For instance, a manufacturer may run a full-page ad that also includes a coupon and information on its sponsorship of a charity event,

- Do you think these approaches using multiple tools are more or less effective than a single approach? Why?
- Try to find ads from two direct competitors. Are these brands using similar promotional tools in similar wavs?

Look out for two current television ads that you think are particularly effective and two that you feel are ineffective.

- Describe precisely why you feel the better ads are effective and explain why the ineffective ones fall short.
- How would you improve the less effective ads? If you think they are too poor to he improved, write an alternative ad for each, describing why these would be more effective.

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Case 19

Diesel Jeans & Workwear: 'We're All Different. But Aren't We All Different in the Same Way?'[1]

*Malin Nilsson, Anki Sjöström, Anneli Zell and Thomas Helgesson**

DURING TUB oiL CRISIS IN 1978, the idea of a trademark called Diesel came to Renzo Rosso, the son of an Italian farmer. To him Diesel represented something that everybody needs and always will need. Tie kept this in mind until 1985, when the real Diesel story began. In that year he decided to produce and sell clothes that he himself liked to wear; clothes that represented his lifestyle. His wild and masculine 'Renzo Rosso style' is what Diesel Jeans & Workwear is all about. It is a way of living ...

Gut Your Blue Jeans On

Blue jeans are the most successful elothes ever invented and the world's largest clothing companies depend on them. Why has this 'all American' workwear become the global uniform? Sociologist John Fiske tries to explain. He onee asked a class to write down what jeans meant to each of them. He got back a set of staggeringly uniform results. Jeans were American, informal, classless, unisex and appropriate in town or country. Wearing them was a sign of freedom from constraints on behaviour and of class membership. Free was the word most commonly used, usually expressing 'freedom to be oneself. By wearing jeans, Fiske's class were expressing their 'freedom to be themselves', yet 118 out of 125 students were 'being themselves' by wearing the same clothes, jeans. With everyone wearing the same clothes, people who are *reallyfnx* go one step further to

* Halmstad University, Sweden.

express themselves. Rockers wore greasy ones, mods smart ones, hippies old ones, skinheads new ones, punks damaged ones, indies torn ones and grunge shabby ones - but they all wore jeans.

Fashion Bubbles Up

Jeans are no longer as uniform, or cheap, as they used to be. The generic jeans, foundation of the Levi Strauss and Wrangler empires, mean classless, country, communal, unisex, work, traditional, unchanging and American. But not so designer jeans. These reached their zenith when Pakistan-born Shami Ahmed exhibited his Manchester-made, diamond-studded, Joe Bloggs jeans costing £150,000 a pair. In contrast to generic jeans, designer jeans mean up-market, city, socially distinctive, (usually) feminine, leisure, contemporary, transient and not American. So transient and non-American are Joe Bloggs jeans that the range changes twelve times a year and West Indian cricketer Brian Lara promotes their 375 and 501 range. The ranges are named after Lara's record-breaking batting scores, although Levi's is not happy about the Joe Bloggs 501 name.

Jeans are now not only high fashion, but'the foundation for many new fashions. Jeans are the uniform of the street culture, and leading designers, such as Versace, Westwood, Gaultier and Lagerh'eld, concede that there is now a very strong 'bubble up' effect where the streets lead fashion. Top jeans companies 'bubble up' in the same way as street fashions do. Shami Ahmed and Renzo Rosso are typical of the clothing entrepreneurs who are leading the way in Europe's dynamic and varied fashion market, and foremost among these businesses is Rosso's Diesel Jeans & Workwear, a European firm that aims to overtake Levi's and become the world's no, 1 jeans company.

Diesel's Concept

To work for Rosso, you have to understand the Diesel concept. You have to love Diesel and devote your life to the company. This company spirit imbues the whole organization and is presumably the reason for Diesel's success. For example, Diesel is probably the only company where all employees, even the management team, wear Diesel clothes.

Rosso has managed to create a multinational concern out of Diesel. The turnover is approximately L8,000,000 million and rising. The profit margin of between 10 and 15 per cent is almost all reinvested in the company. This makes Diesel very strong financially. Today, Diesel is no. 2 in Europe after the American jeans-giant Levi's. Its goal is to become no. 1.

Diesel is today represented in 69 countries worldwide. Of Diesel's 3,000 employees, 150 work at its headquarters at Moldava, Italy. Small family-owned companies in northern Italy carry out about 70 per cent of production, and the rest is spread around low-cost countries such as Hong Kong. Thailand and Korea.

The Diesel collection contains jeans, jackets, sweaters, shoes, underwear and belts for both men and women. These account for 60 per cent of Diesel's products. The remainder includes sportswear, kids' wear and perfume for men. Diesel's products are sold through hand-picked agents, licensees and subsidiaries. Franchising is not popular as there is a risk of losing control of the company profile. Education and training of the international network is intensive. The resellers have a lot to live up to. They have to understand the Diesel concept and sell clothes thatgo well with Diesel.

Diesel has only two shops of its own, one in Berlin and the other in Stockholm. New stores in Paris, Rome and New York will open soon. There were strategic reasons for opening the first two flagship stores in Stockholm and Berlin. Germany is Diesel's largest market: 25 per cent of production is sold there. Sweden is seen as receptive to new fashions and useful for test marketing. Also, Diesel's vice-president and head of international marketing, Johan Lindeberg, is Swedish. Together with local advertising agency Paradiset, he directs all Diesel's marketing activities from his Swedish headquarters.

Diesel's Advertising

Lindeherg and Paradiset claim that much of their marketing success derives from their lack of respect for marketing strategies and their trend-setting advertising. Adverts are sent by courier-post from Paradiset to distributors in other countries which decide the local marketing arrangements themselves. Local distributors spend 5 per cent of their turnover on national marketing, while Diesel spends 7 per cent of its total turnover on internationals such as MTV and Sky Sport.

Paradiset has two ideas in mind when creating an advert; The ad should be conspicuous and also contain an ironic message. Diesel's advertising is targeted at modern intelligent people. Diesel often makes fun of current myths, as, for example, in its 'How to ...' campaign. In this campaign, one advert showed the cranium of a girl sucking on a cigarette. The test read, 'How to smoke 145 a day' and 'Man, who needs two lungs anyway?' This message caused much controversy in the United States, where Diesel was criticized for encouraging young people to smoke.

Rosso has his own way of running a company. He follows his own path, ignoring conventional marketing approaches - and it certainly works! Diesel has great growth potential. Rosso believes that, in the long run, a good organization structure is much more important than good advertising. According to Rosso, a strong company is one 'with strong collaborators'. This requires work that employees enjoy and, above all, work that they find interesting. 'When you trust your own and your collaborators' intuitions, feelings and judgements, and not only text-book theories,' says Rosso, 'then you have reached the Diesel feeling.' Since Rosso owns 100 per cent of Diesel, he has his hands free to do whatever he wants. To buy other companies or to be listed on the stock exchange is not 'the Renzo Rosso style' and neither would he leave Moldava. The company's vision is expressed in its slogan: you need Diesel 'for successful living'.

QUESTIONS

1. How does the advertising for generic and designer jeans differ? Can one brand and advertising campaign straddle both markets?
2. Explain Joe Bloggs' choice of Lara and the £150,000 jeans as a way of promoting the brand. Are twelve ranges a year really necessary?
3. What is the controversial style of Diesel's advertising trying to achieve? Do you think it is effective? Ethical? Appropriate for all markets?
4. How does the centralized nature of Diesel's advertising fit the entrepreneurial style of the company? How can the advertising be linked in with the rest of the marketing mix in the many markets and distributors thai Diesel serves?
5. What explains Rosso's choice of Sweden, rather than Italy, as the base tor his international marketing activity? Why choose an agency and location outside the London and New York heartlands of modern global advertising?

6. Can 'the Renzo Rosso style' be separated from the brand identity and the advertising used? How well does 'the Renzo Rosso style' fit the needs of the jeans market and why?

The illustration is copy from a 1970s Levi's ad

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Acknowledg[redacted]

This publication was made possible by the cooperative efforts of [redacted] who, in the spirit of partnership, dedicated time and resources to develop th[redacted]

Special thanks to the Forum for International Trade Training (F[redacted] this project.

Team Canada Inc would also like to thank the following people [redacted] document:

Anne Barton, President, ABComm Ltd

Jenny Singer, FCI Fisher Cargo Inc

Barry Siskind, International Training and Management Compan[redacted]

Bruce E. Smith, Exhibit Project Manager and Designer

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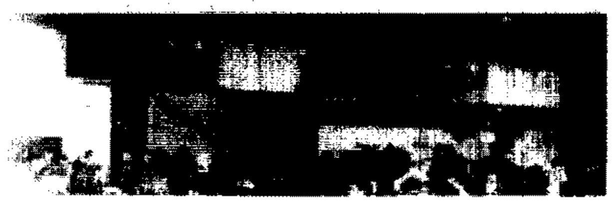

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FORWARD

Congratulations on entering the international arena. Up until now, it has been easy to set up a booth at one of many excellent facilities in Canada where you can promote your product and services in a language and culture you understand. Now you are ready for that big leap into the world of international exhibiting, where a show is a fair and a booth is a stand. Everything changes. Nothing is the same.

While the possible rewards are tremendous, they can be elusive. Exhibiting internationally is not a one-time thing. Many companies try it once and come home disappointed. They throw their hands in the air and say, "This is not for me." And perhaps it isn't.

However, for the company that approaches new markets intelligently, has a plan, and has taken the time to learn the subtle differences between doing business in Canada and doing business abroad, the possibilities are endless.

For years, I have been helping exhibitors improve their international exhibiting efforts and I know how difficult it can be. That's why I am pleased that the developers of this program asked me to introduce it to you.

This guide was designed as a primer for your international exhibiting efforts. Within this material, the developers have included many helpful hints and strategies that you will find invaluable when you are working an international trade fair.

There is a lot of material to digest, so take it slowly, make notes and use the checklists. You will have taken the first important step towards improving your performance at your next international trade fair.

Barry Siskind, Author
The Power of Exhibit Marketing

SECTION 1

An introduction to international trade fairs

General

Trade fairs are organized gatherings of buyers and sellers established precisely to create an environment where the two sides can meet and establish communication. From the perspective of the buyer, a trade fair presents an opportunity to meet with many vendors at a single location. For the seller, it is an opportunity to introduce a service or product to a new market. Companies generally participate in international trade fairs for one or more of the following reasons.

- They attend as visitors to view the competition, assess the market and develop a list of contacts for later follow-up.
- They participate as exhibitors to raise awareness, develop contacts, take orders, maintain a market presence, and introduce their products or company to the market.
- They attend to find an agent or distributor or support existing agents or distributors.
- They participate in panel discussions, make presentations or give one of the many workshops that are part of any trade fair's agenda. (By securing a speaking invitation, companies can increase their profile in a new market.)

Trade fairs can be classified in various ways. Some trade fairs are narrowly focused on a specific industrial sector or type of product, while others will address virtually any type of business. Some trade fairs are exhibitions at which participants display what they have to offer. Others are real markets at which those attending are expected to make purchases from participants. Most trade fairs fall under one of the following headings: major general trade fair, major specialized trade fair, secondary trade fair or consumer trade fair. However, it's not uncommon to find a show that is a hybrid of two or more of these classifications. It's always best to check with show management to get a clear understanding of the fair's environment.

Major general trade fairs: All kinds of consumer and industrial goods are exhibited at general trade fairs. They are open to the public, but businesspeople also attend. The audience may be international, national, regional or even provincial in scope. In many foreign markets, this is the only type of trade fair available.

Major specialized trade fairs: Designed primarily for business visitors, trade fairs of this kind may also admit the general public, usually for only part of the time. They are specialized by industry or trade sector (e.g. food or leather), or sometimes by market (e.g. health care or education). The audience can be either international or national in scope, and tends to include people from various levels of trade and industry. If a firm is trying to enter a market, these trade fairs offer an excellent opportunity to find an agent, importer or distributor. Firms established in the market can often use these trade fairs to support representatives by giving them the opportunity to make contacts with industrial buyers and retailers. COMDEX (**http://www.comdex.com**) is a good example of a major specialized trade fair.

Secondary trade fairs: Most trade fairs fall under this category. Although they do not rank with the major trade fairs, they can be very important in their respective fields. They include highly specialized exhibitions that are national or even international in scope, as well as many regional and provincial specialized exhibitions. They are usually restricted to business visitors, and many of the regional or provincial exhibitions are aimed specifically at retailers. Softworld (**http://www.softworld.org**) is a good example of a secondary trade fair.

Consumer trade fairs: These events are intended primarily for the general public, either from the immediate area or from various parts of the country. With respect to the products shown, these trade fairs may be general or may cater to specific areas of audience interest. You may be familiar with local "home shows," which usually showcase building products and home renovation strategies targeted to individual consumers.

In this guide, we will focus on the process you should follow if your firm intends to participate in any type of trade fair. However, we will emphasize the complexities of attending a trade fair in an international setting (outside of North America). These "international trade fairs" can be very large gatherings that draw senior executives and professional buyers from many countries. A truly international trade fair can represent a tremendous opportunity for a firm to develop business outside North America.

In general, international trade fairs are inherently more costly than domestic exhibitions, so the advantages and disadvantages of attendance must be weighed carefully in advance. In fact, you should hold off exhibiting at an international trade fair until you are ready to launch a dedicated export business development program (to determine if you are ready to export visit **http://exportsource.ca/diagnostic** and complete the Export Readiness Diagnostic). You may want to begin by attending a regional or national trade fair; these shows are less expensive than international trade fairs, and they give you an opportunity to gear up before exhibiting your company's products or services in an international setting.

Why trade fairs are valuable

In many foreign countries, the trade fair is the traditional method of conducting business. Many of these fairs have long histories and attract attendees from around the globe. In many industries, these are "must attend" events.

The Center for Exhibition Industry Research (CEIR) reports that upwards of 90% of attendees who make purchasing decisions view trade fairs as their number one source of information (CEIR Report #PE11, 2000). The CEIR also reports that an exhibition lead is 56% less costly to close than a field sales call (CEIR Report #SM17, 1999).

For firms that have decided to begin a dedicated export marketing effort, the main reason to participate in an international trade fair is to increase product exposure and, ultimately, to make sales in new markets. These fairs are a highly efficient way to find appropriate channels of distribution, find out what is happening in the industry and in specific markets, and investigate various market entry options.

Many potential and existing buyers attend trade fairs, making these events a good way to build contacts and give your product immediate exposure to potential customers. You will

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minimize the time and effort you spend to attract each new contact. Trade fairs offer an important venue for introducing new products; they are also an ideal opportunity to publicize product advances and new services, and to show how your company can solve your potential clients' problems.

Trade fairs provide customers with an opportunity to touch your product and see it in action. You usually have a chance to ask or answer questions, and to determine the extent to which potential customers are interested in a product or service. If someone expresses interest, you can follow up with a meeting or visit the potential customer's premises.

Trade fairs also give you, as a prospective exporter, an opportunity to check out the competition. A major general or specialized trade fair will likely attract other companies involved in the sector, so you can see what they are offering and also observe reactions to it.

International trade fairs help companies reach new prospects whom the sales force may not have approached. In addition, existing clients whom salespeople have not visited in the past year may come to the stand, providing an ideal opportunity to re-establish a relationship with these clients.

Trade fairs typically account for 22 to 25 per cent of the business market's promotional budget, second only to personal selling, and ahead of print advertising and direct mail. For example, U.S. businesses spend approximately US$9 billion annually on exhibitors' travel and direct labour costs, and a further US$12 billion on actual exhibit costs.

In summary, the major objectives for participating in an international trade fair include meeting new customers; selling your company's product or service; testing the market's reaction to the quality, design and price of your product or service; and gleaning market intelligence. It's your company's chance to meet decision-makers in a well-established business forum. The major benefits of international trade fairs are further summarized below.

- Potential customers can get hands-on experience with your product in a one-on-one situation.

- You can assess your competitors' new products or services, and observe the public's interest in or response to them.

- International trade fairs are a good place to meet potential distributors and representatives. These events offer an opportunity to measure the performance and product knowledge of existing or prospective agents.

- You can generate goodwill and free publicity through an international trade fair. Trade fairs can also enhance your corporate image.

- Your presence at an international trade fair reassures existing clients who attend. It confirms your company's presence in the marketplace and presents an ideal opportunity to sell new or improved products to committed clients.

SECTION 2

Choosing an international trade fair

General

Tens of thousands of commercial events are held around the world and virtually every country hosts at least a few of them. Finding the right exhibition opportunity the first time can be a nightmare. So you must analyze the possibilities and choose a fair carefully to avoid costly mistakes.

Matching the fair's potential to your marketing objectives

Ultimately, attendance at a trade fair is an extension of your firm's marketing efforts. Therefore, you should assess a trade fair based on the extent to which it will complement your firm's marketing plan. You have to assess your corporate goals and make decisions that put your firm in the right venues for new business development. In the previous chapter, you learned how to set realistic goals. Now your job is to ensure that you have a good chance of realizing these objectives at the fair you have chosen.

Assessing audience quality

The main problem in exhibiting at a major general trade fair is the difficulty of attracting a worthwhile number of "target" business visitors to your booth or stand. Although the audience may be huge, only a small percentage of these visitors may be interested in any specific product.

On the other hand, major specialized trade fairs are usually the most valuable fairs because they attract large numbers of businesspeople from the sectors covered. Particularly in Europe, exhibitors at a major specialized trade fair can be certain that a large proportion of the businesspeople they would want to contact in the country will be at the fair, along with many businesspeople from other countries.

Secondary trade fairs, both national and regional, can be an important way to reach a sector at all levels. They offer an opportunity to strengthen distribution or to increase market penetration. They are often the main channels through which to introduce a new line of products.

Consumer trade fairs are open to the general public and can attract large audiences. Unless you are planning to sell directly to the end user (which is rare in international markets), these shows might not produce the best results. However, in some markets, there may not be other choices. Alternatively, you may exhibit at a consumer show to support the marketing efforts of your local dealer, representative, re-seller or distributor.

The relationship of the trade fair to your business and the quality of the audience are the most important factors to consider when assessing any trade fair. The purpose of participation is to promote your products or services to visitors. It is therefore essential to ensure that visitors to the trade fair are the types of customers your firm wishes to meet. This involves defining the target audience, finding out about the characteristics of visitors who

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typically attended the fair in the past, and assessing the extent to which the target audience and actual visitors coincide.

Some trade fair organizers can break down visitors by trade or industry, job function and nationality. This is important because, when deciding to enter a fair, you will find that the "quality" or nature of the audience—in terms of its business interests and decision-making authority—means far more than the size of the total audience. You're not looking simply for numbers of people, but for numbers of people who fit your target profile. You can identify trade fairs that attract an important representation from your target market, and assign them priority in conjunction with other corporate objectives.

Trade fair organizers should also be able to provide a list of exhibitors. If your company's principal competitors are not on the list, this may indicate that the fair is not attracting the right kind of buyer. However, this may also show that the competition hasn't learned about this fair yet, and therefore it has potential.

You should also be aware of the mix of exhibitors. Obtain as much information as possible about the exhibitors, and about the kinds of products and services they tend to promote. If other exhibitors do not provide the right context, you should think carefully before attending. Aim for a trade fair that focuses on products and services similar to your own or that provides the right demographic mix of attendees.

Considering location and frequency

Location is one of the most critical factors to consider when deciding which trade fairs to attend. Is the fair located in the target market's region, or in a region to which the target market will travel? How often does the fair take place? Is it annual or bi-annual? If the fair is held in different locations each year, consider which location is most suitable for your company.

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Checking out a fair

Before deciding which fair or fairs to attend, consult specific people for valuable input and ask potential clients whether they will be attending that fair. You should approach the Canadian Trade Commissioner Service in the foreign country that interests you, as well as colleagues, agents and distributors, and trade officers at the International Trade Centre (ITC) in your home province.

In all likelihood, a few of these people will have attended the fair in the past and will be able to give you valuable feedback on the following:

- previous Canadian exhibitors' reactions to the fair;
- attendance figures for past years and trends in this regard;
- the types of exhibitors at the fair;
- the cost of exhibiting at a particular fair versus the alternatives;
- the types of exhibits and common promotional tools used at the fair;

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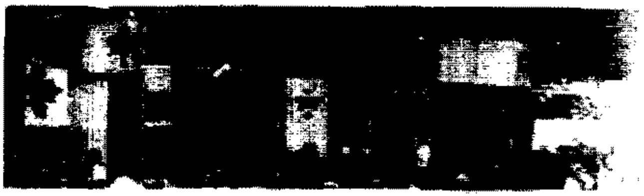


- the quality of the service that the company running the trade fair provides to exhibitors;
- problems encountered; and
- other useful tips for new exhibitors.

Compare all of this information to your company's objectives. This process will help you determine which fairs should be priorities.

Sourcing fair information

"There is no substitute for doing your own primary show research. Web sites and exhibitor prospectuses are sales and marketing tools. Many attendance figures and statistics provided are optimistic, at best." *Anne Barron, CME. CTG, President, ABComm® Ltd.*

There are a number of sources of information on international trade fairs. These sources can provide data on the various trade fairs applicable to the target sector, as well as data on the quality of the trade fair, the type of attendee and the relative cost of the options.

In general, the Internet is the best resource for fast access to targeted information on upcoming trade fairs. Most trade fairs, exhibitions and conferences have established a presence on the Internet. Trade fair Web sites usually provide detailed information on events, exhibitors, attendees, hotels and transportation, as well as online registration forms, floor plans and links to exhibitors' Web sites.

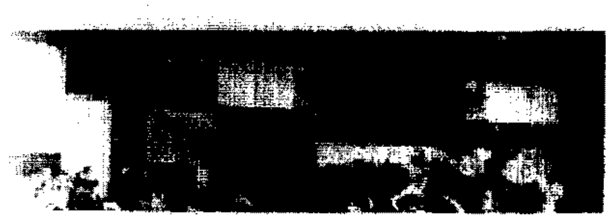
The following short list of directories will allow you to get preliminary information on just about any fair in the world. Once you have identified a specific fair, the fair's Web site is your next stop for more detailed information. For a more extensive list of trade show links, visit the "Trade Shows/Events" section of the Team Canada Inc's "Exportsource" web site at **http://exportsource.ca/**

Expo Central
http://www.expocentral.com
This site lists trade fairs, exhibitions and conferences held around the world, as well as virtual trade fairs in different industries. The site provides fast access and is well organized. Its hierarchical structure includes 10 top-level categories by location and 28 top-level categories by vertical industries, as well as more than 600 sub-categories.

Exhibitions 'Round the World
http://www.exhibitions-world.com
This site has information on more than 4,000 of the world's major trade fairs and exhibition-related services. Site registration is required but access is free.

ExpoBase
http://www.expobase.com
This site is a multilingual exhibition database containing information on approximately 17,000 exhibitions worldwide.

TS Central
http://www.tscentral.com
This site is a directory of resources for business and professional events. The site has information on more than 30,000 trade fairs, conferences and seminars, 5,000 service providers, and 5,000 venues and facilities around the world. TSC connects people who organize and support trade fairs with those who attend and exhibit at them.



Fairs are also publicized in trade periodicals. If you subscribe to trade periodicals focused on specific industry sectors, you will be generally aware of the major fairs in your field of interest. You should also study peripheral areas, or sectors that represent crossovers.

Additional information on trade fairs is available through the International Exhibitors' Association's Web site at **http://www.tsea.org.** This organization promotes the progress and development of trade fair exhibiting and disseminates trade fair information. It also conducts studies and surveys on trade fair issues. A membership-based organization, it has been providing information on trade fairs since 1966.

In addition, provincial ministries will have listings and information on trade fairs for the major industrial sectors. Canadian trade and industry associations, and the chambers of commerce located in many cities across the country, are also aware of most major international trade fairs.

When you combine this information with a careful assessment of fair visitor demographics, you can determine whether a particular trade fair will allow you to accomplish your objectives.

Finding government support

Canadian companies participating in an international trade show with a government-sponsored booth will benefit from experienced coaching by DFAIT and from a cost-sharing formula that enables a small firm to participate in the show at a reduced cost while benefitting from the prestigious connection to the Government or Canada.

If you are a qualified, first-time exhibitor deemed "export ready," DFAIT will cover approximately 50 per cent of your travel and exhibition costs via the Program for Export Market Development (PEMD). Through this program, the government shares your costs through a loan that you repay only if you make sales to the targeted market. These repayable contributions are very useful because one of the easiest and most effective ways to enter international trade is to participate in a trade mission or in an international trade fair. Activities eligible for funding include the following:

- participation in recognized trade fairs outside Canada;
- visits outside Canada to identify markets; and
- visits by foreign buyers and foreign sales agents to Canada.

You can find specific details on the PEMD program on the DFAIT Web site at **http://www.infoexport.gc.ca/pemd/menu-e.asp.** Applications for this program are available online and at the International Trade Centre in your province.

Trade missions
A trade mission consists of a group of businesspeople travelling abroad together to facilitate trade by meeting foreign companies or foreign government officials. The strategy of the mission might be to establish personal contacts with key decision-makers in the target country; to gather information and market intelligence on opportunities and prospects; or to promote the companies represented in the mission and convince the mission's hosts to do business with those companies. For more information on trade missions visit **http://www.tcm-mec.gc.ca/tcworld_rb.html.**

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Canadian Pavilion
Typically, Canadian government officials coordinate and set up a themed, multi-unit exhibit space for Canadian companies called a Canadian Pavilion. When a large group of companies joins a trade fair using this themed approach, the result is a very powerful presence at the fair. Corollary events around the Canadian Pavilion are also organized by Government of Canada officials to allow companies to meet new and existing clients. Some of these corollary events include matchmaking events and receptions. As well, meeting space is offered on site to allow you to do business in private. You should therefore look for opportunities to get involved in Canadian Pavilions at international trade fairs.

New exporters programs
One way to prepare for such a mission is to participate in information and training sessions organized in Canada. Some programs—such as DFAIT's New Exporters to Border States (NEBS) and New Exporters Overseas (NEXOS), and New Exporters Program (NEXPRO), offered by the Business Development Bank of Canada (BDC)—combine instruction in Canada with a visit to the target market. You can find information on DFAIT programs at
http://www.dfait-maeci.gc.ca
and information about BDC's programs at
http://www.bdc.ca.

Choosing a trade fair: Summary Sheet 1

Before registering for a trade fair as a visitor, exhibitor or participant, use the following chart to research the event.

Name of trade fair

Dates

When is the next event?

How often does it take place (annually, bi-annually)?

Is the trade fair appropriate for your business?

Is the fair intended for a general or a sector-specific audience?

Is it for exhibitors only?

Is the general public permitted to attend?

Is attendance by invitation or pre-registration?

Will there be a Government of Canada sponsored "Canadian Pavilion" at the fair?

Attendance

What were attendance figures like for the past few events?

How is the fair promoted?

How many attendees are expected at the event?

How many countries are represented?

Who are the exhibitors?

Who are the visitors?

What is the dominant language spoken?

Choosing a trade fair: Summary 2

Continued

Location

In what country or region is the fair located?

Is it close to key markets?

Are other exhibit or business opportunities available in conjunction with the fair?

Is it accessible to my company (is it easy to travel to and communicate with the site)?

History

When was the event founded and by whom?

What is its reputation and is it successful?

Who are the organizers? (include contact names)

Facilities

How large an area does the fair cover?

What kind of buildings house the fair?

Is it located in a town or city?

How big are the stands and other spaces?

What other facilities are on the fairgrounds (i.e. meeting or demonstration rooms)?

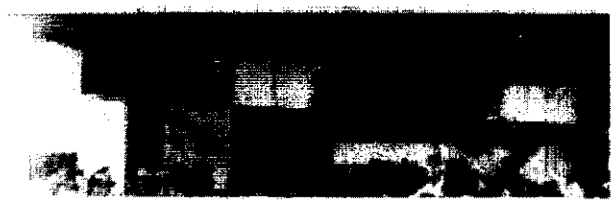
Are hotels and other accommodations nearby?

What are the move-in and move-out arrangements?

What storage facilities are available?

What is the quality of the facility?

What other amenities are available?



Choosing a trade fair: Summary 2

Continued

Fees

What are the fees for participation?

What are the fees for renting a stand?

What are the fees for attending as a visitor?

Are there additional fees for attending workshops?

What services are included in the cost of renting a stand?

What is the cost of clearing stand materials through customs?

What is the cost of services not supplied by organizers?

What is the cost of an interpreter, if needed?

Travel

What modes of transportation serve the centre?

What connections exist between Canada and the location (for instance, flights)?

Logistics

What is the best way of getting products and samples to the fair?

What are the customs and import regulations for the products being exhibited?

Are special licences required?

Will it be easy to bring the goods back to Canada?

Applications

What are the lead times for applying as a visitor, exhibitor or participant?

What procedures, restrictions or documents are involved?

What is the space reservation deadline?

SECTION 3

Planning for an international trade fair

Setting realistic trade fair goals

Clearly identifying the benefits of trade fairs is the first step in focusing on their importance to your company's overall promotion strategy. Consequently, it is the first step in planning for a trade fair.

Successful participation in a fair, like any well-executed marketing exercise, depends on a carefully considered plan of action. A plan focuses the whole effort; it sets goals and provides benchmarks against which to measure results. A natural beginning is to ask, "Why should the firm exhibit? And what does the company stand to gain?" Perhaps equally important is the question, "What criteria can we use to measure success?"

The following is a list of possible objectives for attending a fair, with some examples of ways that your firm can measure the extent to which you have achieved those objectives.

Objectives: Measure of success

Raise awareness of firm

The number of people visiting the booth or the number of people attending a presentation or demonstration

Secure leads and contacts

The number of people visiting the booth and the number of lead cards completed

Sell products or take orders

The number and value of orders taken

Meet with existing customers

The number of existing customers met

Conduct market research (for example, solicit feedback on new products or services)

The amount and quality of information gathered

Conduct competitor research

The number of competitors studied and the quality of information gathered

Secure contracts

The value of contract(s) initiated

Find foreign or local partners

The number of leads to potential partners, the number of qualified candidates and the number of candidates interviewed

Learn about new products, processes and technologies

The quality of information gathered

Acquire new products, processes or technologies

The number and quality of leads and contacts

List all possible objectives you may wish to achieve at a fair, then review the list and rank each objective by priority. High-priority objectives might include making sales or generating sales leads, promoting your product and company, analyzing competitive products or getting a general introduction to the market.

Ultimately, one or two objectives will stand out as being of primary importance. Therefore, you should channel most of your fair-related efforts into meeting these objectives, because it is easy to lose focus at a trade fair. There are many types of visitors, many activities and many opportunities to explore. It is therefore crucial to focus on your top-priority objectives to ensure that you succeed at the fair.

You need a list of realistic objectives in order to determine which trade fairs your company will attend, what importance the trade fair budget should assume in terms of the overall marketing budget, and what image your company wants to create at trade fairs. The list will also dictate the way you will measure the results of the fair and how you will pursue your follow-up strategy after the trade fair.

In addition to the overall corporate objectives and realistic targets you set for the fair, you need to set out individual responsibilities and goals for the people working at your stand. These should include the number of hours they spend at the stand, the number of hours they spend working the floor outside the stand, the number of product demonstrations they give per hour and the number of leads they generate per day.

Establishing a budget

Although trade fairs can be very successful tools for reaching potential clients, they are expensive and have many cost elements. Without a fixed budgetary target, it is easy to overspend. So you must be well prepared for a trade fair to ensure your company maximizes the benefits of it. Treat a trade fair as a profit centre, like any other marketing expenditure.

Business to Business Marketers: Keep in mind a rule of thumb determined by the CEIR: Business-to-business marketers spend as much as 35% of their annual marketing budget on trade fairs

At the outset, establish a global budget for trade fairs, using as a starting point the total number of annual trade fairs you are considering. If you are new to the trade fair world, speak to the fair manager and other exhibitors to get reasonable estimates of the various budget components. There are also full-service organizations across Canada specializing in selling trade fair exhibits, managing pre-fair promotion, training trade fair personnel and administering trade fair budgets. These professionals are good sources of information for budget estimates.

To participate in a trade fair, your company will incur costs for the following kinds of items:

- exhibit space, which typically accounts for 15 to 25 per cent of a company's total trade fair budget (basic costs for exhibit space are most often quoted on a "square metre" basis);
- show services, such as electricity and labour;
- purchase or rental of the exhibit, including any design or local construction services needed;

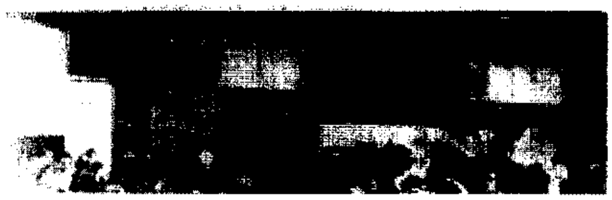
- shipping of the exhibit, including transport, set-up, dismantling and return transportation;
- material handling (also known as drayage it is an on-site cost to move your exhibit and products from the loading dock to your stand area. Material handling is usually billed for "in and out". If you are not sending back the exact same items the material handling costs can be lowered at the time you pay your bill.)
- special equipment for demonstrations or presentations (display screens, VCRs, computers, slide projectors, overhead projectors);
- brochures and other printed materials, including writing, design, translation and printing;
- registration fees;
- travel documents (fees for passports, visas);
- special permits and carnets for samples
- travel to and from destination;
- incidental travel (taxis, parking, car rentals);
- accommodation (hotel, meals, per diem, incidentals);
- hospitality (for clients, contacts);
- fair services, including furniture rentals, computer rentals, electrical hook-ups, janitorial services, security, telephone services and insurance;
- business cards (translated into the local language and reprinted, if necessary);
- production of samples or software for demonstrations;
- additional staff, if necessary, to maintain the stand and demonstrate products;
- staff training; and
- pre-fair promotion, including pre-fair releases sent to trade and business periodicals, advertising in the fair guide, local radio promotions, direct mail materials and special invitations for selected guests.

Estimate all of these costs in advance when planning the annual marketing budget. A budget for each trade fair will help you focus your trade fair program. It will introduce an element of control and encourage you to avoid cost overruns. The trade fair coordinator, the participants and anyone else supporting the trade fair effort should be acutely aware of the overall budgets and the spending constraints established for each of the cost items.

Arranging shipping

Carefully read all the documentation the trade fair organizers send you. Special shipping arrangements may be required for goods you are sending to the fair. If such arrangements are needed, you should be familiar with them at the outset of the planning process and be prepared to meet all related deadlines.

If you have to make your own shipping arrangements, check first with the fair organizers to verify when they can receive goods and how you must pack and label them. Make all arrangements with the shipper as early as possible to benefit from the least expensive



shipping modes and rates. Shipping as early as possible also ensures that customs problems (should they arise) are dealt with early and the goods arrive in time for the fair. According to Jenny Singer of FCI Fisker Cargo Inc., when selecting a shipping company, make sure you select someone with exhibit forwarding experience, "shipping to Germany and shipping to an international trade show in Germany are like night and day; you have to know the rules and regulations when shipping exhibits and products to trade shows". Ask the trade fair organizers whether there is an official show logistics company. While these services are not always the least expensive, using an official supplier can guarantee on-time delivery and saves countless last-minute hassles.

Tip: If you are participating in a Canadian Pavilion find out if other exhibitors want to consolidate their shipping and then share the costs.

Travelling with samples and display products

You will find it easier to clear customs in the destination country with samples and display products if you have an ATA carnet. The carnet acts as a merchandise passport that makes it simpler to take temporary imports such as samples and equipment into more than 50 countries, and to leave with them later. Customs authorities in most developed countries accept carnets. The document is their guarantee that all duties and excise taxes will be paid if any of the items listed are not taken out of the country within a year.

Carnets can be particularly useful when you are coping with a language barrier as well as the usual bureaucratic hurdles. Carnets also cut costs—without one, you may have to buy a temporary import bond or pay all tariffs and excise taxes when you enter each country and claim a refund when you leave.

You can get an ATA carnet from the Canadian Chamber of Commerce at **http://www.chamber.ca.** Carnet fees currently range from $85 to $395 for chamber members and from $120 to $455 for non-members, depending on the value of the goods. Normally, a carnet is valid for one year and can be used a number of times.

Conducting a pre-fair market visit

The international trade fair you plan to attend may attract a lot of local companies. As a result, it is often worthwhile to plan a pre-fair market visit to familiarize yourself with the local culture, market dynamics and businesses.

"Put into writing your communication objectives, including concept, theme and ideas on how your products or services may be exhibited and include specific details important to the program."

Bruce E. Smith, Exhibit Manager and Designer

The Canadian Trade Commissioner Service in the destination country can help you develop an appropriate itinerary. Depending on the nature of your business, you may want to visit potential customers, visit retail or wholesale operations, or talk to industry experts. You can find contact information for the Canadian Trade Commissioner Service in the InfoExport Trade Commissioner directory **(http://infoexport.gc.ca)**. In addition, a Team Canada Inc online guide called Planning a Business Trip Abroad provides planning advice for international trips. It is available at **http://exportsource.ca/trip.**

Assigning responsibility

At the outset, you should choose a person within your company to assume responsibility for all aspects of trade fairs. Since participating in a trade fair involves numerous tasks and responsibilities, even small and medium-sized companies should choose someone for this role. In a small or medium-sized company, this person should be a senior manager. A middle manager would assume this role in larger companies. In all probability, this individual will delegate various logistical aspects of the fairs but will remain the central point of command.

As soon as your company identifies its trade fair objectives for the year, the person responsible should immediately build an in-house team. If your company plans to attend trade shows regularly, the same person should be responsible for trade show logistics on an ongoing basis, so that the company can draw on his or her experience.

Designing the trade fair stand

The CEIR estimates that 85 per cent of the people who attend trade fairs help their companies make buying decisions. Thus, visitors are potential clients, so you must ensure that your company's stand is impressive and reflects positively on your company's image.

Ask the show organizers to send you photographs from the previous year's show, if possible. Often, a visual of the event location will give you a clear sense of the venue and how your stand will fit into it.

The main purposes of your stand are to differentiate your firm from its competitors and to attract attention quickly. This does not mean that the stand must be large and imposing. In fact, quite the contrary; a well-designed small stand may be visually appealing and memorable, while also reducing space costs. When choosing a stand, focus on practicality and creative design. With one glance at the stand, visitors should be able to grasp

- the company's name;
- the company's product or service; and
- how the company can solve their problem.

A trade fair stand should be information driven. It must also have the right combination of lighting, open space and graphic presentation to help visitors focus and separate themselves from the noise level of the trade fair.

A stand that uses new, lightweight materials, which reduce shipping and set-up time as well as crate, labour and storage costs, offers many advantages. To some extent, your company's fair schedule will dictate the quality you require and investment you will make in the stand. If your company has a busy fair schedule, a larger investment in a sophisticated stand may be money well spent.

If you are new to trade fairs, consider renting a stand for your first effort. Find out what works well and what should be modified, then use this experience later if you buy a stand. If you do buy a stand, make sure participants do a dry run by setting up the stand at home before heading to the first event. You can buy trade stands as off-the-shelf, modular items at specialized stores. There are also numerous stand designers who will help you identify your needs and then work within your budget to custom design a stand. When choosing a stand to buy or rent, bear the following things in mind.

- Before deciding how your company will mount its stand, obtain a floor plan of the hall where the trade fair will be held. Whether the stand is rented or purchased, it should be versatile and adaptable to changing environments.

- Despite the variety and increasing quality of modular stand systems, they are recognizable as pre-fab systems when sitting next to specially designed stands. Therefore, carefully consider whether you need something unique. Make sure the stand includes adequate space for demonstrations if those are a feature of your company's plan for the trade fair.

- Consider the booth's comfort and traffic patterns, and the ease of working within it. For example, a table or counter of some kind should be available to hold materials. Cushion flooring may ease wear and tear on the feet of personnel who will be standing at the booth for hours on end.

- Study trade fair regulations. Some limit the width and height of stands, and limitations may also apply to side panels that can obstruct aisle views. There may also be regulations regarding music, lights, demonstrations and other factors that may disrupt traffic flow.

- The booth must appeal to the target market. For example, a target market of computer technicians will expect a booth to have operational computers running interactive programs. Firms should not pinch pennies on the final creative touches: the finer details of a booth are important.

- Certain techniques will attract people to your stand. For example, movement created by items like revolving pictures or running signs repeating the company's message, grabs attention.

- If you are part of a larger, Government of Canada sponsored Canadian Pavilion at an international trade show, you may be one of many exhibitors sharing a multi-unit display with a Canadian theme. However, while your stand hardware is pre-determined, you still need to find ways to create your space within the Canadian Pavilion so that you will stand out and attract the right attention.

- Finally, stand portability and versatility are important features, especially if you expect your staff to put up and take down the stand at each site.

Choosing a location

Locating close to companies that sell products and services that compliment yours can provide opportunities for cross-booth referrals and increase the number of well-qualified customers walking by your space.

When you are reserving space, trade fair organizers will usually present you with a floor plan and ask you to select a preferred location in the exhibit area for your stand. In some popular shows, space selection is minimal, particularly for new exhibitors. As you establish your seniority, you will have the option of changing space year after year. You should not take this selection lightly. Generally, it is best to find a location in the heart of the trade fair exhibit area where visitors are likely to be fully focused on the fair exhibits. Consider the following additional factors when selecting your location.

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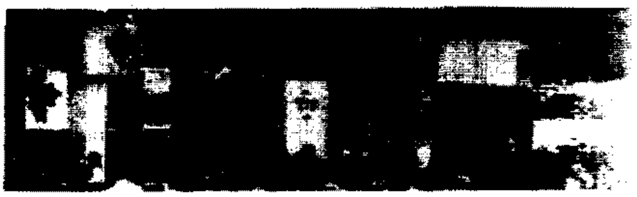

- Most people walk to the right when entering an exhibit hall and skip the front exhibits.
- Corner locations draw traffic from two directions. As a result, they tend to create better exposure and generate greater levels of interest.
- Visitors often skip dead-end aisles.
- Spaces near exits, restrooms and food areas tend to be high-traffic areas, but the people exiting are often focused on leaving (making stand stops less likely), while the people entering are not always focused when they initially return.
- Spaces near freight doors are often congested with late arrival (set-up) traffic and early departure (tear-down) traffic.
- Building columns or obstructions visually block some spaces.
- Locating close to your competitors are not favourable, as you will not want your competition constantly seeing who is visiting your stand.
- Locating close to companies that sell products and services that complement yours can provide opportunities for cross-booth referrals and increase the number of well-qualified customers walking by your space.

Selecting the right personnel

The people working the stand will be performing almost all the elements of personal selling. They will be identifying prospects; servicing current accounts; introducing existing and new products or services; promoting the corporate image; gathering information on competitors; getting technical information; and selling. Therefore, it is important to select personnel who are good at these functions. Trade fairs are very demanding and you cannot afford to put people at the stand who cannot cope. There is nothing a potential client will remember more than visiting a stand where staffers were openly tired or bored.

Although companies tend to staff their exhibits primarily with sales personnel, there is a growing trend toward bringing in knowledge experts. You should have a key person whose main contribution is to provide in-depth knowledge of the product or service. Such individuals fulfill a vital role. They act as resource people for the sales staff and answer technical questions that clients and visitors ask. The presence of senior officials who can talk directly to decision-makers also enhances the credibility of your company.

Note: See the next chapter, "Successful Trade Fair Strategies," for more information on booth staffing.

Checklist and timetable for exhibiting overseas

The following checklist and timetable can help you develop a critical path for participating in a trade fair. It identifies the key milestones involved in preparing for a fair. You should set these against dates by which certain tasks must be completed. The exact order of tasks will vary from one event to another.

These are recommended minimum timelines. Depending on the complexity of your program additional time may be required

12 months before
Draw up an action plan

- ☐ List key steps.
- ☐ Define goals and objectives.
- ☐ Set a budget.

12 months before
Do research

- ☐ Find out about the fair: attendees, costs, potential benefits, etc.

Talk to

- ☐ event organizers;
- ☐ experienced Canadian firms;
- ☐ Canadian officials at DFAIT, International Trade Centres, industry associations and other organizations;
- ☐ members of bilateral business councils; and Canadian trade commissioners in the host country.

6 months before
Register for the fair

- ☐ Register as an exhibitor or a visitor.
- ☐ Mail contracts for the fair and send reservation deposits.

6 months before
Event specific

- ☐ Complete applications

Apply for

- ☐ the Program for Export Market Development (PEMD), if relevant;
- ☐ a carnet for samples;
- ☐ special permits, such as those related to safety and health;
- ☐ updated passports, if necessary, for all attendees;
- ☐ visas, if necessary, for all attendees; and
- ☐ health and immunization documentation.

6 months before
Define strategy

- ☐ Brainstorm to define your approach, main messages and differentiation strategy.
- ☐ Plan your exhibit and booth space.
- ☐ Decide whether you will design, construct or set up your own exhibit, or employ consultants. Finalize arrangements for this.
- ☐ Decide what samples you will need and ensure they will be available.

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4 months before
Buy, rent or prepare display equipment and stand

- ☐ Define requirements.
- ☐ Source options.
- ☐ Test assembly and disassembly.

4 months before
Produce promotional materials

- ☐ Determine and arrange for pre-fair publicity, public relations, show literature and other promotional material. Decide who will produce and translate it, and finalize arrangements.
- ☐ Develop any demonstrations, presentations, software, videos, brochures, business cards and so forth that you might need for the fair. This includes planning, writing, translating, laying out, proofing and producing the materials.

3 months before
Arrange shipping

- ☐ Determine what you need to ship (samples, stand, display equipment and so forth) and what can accompany the team.
- ☐ Arrange for shipping so that goods arrive in time for the fair.
- ☐ Make sure all materials to be shipped are available on time.

2 months before
Prepare staff

- ☐ Assess staffing requirements.
- ☐ Hire support staff, if necessary.

Do dry runs and critiques of

- ☐ booth set-up;
- ☐ presentations;
- ☐ demonstrations; and
- ☐ your marketing approach.

2 months before
Make travel arrangements

- ☐ Finalize the team that will go overseas.
- ☐ Reserve flights or other transportation.
- ☐ Reserve hotel accommodations (up to one year in advance, depending on the venue).
- ☐ Establish departure and arrival procedures.
- ☐ Learn about customs procedures for accompanying samples and equipment.

1 month before
Pre-fair preparation

- ☐ Test equipment.
- ☐ Do a dry run of the stand set-up.
- ☐ Plan for contingencies.

Using successful exhibit strategies

There are many strategies you can use to ensure a successful exhibit experience. The following tips will help you attain a professional trade show image.

Employee identification
Each person staffing the booth should have clear identification badges. Not all trade show organizers provide exhibitor badges, therefore, you should always bring your own company badges.

Business cards
A very important tool for personal contact at a trade fair is a business card. Business cards should be printed on both sides, with one side carrying a translation in the language of the target market. In some countries, there is an elaborate etiquette involved in presenting business cards. You should research this etiquette and understand it well before having the cards printed.

Literature
Literature is useful for reinforcing product or service knowledge and retaining attention after the trade fair. It is also a terrific method of giving prospective customers information about your company and its principals. Attendees at international shows avoid excess paper. Experienced travellers take only what they really want and need. Often, they appreciate an offer to have literature sent to their workplace.

As a result, many companies prefer to get the names of visitors interested in the exhibited products or services, and then send corporate information to them as part of the follow-up to the fair. Another approach is to make corporate materials available on request only, after a person has been identified as a good potential lead. Still other companies advise that materials should be available to one and all who visit the stand. If you chose to bring literature for everyone, consider producing a one-page summary with a request form for additional information.

"Careful attention should be paid to the key languages spoken in the country or region you are exhibiting at. Generally, the local language is primary, followed by the languages spoked by staff. There are many creative ways of communicating several languages without a lot of text."

Anne Barron, CME, CTG,
President, ABComm* Ltd

Media kits
Regardless of what other material you develop for a trade fair, you should prepare a basic printed media kit with a theme for all media. This is integral to the marketing process. The kit should contain background information on your company, a product catalogue or service descriptions with illustrations, photographs, testimonials, and compelling examples of how the product or service has helped clients. Print price lists, delivery schedules and terms of payment separately to accommodate constant changes in these areas.

Send this media kit ahead to any known media prospects. It builds credibility and can bring highly motivated media representatives to your stand. Again, print the kit in the local language as well as English and/or French. Translations are best done by a firm from that market (the Canadian Trade Commissioner Service in that market can make recommendations). Special attention is needed to avoid embarrassing and costly mistakes. Poor translations, especially of technical and semi-technical instructional material, will not only confuse the reader; they can also lead to legal problems.

Design and write your copy with translation in mind. Avoid slang and unusual expressions. In non-English- and non-French-speaking countries, examine the meaning and acceptability of brand names and logos used in Canada. Make sure that no negative or

inappropriate connotations are conveyed. Make sure that colour symbols used in promotional material are sensitive to local tastes and consumer preferences. Also, bear in mind that languages spoken in more than one country can vary greatly, both nationally and regionally.

Many fairs have a media room that will display news releases from exhibitors. If you have news to announce, a large, focused trade fair is often a good venue to do so. Media tend to cover these events and journalists look for nuggets of newsworthy material. Furthermore, the fair often has its own internal methods for distributing fair news each day. If you use this service, put forward newsworthy information only; basic corporate sales information that you have simply repackaged into a news release format will generally be ignored. Finally, if you have never written a news release before, do some homework on this topic before the fair. Many tutorials on the Internet will help you develop an effective news release. Search for "how to write an effective news release" using any good search engine and you will quickly find assistance.

Other marketing aids

A host of other materials could be useful in promoting a product or service. These include videotapes, audiocassettes, CD-ROMs and diskettes. Be sure to check the formatting of these tools in advance to be sure you comply with local standards. In addition, a considerable amount of marketing is now done online. A corporate Web site with a fair-specific link can powerfully complement your participation in a trade fair.

Display items

If your company sells products, display only core products and new products. Presenting the entire product line will inevitably create clutter and may not contribute to the overall image of your company. By displaying only core products and new products, you focus visitors' attention on what your company does and on its new, exciting and progressive activities. This experience will shape visitors' expectations.

Demonstrations

Trade fair expert Barry Siskind suggests that a live demonstration is a key element of a successful trade fair stand. If your company is going to do demonstrations on site, you must prepare well in advance and make sure the demonstration is informative, concise and polished. Use demonstrations that apply directly to the product or service, delivered by a person who is comfortable performing in public and talking to crowds. Choose demonstrators based on their skills, not their seniority in the company. These skills should include product or service knowledge; comfort in public settings; the ability to articulate the advantages of the company's products or services; the ability to project a favourable image; and the ability to speak the local language.

Signage

An exhibit should be a three-dimensional, informative selling tool. However, visitors will not spend a lot of time reading lengthy signs. Signs should be brief, bold and displayed at eye level or above for the highest possible visibility.

Promotional products

Promotional products, or premiums, are small but important tools at a trade fair. These "branded" items, which help you leave a tangible impression of the firm with visitors, might include pens, letter openers, laminated business cards or key chains. In some markets,

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visitors appreciate receiving something "Canadian." There are as many possibilities as there are exhibitors at a fair. Premiums should bear the company name and logo; they should be related to the company in some way; and they should be given out one by one to foster personal interaction. They can be a great way of thanking someone for visiting your stand.

Videos

Some products, such as construction equipment or in-ground swimming pools, are too large to display. Services are often difficult to physically portray or demonstrate on the spot. In such cases, videos serve a very useful purpose because they capture visitors' attention. If you are planning to use a video, keep the following suggestions in mind.

- The video should be short and snappy, getting right to the point. Two to five minutes is the maximum time for a trade fair viewing.
- The motto "a picture is worth a thousand words" applies particularly well to the trade fair environment, where many noises vie for visitors' attention.
- The colour and sound transmission should be flawless. There is nothing worse than leaving visitors with the impression that the company's product or service comes in faded colours with snowy delivery.
- The video should be on a continuous viewing loop.
- The video should also include pictures of your facilities and staff.
- A well-made video can serve many purposes beyond the trade fair. For example, it can be used on sales calls or in your company's reception area.

Examples of things that can (and will) go wrong include the following:

- your stand doesn't show up or your products don't show up;
- an international power supply output and receptacle are not compatible with North American equipment (take a universal power converter!);
- the power goes out at your stand;
- demo equipment gets damaged in transit; or
- a key technical person gets sick.

In fact, the more technical your exhibit is, the more you should consider having at least one technical support person available.

Murphy's Law: "If something can go wrong, it will." Be prepared for a worst-case senario and have alternative ways of achieving your objectives.

Bring all documents (re: orders, invoices, etc) with you to the show in the event something goes wrong and you need a copy of the paperwork.

Conducting training

A crucial item to consider in advance is the training of stand personnel. All staff should attend a pre-show briefing, regardless of their experience. At a minimum, staff should spend some time with the person in charge of the trade fair effort to clearly understand the following:

- their responsibilities before the fair;
- the company's objectives for its participation in the fair;

- the role of each person at the stand and during the fair;

- the techniques for promoting the company's product;
- how to approach visitors, gather information, make effective presentations and disengage;

- how to differentiate between the signals given by real potential clients and those given by browsers;

- how to recognize and deal with competitors seeking confidential information;

- how to record details of discussions effectively while working at the stand;

- how to deal with both dissatisfied customers and former clients; and

- how to follow up after the fair.

Choosing appropriate attire

Dress should be consistent with the fair atmosphere. Many fairs have a "feel" all their own, related to the nature of the industry or to the venue in general. Anticipating the atmosphere at a fair you're attending for the first time in another country can be nearly impossible. At many international fairs, formal business attire is the norm. Some trade fairs are more relaxed, but it is better for your staff to be "overdressed" than to be too casual while meeting customers who are in business attire. Staff should be able to assess this aspect of the show by researching previous shows using the methods outlined previously.

In any event, company representatives must look professional at all times. This is especially important in the international setting, where staff at your stand may be the only image a visitor has of your firm. First impressions are extremely important, and your staff will be the front line of your customer relations.
Brief stand personnel on their positions and responsibilities at the trade fair, and on trade stand etiquette. The following tips are key to enhancing your company's image at a trade fair, so you should be sure your representatives understand them.

- Staff must not sit at a trade fair. Sitting gives an impression of disinterest or boredom.

- Key staff must always be present at the stand. Clients who have been invited to the trade fair may visit and will expect to see specific people.

- Staff should not eat at the stand. Schedule breaks to give staff ample opportunity to eat in assigned areas.

- Exhibitors should refrain from smoking except in designated areas.

- Staff must always show keen interest to visitors.

They must never betray the fact that the hours are long, the room stuffy or the questions repetitive. When a colleague looks tired, ensuret he or she gets a few minutes off to freshen up. Potential clients will see many competing products or services at the fair and you want them to remember your company. Putting a positive face on their first encounter with you is the best way to do this.

Promoting your exhibit

Before the trade fair, your firm's objective is to inform as many people in your target audience as possible that your company will be participating. By promoting new products or services that you will announce at the fair, you can generate interest and enthusiasm. You can reach your target market before the fair through direct mail to specific individuals; telemarketing to specific people; radio spots in the city where the fair is being held; business periodicals; and news releases for selected media sent just before the fair.

Most trade fair organizers publish fair guides for visitors. These guides usually include a floor map of the exhibit area along with brief descriptions of the exhibitors. However, you must also promote your exhibit yourself to maximize the number of relevant contacts you make at the fair. Don't leave the popularity of your stand to chance.

Some trade fairs issue guest passes to exhibitors in advance. If the fair has an entry fee, you may have to pay for these passes. Obtain a number of these advance passes so that you can send them to existing and prospective clients. Individuals who receive these passes directly from your firm will often acknowledge this invitation by visiting your stand at the fair. If passes aren't available, send invitations from your firm.

Other forms of direct contact before the fair can also be effective. You can use direct mail, telemarketing, faxes and even e-mail to invite an existing or prospective client. However, remember that the message will be more powerful if you tailor it precisely to each individual. It cannot be stressed enough that highly targeted, direct pre-show approaches tend to yield the best results. Here are a few suggestions to guide your direct mail efforts.

Use a list of key prospects and customers who are likely to attend the fair.

- Send special invitations to the fair, a hospitality event, a conference or other event. These will have the best response.
- Create urgency by using an RSVP with comments such as, "Attendance is limited. Reserve your seat today."
- Entice prospects to visit your stand with a promise such as, "Bring this invitation to the stand to redeem a special gift."
- A series of mailings will generate a better response than just one. Start with an announcement and follow with specific details.

Setting up meetings in advance

If you are travelling a great distance to exhibit at an international trade fair and you have identified important customers in advance, move beyond a simple invitation to your stand by asking them in advance for a meeting at the fair. If a prospective client plans to attend the fair, it is unlikely that he or she will turn down your request for a meeting.

If a prospect accepts your request for a meeting, you can use your booth as a rendezvous point. However, you should hold the meeting itself at a nearby location away from the traffic and distractions of the trade fair floor. This creates a neutral place to meet and is a good way to "break the ice" with a prospective client. If you are participating in a Canadian Pavilion on-site meeting space will be provided.

You should also look at the benefits of holding meetings with representatives of firms that sell products and services that complement your

own. Cross-referrals—when non-competing firms actively look for new business opportunities for one another at the show—can be a powerful tool.

Checklists for planning and executing successful trade fairs

The following worksheets summarize the steps to follow when you are planning your participation in a trade fair.

Setting objectives and establishing managerial responsibility

a) Assign a point of central command for your company's trade fair activities. Have a key person enlist the human resources needed for the trade fair.

b) Brainstorm possible objectives and goals for participating in a trade fair. Involve affected departments in this process.

c) Assign a priority to your trade show objectives.

d) List the two most important objectives and retain these as the focal point for making future decisions while planning and executing your trade fair activities.

Planning a trade fair booth and materials

a) How will your company attract attention at the fair?

Think about

☐ display techniques;

☐ giveaways or premiums;

☐ demonstrations; and

☐ videos.

b) Which corporate materials work best?

☐ Assess the information needs of visitors to your stand.

☐ Assess the appropriateness of your corporate brochure and product data sheets.

☐ Develop new materials for trade fairs.

c) Does your company have a trade fair stand, and does it enhance the image your company wants to project?

☐ Is it new or is it tired-looking?

☐ Does it accommodate the needs of this trade fair?

☐ Does it project the right image?

d) Does your company have all the necessary information to make decisions related to the stand?

Have you considered

☐ the trade fair floor plan and all regulations regarding stand size?

- ☐ the "standard" being set by the trade fair and the competition?
- ☐ the need for adequate space for demonstrations?
- ☐ whether your budget allows you to purchase a modular system, rent a system or design a system for a specific trade fair?

e) What logistical questions need to be addressed?

Remember that you will need to

- ☐ pack and label products, materials and the stand itself for transport to the trade fair site, including spare parts and repair kits;
- ☐ book a freight forwarder to move products, materials and the stand's components to the trade fair site with sufficient lead time;
- ☐ understand the customs clearance procedures for the stand, sample products and materials;
- ☐ obtain and complete an ATA carnet;
- ☐ obtain sufficient and appropriate insurance for the products and materials in transit and on site;
- ☐ understand the requirements for taking delivery at the site;
- ☐ arrange for warehousing at the site, if necessary;
- ☐ plan for the time between the arrival of the goods on site and opening day; and
- ☐ construct the stand on site.

Establishing contacts before the fair and planning follow-up

a) Who should be aware of your company's participation at the fair?

Think about

- ☐ existing clients;
- ☐ potential clients;
- ☐ new leads;
- ☐ suppliers;
- ☐ potential agents or distributors;
- ☐ media;
- ☐ companies with complementary products; and
- ☐ Canadian government officials at the local embassy, consulate or high commission

b) How should you reach them?

Consider

- ☐ personal telephone calls;
- ☐ special invitations;
- ☐ telemarketing;
- ☐ direct mail;
- ☐ a special event at the trade fair featuring your company;
- ☐ e-mails;

- ☐ announcements in trade journals; and
- ☐ hospitality invitations.

c) What information should your company plan to gather at the trade fair to be used for follow-up?

- ☐ Determine what information would be useful and to whom.
- ☐ Identify tools you will use to gather the information.
- ☐ Determine the process for internal reporting after the trade fair.
- ☐ Decide how you will respond to interested visitors after the trade fair.
- ☐ Train stand personnel in techniques for collecting information.

Design a response sheet to collect information with space for the following details:

- ☐ name, address, phone, fax and e-mail address of the respondent;
- ☐ function of the respondent or the respondent's company;
- ☐ products or services of interest;
- ☐ type of follow-up recommended (mail, meeting, samples); and
- ☐ other comments.

Setting a budget

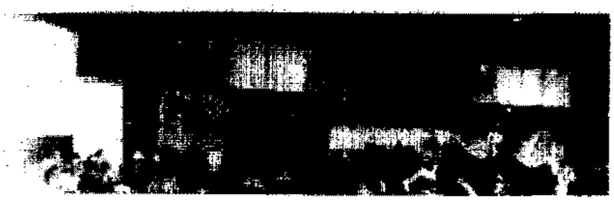
Costs
Annual budget
Specific fair

a) Exhibit costs at the trade fair

- ☐ the minimum footage allowed
- ☐ extra space
- ☐ show services (such as furniture rentals, computer rentals, electrical hook-ups, janitorial services, security, telephone services, insurance and labour)
- ☐ special equipment for demonstrations or presentations (display screens, VCRs, computers, slide projectors,overhead projectors)
- ☐ registration fee

b) Costs associated with buying or renting a stand

- ☐ purchase price
- ☐ design or local construction services needed to mount the stand
- ☐ rental fees
- ☐ signage
- ☐ transport to the point of shipment
- ☐ meeting rooms
- ☐ extras



c) Promotional costs related to the trade fair and training by professional trade fair experts

☐ company literature (such as brochures, business cards and other printed materials, including writing, design, translation and printing services)

☐ pre-fair promotion, including pre-fair releases sent to trade and business periodicals, advertising in the fair guide, local radio promotions, direct mail materials and special invitations for selected guests

☐ staff training

☐ special demonstration products for the stand

☐ demonstration supplies

☐ services of a specialized demonstration expert

☐ promotional products

☐ videos

☐ TV monitor(s) for videos

☐ professional fees for the trainer

d) Costs to transport personnel and materials

☐ door-to-door return transit for personnel and stand

☐ travel to and from the destination

☐ accommodation (hotel, meals, per diems, incidentals)

☐ hospitality (for clients and contacts)

☐ travel documents (passports, visas)

☐ incidental travel (taxis, parking, car rentals)

☐ set-up and dismantling

☐ return transit for products and materials

☐ loading and unloading at the trade fair site

☐ ATA carnets

☐ customs fees

☐ freight forwarding

e) Personnel costs

☐ transportation

☐ accommodation

☐ meals and ground transportation

☐ extras

☐ long-distance telephone and fax

☐ cellular phone

f) Fair services

☐ electrical

☐ plumbing

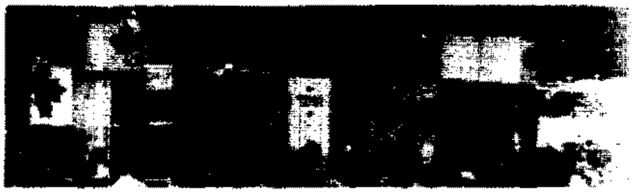
☐ janitorial

☐ carpentry

☐ signage

☐ utilities

☐ furniture rental



☐ photography

☐ telephone hook-ups

☐ extra reception staff

☐ set-up crews

g) Pre-fair promotion costs

☐ advertising in trade fair publication(s)

☐ advertising in local media

☐ advertising in trade publications

☐ direct mail related to the trade fair

h) Entertainment costs

☐ reception fees

☐ dinners

☐ extras

i) Miscellaneous

☐ insurance

☐ parking at the trade fair

☐ speakers

Selecting and preparing the personnel for the trade fair

a) Which staffers should you select to work in the stand and attend the trade fair?

☐ the president

☐ senior management

☐ salespeople from head office

☐ salespeople from the region

☐ technicians

b) Do they need professional training in any of the following areas to ensure effective trade fair performance?

☐ understanding stand etiquette

☐ gathering information consistently

☐ comprehending the roles of each person at the stand

☐ opening lines of communication to encourage visitors to enter the stand

☐ selling techniques that work at trade fairs

☐ dealing with difficult people at the stand

☐ doing demonstrations

☐ participating in technical seminars

☐ recognizing and dealing with the competition

☐ "working" the aisles

SECTION 4

Successful trade fair strategies

Managing the stand

Fairs are stressful; you will suffer from the physical exertion of standing, talking and performing from morning through early evening. To ensure maximum efficiency in a high-stress environment, try a few different techniques.

- Develop and maintain a realistic staffing schedule that includes breaks (every three hours is preferable). The work schedule should allow everyone time off to walk around the fair.

- Conduct daily reviews. You and the other staff should spend time at the end of each day reviewing and clarifying information you have gathered during the day. This is easier to do when the information is fresh than it will be when you return to regular workloads at the office a week later. Ensure that each person knows that this task is a key element of being part of the trade fair team, because it means the company will be able to follow up the new leads effectively after the fair. You can coordinate these review sessions with fun activities such as dinners, cultural events or sightseeing.

Working the stand

Before the fair, you will need to hone your skills to work efficiently in this unique environment. Any pre-fair briefing should include the following information.

Approaching visitors

The key to an effective approach is a question that engages the visitor in conversation. The traditional line, "Can I help you?" often leads to the retort, "No thanks, just browsing." Similarly, the question, "Nice day, isn't it?" may generate a simple "Yes," and a vacant look.

Before going to the fair, role play with colleagues to develop new and more direct lines that can elicit useful information about a visitor. For example, introducing yourself to visitors and asking for their name and the name of their company can be an effective way to begin a conversation. Basically, questions should be open ended and related to the person's business. This approach will open up the discussion and create opportunities to learn about the visitor's business needs.

An in-stand demonstration is a natural icebreaker. Once the demonstration is over, approach attendees who have participated and ask them how they view the new information they have just received.

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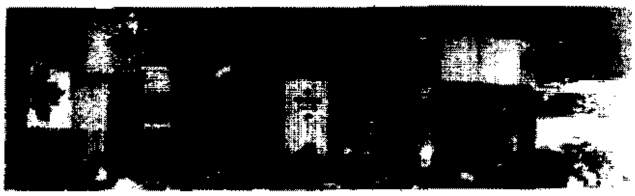

Gathering information

The next job you need to tackle is information gathering. This process serves multiple purposes after the trade fair. But before the fair, you need to decide

- whether you plan to use the information to satisfy the firm's internal reporting purposes, to build your sales base or for both purposes;
- what type of information you need to collect to satisfy these objectives;
- the methods you will use to gather the information;
- which stand staffers will gather the information;
- how you will compile the information; and
- which company employees will receive the information for use after the fair.

In his book *The Power of Exhibit Marketing*, Barry Siskind suggests using the acronym **ACTION** as a guide to creating the questions that will help you decide how to best spend your time with visitors at the fair and how to follow up effectively after the fair. While the order in which you ask the questions is irrelevant, a structure such as **ACTION** gives everyone in the stand a focus to ensure they collect consistent information from each visitor.

A = Authority

You need to know whether the visitor is a decision-maker or influencer. In international markets, you can usually determine this from the person's title.

C = Capability

Find out whether the visitor and his or her company can use your products or services and to what extent. Develop a "snapshot" of the visitor with questions such as:

- "Can you tell me a bit about your company?"
- "How do you handle your production overruns now?"
- "Where are you located?"
- "How are you solving this challenge now?"

T = Time

While you want to follow up with everyone as quickly as possible after the fair, you need to decide whom to contact first. Generally, make visitors with an immediate need your first priority. Questions such as, "When will the project start?" will give you the information you need.

I = Identity

To follow up correctly, you need a method of recording the information you are gathering. A pre-made lead sheet is the answer. Complete this lead sheet in front of each visitor. This gives visitors a sense of importance, as well as confidence that you will attend to their requests.

O = Obstacles

A common trade fair pitfall is spending time with people you cannot do business with. Often, visitors have hidden obstacles; it's your responsibility to uncover these. Questions such as, "Is there any reason you can't consider a Canadian supplier?" will do the trick.

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N = Need
This is actually the first question you should ask. Find out why the visitor needs to be at the show, by asking questions such as, "Are you finding the solutions you were looking for?"

Once you learn these **ACTION** questions, you can qualify a visitor in two to three minutes.

Closing a sale
Depending on the nature of your product or service, it may be difficult to actually make sales during the fair. This is especially the case when you are focusing on generating leads, because the time you spend with each prospective customer will be relatively short.

To intensify a relationship with a prospective customer who has the authority to make buying decisions, you may want to meet the customer several times during the same fair. This strategy sometimes makes it possible to compress what would otherwise be a longer sales cycle into a few days. It gives both buyer and seller the opportunity to consult with their offices between meetings and to develop a relationship in a relatively short time.

Each industry is different, so it is difficult to say whether you can close a deal within the time frame of any given trade fair. However, the fair creates a unique environment that often eliminates normal hurdles. For instance, the president or general manager of a firm often attends major trade fairs. If executives from a prospective client firm are also on site, putting the senior people together—on their own or with salespeople—can often accelerate the sales cycle. This allows you to secure a commitment without worrying that your proposal will be quashed when your buyer takes it home for higher levels of approval.

Participating in seminars

Many trade fairs have separate facilities in which companies can give technical seminars during exhibit hours. This is an ideal way to explain your product or service to a large audience. Videos can be useful here. You should promote technical seminars well in advance of the trade fair. With a database of potential clients, you could do this through direct mail. A press release in the local newspaper can be a cost-effective means of attracting people who may attend the fair specifically for the seminar.

Participating in sponsored events

Participating in corollary events organized by Government of Canada officials around the Canadian Pavilion are a good way for companies to meet new clients. Some of these corollary events include matchmaking events and receptions. As well host organizers may organize additional events such as luncheons and dinners.

Holding meetings at the fair

If you have enough staffers at the trade fair, someone should always be free to conduct meetings with existing or prospective clients away from the stand. This is not always possible but, as noted above, such meetings can create opportunities to compress normal sales cycles. You can also use meetings to initiate detailed discussions with potential distributors or representatives, and to discuss strategic alliances project-based initiatives or other business propositions with other firms.

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Regardless of the venue, remember that "breaking bread" is a universal ritual that you can use to deepen and extend a business relationship. The trade fair is the ideal place to suggest a business meeting over a meal—breakfast, lunch or dinner.
Obviously, you need to pay special attention to cultural norms. If you are visiting a foreign country to attend the trade fair, do some advance research on cultural norms to ensure that you do not offend your guest during the meal. In some cultures, it may not be considered appropriate to discuss business during the meal itself, but the ritual of eating together can be a powerful business development tool nonetheless.

Networking at the fair

Networking at a major trade fair is a double-edged sword. On the one hand, you will meet many industry colleagues who can present you with opportunities or connections. This is a natural result of effective networking and so you should exploit it. On the other hand, trade fairs can create fatigue and boredom, and colleagues may attempt to pass the time with you by wandering into your booth, then opening and sustaining an ongoing dialogue.

The latter situation is common at fairs, yet it is not really networking. It can distract you and your staff from your main task of greeting and receiving booth visitors. Accordingly, coach your staff in advance on ways to quickly disengage from these time-wasting colleagues.

Seminars, hospitality events, industry meetings, spousal programs, the media room, the lounges and hotels are just a few places where you can network at a fair.

SECTION 5

Post-trade fair activities

Arranging market visits and meetings after the fair

As noted previously, the international trade fair you attend may attract a lot of local companies. As a result, it is often worthwhile to extend your visit beyond the trade fair dates. Then, if you run into prospective clients with significant business potential, you can visit them (with their approval) after the fair. Here again, the Canadian Trade Commissioner Service in the destination country can help you work out logistical details and can provide other guidance. You can find contact information for the Canadian Trade Commissioner Service in the Infoexport Trade Commissioner directory at **http://infoexport.gc.ca**

Debriefing staff

After the trade fair, your company will face two principal tasks:

- following up potential leads; and
- evaluating the fair to determine its true benefits, ideas that worked and areas that could be improved.

To make this easier, you should immediately and thoroughly debrief all staff involved in the trade fair. It is important to review all lead cards while the information is still fresh in the minds of those who collected it.

This debriefing gives everyone an opportunity to discuss the business leads they collected. In some cases, visitors will have had discussions with more than one person at the stand; in other cases, booth staff will have talked with more than one person from a prospective client company. It is important to reveal these relationships and related details to ensure that your firm has a complete picture of each of the leads identified.

During the debriefing, solicit comments about the fair, competition, visitors and logistics, and record them for future consideration.

Following up leads

Trade fair experts recommend that you contact clients and potential clients as quickly as possible after the fair. The quality of the information gathered at the trade fair comes into focus during this step. If you gathered data consistently, you can undertake a very fruitful follow-up campaign.

The success of any follow-up campaign starts long before the fair. You need a clear understanding of how you will do business in this new market. It is crucial to know whether you will make contact with each prospective customer using local representation or internal staff.

You should give salespeople responsible for specific products, services or geographic regions all the relevant information about leads generated at the trade fair. These should be the same salespeople who before the fair, planned the letter and telephone contact. They should be prepared to follow up within a week of the fair's closing.

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If you are new to the region and do not have a sales force to follow up on your behalf, you should have a pro-forma letter ready to mail when you return to the office. Each letter should be personalized, based on the information gathered at the fair. In the letter, you should indicate when a company representative will be in the region and ask to meet with the contact at that time.

Although it usually takes a while to do detailed follow-up, you can accelerate the initial follow-up by using customized direct mail. At a minimum, an initial follow-up can be a form letter that contains a formal "thank you" and a promise of more direct contact in the near future (you can specify a time frame). Although highly tailored responses are preferable, if you have many leads, this approach may allow you to sustain contact while working through the detailed responses.

Depending where your market is, you may send this correspondence by mail, courier, fax or e-mail. The best method of making contact is something you need to determine before the fair.

You should also follow up with the Canadian trade commissioners in that target market. Trade commissioners are frequently in contact with potential sales leads and may also be able to qualify a specific lead for you.

Measuring results

To measure the payoff of the trade fair, the data gathered at the fair should be collected in a central location and analyzed in accordance with the internal procedures identified during the planning stages. If you agreed on a time line for reporting internally, uphold it, and if you promised to deliver specific information, do so. Before the fair, decide who should receive the trade fair data and report.

If you are writing the report, make sure you understand how it will contribute directly to each person involved. Recognize the key personnel who made the fair happen. Compare the benefits to the costs of participating in the trade fair and assess the main questions.

- Did we meet the objectives?
- What problems did we encounter?
- What could we do better at future fairs?

To build internal support for your company's ongoing trade fair activities, your marketing and salespeople have to prove the benefits. You need internal support to obtain a sufficient budget and resources for future trade fair activities. The intrinsic problem is knowing what to measure and how to determine explicit benefits.

Tally the number of leads generated and sort them by region or type of client, depending on your firm's priorities. Record the actual sales generated by leads from the trade fair within 30 days of the trade fair, within six months, within one year or within a longer period, depending on your sales cycle. Calculate the cost per lead by dividing the cost of the trade fair by the

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number of qualified leads. Then compare this figure to the cost of generating the same number and quality of leads through personal sales calls or other key means of generating new leads.

Finally, do the final analysis of the objectives. Did you accomplish what you set out to do? For example, did you succeed in gathering information on client response to new products?

Worksheet: Follow-up after the trade fair

a) Gather, sort and assess all data collected during the fair from all sources. Enter lead information into databases.

b) Carry out the activities outlined in the follow-up plan established before the fair.

- Channel required information to the various "follow-up responsibility centres."
- Within one week, respond to all visitors who asked for specific information.
- Send out a form letter, personalized wherever possible, to all new leads.
- Within two weeks, respond to internal needs for the trade fair summary and assessment of the benefits of the fair.

REFERENCES

Selected readings

Department of Foreign Affairs and International Trade, and Industry Canada. The Road to Success: Things to do before leaving Canada. Ottawa, Ontario: Department of Foreign Affairs and International Trade, 1994.

Kotler, Philip and Ronald E. Turner. Marketing Management, Canadian eighth ed. Scarborough, Ontario: Prentice Hall Canada Inc., 1995.

Leza, Richard L. Export Now: A Guide for Small Businesses. Grants Pass, Oregon: Oasis Press, 1992. This step-by-step planning workbook is directed at both existing small businesses and individuals interested in developing an export department or starting an export company.

Siskind, Barry. The Power of Exhibit Marketing. North Vancouver, BC: Self-Counsel Press, 1998. An excellent Canadian self-help book on exporting at trade fairs.

Siskind, Barry. Making Contact. Toronto, Ontario: ITMC Publications Canada, 1998.

Team Canada Inc. Business Trip Planning: A Team Canada Inc. On-Line Guide for Exporters. Ottawa, Ontario (available at **http://exportsource.ca**).

Periodicals

Periodicals that frequently report on the subject of trade fairs include the following:

- Advertising Age (U.S.);
- Industrial Marketing Management (U.S.);
- Marketing (Canada);
- Marketing and Media Decisions (U.S.);
- Sales and Marketing Management (U.S.);
- Exhibitor Magazine (U.S.); and
- Expotential (U.S.).

Key Web sites

http://exportsource.ca
Online Export Information from Team Canada Inc

http://www.ab-comm.com
ABComm® Ltd.

http://www.ceir.org
Centre for Exhibition Industry Research

http://www.e-leads.ca
Electronic Lead Service from the International Business Opportunities Centre

http://fitt.ca
Forum for International Trade Training

http://www.siskindtraining.com
Barry Siskind's Web site.

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Business Trip Planning

A Team Canada Inc
On-line Guide for Exporters

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Canada

Note:
This printable version of Team Canada Inc's online guide "Business Trip Planning" has been made available FOR YOUR CONVENIENCE, SO YOU CAN PRINT THE GUIDE AND READ IT without connecting to the Internet.

However, it should be noted that the guide was ORIGINALLY designed for online use and that its format doesn't transfer particularly well to print format. Specifically, the guide refers readers to numerous Web resources which online readers can easily access by clicking on the links provided; on paper, these referrals appear as long Web addresses which make reading difficult. YOU SHOULD also NOTE THAT, due to space constraints, some long Web addresses in this document had to be divided into two or more lines; it should be noted that the complete addresses must be entered as one line in your Web browser. IF YOU WISH TO ACCESS THE WEB SITES LISTED, YOU WILL FIND IT MUCH EASIER TO USE THE ONLINE VERSION AND SIMPLY CLICK ON THE HOT LINKS.

To obtain further information on this guide's topic or on other Team Canada Inc guides, please visit ExportSource at exportsource.ca or contact us toll-free at 1-888-811-1119.

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BUSINESS TRIP PLANNING

Task List

This tool will help small and medium-sized companies to:

- define their business travel objectives;
- explore sources of financial assistance for international business travel;
- make all preparations necessary for a successful trip;
- follow up on a business trip abroad.

Using this guide should help to make international business travel more cost-effective, productive and results oriented. It should reduce some of the uncertainties and help anticipate some of the risks associated with international business trips. Finally, it will help small and medium-sized enterprises (SMEs) make better use of the services of Canadian Trade Commissioners (www.infoexport.gc.ca/eservices-e.asp) in the field. If you don't have a specific country in mind for your business trip, the following websites may help you determine an appropriate international market to visit:

Department of Foreign Affairs and International Trade - Market Information
www.infoexport.gc.ca/main-e.asp?act=2

Industry Canada: Country Specific Market Research Reports
strategis.ic.gc.ca/sc_mrkti/ibinddc/engdoc/1a1.html

Canadian International Development Agency: Country Profiles
w3.acdicida.gc.ca/cidaind.nsf/ad0eee9490b82b748525633e00539444?OpenView

Statistics Canada - Trade Data
www.statcan.ca/trade/scripts/trade_search.cgi

Travel Information & Advisory Reports
www.dfaitmaeci.gc.ca/graphics/cosmos/cntry_e.htm

The following are the most important tasks involved in preparing for an international business trip:

Task 1: Define objectives: what is it that you hope to achieve by travelling to the target country?

Task 2: Identify sources of financial assistance: there are several organizations that can provide financial support for your business travel abroad.

Task 3: Pre-travel consultations: there are many sources of expertise, information and advice that can help you plan your trip.

Task 4: Prepare for trip: this step-by-step guide can help ensure that you do not overlook anything important in making your travel preparations.

Task 5: Specific tasks to be completed during visit: develop a clear list of objectives and tasks for your trip before you leave.

Task 6: Review items that may need follow-up after trip: the success of a trip depends on the follow-up that occurs after it is completed.

Objectives

To ensure that the significant amounts of time and money involved in your international business trip are well spent, it's a good idea to define your travel objectives. Be absolutely clear as to what you expect from the trip and make sure you have a way of measuring the trip's success. The following are some of the most important reasons for travelling to foreign market. Which of them apply to your company?

Assessing Market

Many business travellers go to a foreign market to confirm that there are real opportunities for them in that market. They want to get a sense of how big the market is for their product or service. Is it growing, and if so, how fast? Who are the customers? How can they be reached?

Assessing Business Conditions

Even though a market may be attractive in terms of size and demand, there may be difficulties in getting access to it. Travelling to a country can help get a sense of the political environment and how the government views foreign business people.

- What is the social and economic climate in the country?
- Can you do business given the country's regulatory framework (rules on foreign exchange, repatriation of profits, taxes, tariffs, standards, inspections etc.)?
- How will the country's infrastructure (transportation, telecommunications, institutions etc.) affect your business?
- What logistical arrangements would you have to make to deliver your products or services?

Determining Product / Service Suitability

In many cases, products or services have to be adapted to suit local conditions. This may be something as simple as putting labels in the local language on a product. Or it can be as complicated as redesigning a product to match local technical requirements. You may want to use the trip to the target market as a way of checking on the suitability of any of the following:

- product or service name - does it translate appropriately?
- appearance, shape, colour?
- marketing approach, slogans, materials?
- approach to distribution, sales, delivery, after-sales service?
- functionality - does it conform to local needs and expectations?
- technical standards - do they conform to local standards?

Evaluating Competition

Foreign trips can be used to assess the competition.

- What similar products or services are already available in the target market?
- Who provides them: domestic firms or foreign suppliers?
- What share of the market does each competitor control?
- Is competition intense?
- What are the capabilities, assets and strengths of the competing firms?
- Can your firm match them?

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Developing Leads

Visiting a target market can be useful in developing valuable contacts and leads. Which of the following would be most helpful to your firm's export strategy:

- brokers and intermediaries
- agents
- distributors
- suppliers
- partners
- potential clients

Assessing Risks

A trip can provide insight into the various risks associated with a business venture. The following are some of the types of risks you might want to investigate:

- political: this includes dangers such as seizure of assets, changes in the law, changes in government, and political pressure;
- business risks such as defaults by clients and customers, partners, suppliers; non-performance;
- illegal activity by associates;
- exchange rate fluctuations can have an impact on the profitability of a transaction;

Developing Strategy

Companies may wish to visit a target market as part of the process of developing a market entry strategy, and choosing the best mix of policies relating to product, price, promotion, distribution and service. In light of the information gathered during the visit, which of the following strategies seems most appropriate:

- indirect exporting through a trading house;
- exporting through agents on commission;
- enter into agreements with local distributors export through a consortium of associated firms engage an export management company hire additional staff to manage the export effort establish a branch office in the target market;
- rely on occasional sales trips to the foreign market;
- enter into a joint-venture with a local partner purchase a local firm;
- sell a license or franchise

Financial Assistance

Financial assistance is available to companies that are using international business trips as part of foreign market development. The following is a list of sources outlining the most important federal and/or provincial sources of financial assistance that are available to existing and potential exporters. For additional information about the type of assistance available, eligibility criteria, and application procedures visit the following sites:

Federal Government

Canadian Trade Commissioner Service
www.infoexport.gc.ca/help_e.asp

Program for Export Market Development (PEMD) www.infoexport.gc.ca/pemd_e.asp

Canadian Commercial Corporation
www.ccc.ca/english/services expfinance.cfm

Canadian International Development Agency: Industrial Cooperation Program
w3.acdicida.gc.ca/cida_ind.nsf/85256290006554928525625100813677/dc54003c6e12bd4c852566fd00512ecb?OpenDocument

Business Development Bank of Canada
www.bdc.ca/bdc/home/index.html

Agriculture and Agri-Food Canada Export Development Programs
ats-sea.agr.ca/public/programs-e.htm

Provincial Governments

B.C. Trade Development Corporation
www.solutions4u.com/pg/pgbus/pgbscat/bc2.htm

Alberta Opportunity Company
www.aoc.gov.ab.ca

Saskatchewan
www.gov.sk.ca/govt/econdev/

Manitoba Trade
www.gov.mb.ca/itt/trade/index.html

Ontario
www.gov.on.ca/MBS/english/business/index.html

Gouvernment of Quebec
www.gouv.qc.ca/XmlDev/Site/Dhtml/Anglais/IndexA.html

Ministère de l'Industrie, du commerce, de la Science et de la Technologie - Quebec
www.micst.gouv.qc.ca/

Government of New Brunswick
www.gov.nb.ca/index1.htm

Government of Nova Scotia
www.gov.ns.ca/

Nova Scotia Open to the World
explore.gov.ns.ca/

Government of Nunavut
www.gov.nu.ca/eng/index.html

Prince Edward Island
www.gov.pe.ca/

Department of Industry, Trade and Technology - Newfoundland and Labrador
www.compusult.nf.ca/ditt/ditt.html

Northwest Territories
www.gov.nt.ca/

Yukon Territories
www.gov.yk.ca/depts/finance/

Regional Agency Support

Atlantic Canada Opportunities Agency (ACOA)
www.acoa.ca/english/index_frame.html

Canada Economic Development for Quebec Regions
www.dec-ced.gc.ca/en/menu.htm

Federal Economic Development Initiative for Northern Ontario (FEDNOR)
strategis.ic.gc.ca/SSG/fn00300e.html

Western Economic Diversification
www.wd.gc.ca/eng/default.htm

Before You Leave...

There are many different individuals who can help you plan your business trip abroad. See if you can identify other Canadian firms that have done business in the target market and talk to them about their experiences. A good source of information about such firms are the bilateral business councils set up to promote trade between Canada and various countries or regions. Find out if such a council exists for the country in which you are interested.

You might start your search at a trade support organization in your area.
(see: www.infoexport.gc.ca/help-e.asp)
A local Chamber of Commerce or board of trade can help you make contact with a bilateral business council. Sectoral business associations can also be helpful in identifying companies active in foreign markets.

A separate issue to consider is whether or not there are trade missions being organized from Canada into the target market. If so, you may wish to participate in such a mission. Similarly, trade shows, commercial fairs or exhibitions offer a good way of making contact, evaluating a market or getting known. You may wish to time your visit to coincide with such an event.

Once you have done sufficient preliminary research to know what you are looking for, you may wish to contact geographic desk officers at the Department of Foreign Affairs and International Trade or the Canadian Trade Commissioner and commercial staff at the post in the target country.

The following is a list of sources that can provide useful advice and assistance during preparations for a trip abroad.

Department of Foreign Affairs and International Trade - Market Reports and Contacts in Your Sector
www.infoexport.gc.ca/main-e.asp?act=2

Industry Canada: Market Research Reports
strategis.ic.gc.ca/sc_mrkti/ibinddc/engdoc/1a1.html

Her Own Way Advice for the Woman Traveller 1999
www.dfait-maeci.gc.ca/travel/consular/16009-e.htm

Statistics Canada - Trade Data
www.statcan.ca/trade/scripts/tradesearch.cgi

Bon Voyage, But...Information for the Canadian Traveller
www.dfaitmaeci.gc.ca/travel/consular/bvb2000-e.htm

Trade Commissioner Service Abroad
www.infoexport.gc.ca/eservices-e.asp

World Chambers Network
www.worldchambers.com/

Preparing to Leave

Careful preparation is needed to ensure the success of a foreign business trip. The following is a checklist that can be used to guide travel preparations.

Check Travel Conditions in Target Country

Travel Information & Advisory Reports
www.dfaitmaeci.gc.ca/graphics/cosmos/cntry_e.htm

Select Itinerary

Decide on where you want to go? Which cities do you want to visit and in what order? You may want to examine maps of countries at cliffe.nosc.mil/~NATLAS/index.html.

Book Travel Reservations

What connections are available between Canada and your intended destinations? When do you want to travel? Are discounts or seat sales available? Visit Airlines of the Web at flyaow.com/

Make Hotel Reservations

Make sure that appropriate accommodation will be available. Remember too that you may have to set up meetings with clients at your hotel so choose one suitable for that purpose.

Prepare Travel Documents

You will need a valid Canadian passport (see: www.dfait-maeci.gc.ca/ passport/passport.htm) to travel to all countries except the United States. In many cases, you will also need a visa issued by the countries you intend to visit. For certain countries, you will also need evidence of immunization (see: www.hcsc.gc.ca/hpb/lcdc/osh/travel/immpro_e.html) or a health certificate.

Prepare Business Cards, Marketing Materials

Make sure to take suitable promotional materials with you. At a minimum you will need business cards and brochures describing your company and its products or services. You may also wish to bring along diskettes, CD-ROMs, videotapes or samples. If you are taking samples or equipment, you will need a carnet (www.icc-ibcc.org/ atcarnet.html) that will allow you to take the items through foreign customs without being charged duties.

Contact Canadian posts abroad

Once your travel plans are advanced, you should contact the Canadian representatives (www.infoexport.gc.ca/eservices-e.asp) in the countries you intend to visit, to inform them of your trip, what you hope to achieve, and when you intend to arrive. In many cases, the posts can help to arrange and confirm appointments with potential buyers, procurement authorities, agents, distributors, joint venture partners, appropriate government departments, industry associations, and others.

Arrange meetings

Contact the leads you have researched or that have been suggested to you and arrange for meetings. Make sure that the time, place and purpose of the meeting is clear to both sides. And be sure that both sides know how to get in touch with each other if there is a change in plans.

Study relevant cultural issues

Prepare for your meetings by studying business practices (see: strategis.ic.gc.ca/SSG/bi1835 4e.html) in the target countries. Often there are certain do's and don'ts you should be aware of that will make contact easier. for more information visit the following sites:

Market Research:

strategis.ic.gc.ca/sc_mrktl/ibinddc/engdoc/1a 1.html

Embassies in Ottawa www.docuweb.ca/ EmbassiesOttawa/index.html
Country Studies - Library of Congress lcweb2.loc.gov/frd/cs/cshome.html

Arrange for any gifts

In many countries, it is customary to present small gifts to contacts as a token of appreciation. Make sure, however, that these gifts are suitable to the occasion and that your intentions are not misunderstood. Selected Items for International Business Executives and Sophisticated Shoppers are listed at www.internationalist.com /INTRNTNL/store.html

Examine travel conditions

Find out as much as you can about travel conditions in the target country. Visit the website www.internationalist.com/INTRNTNL/ travel.html

The following are some topics you might want to investigate:

- climate and business attire
- local transportation
- domestic airlines
- interpreters
- foreign exchange rate and local currency
- airport customs and formalities
- prescription and preventive medications
- out of country medical insurance
- food
- phone, fax, internet, computer
- national holidays
- business hours
- emergency information, local hospital,
- local crime rate,
- safety requirements
- departure regulations
- how to network in the country

- attitude towards foreigners in the country
- social customs, behavior, greetings, gestures, conversation
- business negotiation procedures
- invitation to social functions
- background information on the country
- structure and outline for data collection and marketing
- strategy reports

CURRENCY AND EXCHANGE RATE CONVERTOR

Make sure that you have enough local currency (see: www.xe.net/ict/) with you for the trip. You can also use credit cards, and even bank cards in many countries. You may also wish to take additional money with you in the form of US currency or travellers cheques.

WEIGHTS AND MEASURES CONVERTER:

A weights and measures converter is available at: www.geocities.com/Athens/Parthenon/8107/convert.html

Checklist

The following checklist summarizes the various tasks that may be performed during an international business trip. You can use it to organize your own activities abroad.

- Meet potential customers and determine product/service suitability for market
- Confirm market size and growth potential
- Determine an appropriate price level for your product or service
- Obtain data on the competition
- Identify potential agents and distributors and verify their financial and business strengths/weaknesses
- Locate storage and distribution facilities
- Identify local resource people
- Locate legal and accounting services
- Obtain information about local regulations and requirements relating to patents, R&D, technology licensing and intellectual property rights
- Confirm information on regulations affecting business, shipping, marking, labelling, documentation, tariffs and possible non-tariff barriers
- Obtain information that will assist in preparing a marketing strategy (customer profiles, income levels, tastes and preferences, how purchasing decisions are made, how sales are made)

Follow-up Items

To get the most out of your trip abroad, be sure to follow-up after you get home. Your overall objective should be to develop and maintain contact with those you met who seem to offer the best prospects for an ongoing business relationship. The following are some of the tasks you may need to address upon your return:

- Send letters of thanks to those who took the time to meet with you.
- Raise any additional issues that you may feel are relevant to the discussion.
- Satisfy any requests for additional information from those with whom you met.
- Inform the trade commissioners, or other Canadian officials who helped you, about the trip's outcome. They may have ideas about useful next steps to take.
- Prepare any market reports or other studies that may be required as an outcome of the trip.
- Review action items arising from the trip and set up a process for implementation.

Responding to Unsolicited Orders

A Team Canada Inc
On-line Guide for Exporters

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Note:
This printable version of Team Canada Inc's online guide "Responding to Unsolicited Orders" has been made available FOR YOUR CONVENIENCE, SO YOU CAN PRINT THE GUIDE AND READ IT without connecting to the Internet.

However, it should be noted that the guide was ORIGINALLY designed for online use and that its format doesn't transfer particularly well to print format. Specifically, the guide refers readers to numerous Web resources which online readers can easily access by clicking on the links provided; on paper, these referrals appear as long Web addresses which make reading difficult. YOU SHOULD also NOTE THAT, due to space constraints, some long Web addresses in this document had to be divided into two or more lines; it should be noted that the complete addresses must be entered as one line in your Web browser. IF YOU WISH TO ACCESS THE WEB SITES LISTED, YOU WILL FIND IT MUCH EASIER TO USE THE ONLINE VERSION AND SIMPLY CLICK ON THE HOT LINKS.

To obtain further information on this guide's topic or on other Team Canada Inc guides, please visit ExportSource at **exportsource.ca** or contact us toll-free at 1-888-811-1119.

Responding to Unsolicited Orders

This tool will help the managers of small and medium-sized companies respond to unexpected inquiries from abroad. It is primarily intended for companies that already have some knowledge of international trade or are just starting out in exporting.

Many of the companies exporting today got started in international trade by responding to an unsolicited inquiry from a potential foreign buyer. Typically, the response takes the form of a quotation which provides details of what the seller is prepared to offer, at what price, and on what terms. The potential buyer can accept the quotation, negotiate to modify it, or walk away from the transaction.

Before drawing up a quotation, the seller must determine if the firm can fulfill the order, examine all of the factors involved in sending goods from Canada to the target country, estimate the costs involved and decide whether or not the proposed transaction is worth the effort. All of this has to be done soon after receiving the request, otherwise the potential buyer may lose interest. If a company has never exported, gathering all of this information represents a significant challenge.

It is also important to recognize that a quotation represents a legal commitment that should not be taken lightly. Companies that repudiate undertakings made in a quotation could find themselves liable for damages.

That is why firms preparing a quotation will want to develop a reasonably accurate estimate of costs, regulations, logistical requirements, and anything else that will have a bearing on the terms of the transaction. This template offers a framework to guide them in that process. It will help them to:

- understand the process involved in responding to an unsolicited order from abroad;
- develop an estimate of what price and terms they need from the foreign buyer in order to make a deal worthwhile;
- prepare a quotation that can serve as the basis of negotiation with a potential foreign buyer;
- draw up the terms of a contract with the foreign buyer;

The tool will also identify and access sources of information that users will need in order to perform these tasks quickly and effectively.

Generally, the following steps are involved in responding to an unsolicited order.

Task 1: Internal Research

Task 2: External (Market) Research

Task 3: Landed Cost Calculation

Task 4: Quotation

Task 5: Feasibility Test (Diagnostic)

Task 6: Negotiation

Task 7: The Contract

Task 8: Order Fulfillment

Internal Research

Unsolicited requests from abroad can come as letters, faxes or telephone calls. If the request is verbal, the call should be logged and the caller asked for written confirmation of the request. Correspondence should be stamped with the date on which it is received. Special care should be taken with requests in a foreign language: they should be translated professionally to ensure they are properly understood.

The first task in developing a response to the request is to gather information from other parts of the company. The objective is to determine whether or not the firm is able to fulfill the order, and if so, at what time, at what price, and on what terms. Individuals responsible for different aspects of the company's operations have to be consulted to get a picture of how ready the firm is to proceed and what impact the order may have on other operations.

Below are a series of questions to determine the information you may need and the kinds of demands you may require from others in your company to structure your response to the unsolicited order.

AVAILABILITY

Inventory

- Is the item already in inventory? If so, how many units?

Manufacturing

- When can the product be produced?
- Would additional inputs be required to satisfy the order?
- Are product modifications needed?
- What would be the impact on other parts of the operation?
- What would be the financial impact?

www.statcan.ca/english/reserch/other10.htm

PRICING

Marketing

- What pricing strategy should be adopted?
- Is this a market in which the company may want to do repeat business?

DELIVERY

Packaging and Transportation

- Has shipping any experience in preparing orders for this market?
- Can it handle any special labelling or packaging requirements?
- When can the item be prepared and shipped?

exportsource.ca/nonframe/engdoc/6e.html

TERMS OF PAYMENT

Financing Exports

- What financial instruments should be used?
- When should payment be made?

exportsource.ca/nonframe/engdoc/5.html

Canadian Commercial Corporation
- Progress Payment Program

- What currency?
- Are there any special conditions required?

www.ccc.ca/english/services_expfinance.cfm

Export Development Corporation
- Financing Services

www.edcsee.ca/prodserv/financing/index_e.hm

External Research

In responding to an unsolicited request, it is a good idea to establish early on just how complex the transaction is likely to be. International trade represents a higher level of complexity than does domestic commerce. In some cases, that complexity imposes the kind of additional time and costs that could turn a promising deal into a money-loser. Companies are well advised to know exactly what they are getting into before they commit time and resources to a transaction.

Above all, potential exporters need to understand the regulatory regime both in Canada and in the target market and how it affects their products or services. Regulations invariably bring with them a requirement for paper-work: applications, permits, approvals, certifications. Potential exporters will want to know just what documentation will be required and how much time its preperation will absorb.

Beyond rules and regulations, there are the logistics of physically moving goods (or people) from Canada into the target market. How can this be accomplished? What costs are or could be involved? Who will be responsible for making and monitoring these arrangements? Included in these estimates are the costs of insurance and any special risks that might be incurred in the target market.

Below is a listing that can help guide you to the information you will need in order to structure the deal, calculate costs and fill out a quotation.

Market Information

Click here exportsource.ca/ to access various sources of information about the market in question.

Export Regulations

In certain cases, Canada regulates the export of goods. Some countries are under embargo and Canadians cannot export there. Dangerous and hazardous substances are carefully regulated in terms of packing and transportation.

For more information on export regulations visit:

Canadian Automated Export Declaration
www.statcan.ca/english/exports/index.htm

Export/Import Controls Bureau
www.dfaitmaeci.gc.ca/~eicb/epd_home.htm

Import Regulations

Some countries keep out certain products or impose quotas. Many maintain technical standards, environmental regulations, or other legal requirements that could exclude a product that is not approved, delay its entry, or impose additional costs for inspections and certification.

Packaging, Labelling or Packing Requirements

Many countries have regulations governing how products are to be packaged, what information should be included on the label as well as the language on the label, and how shipments of the product are to be packed.

Export Licenses

There is a small group of products that require export permits. These include armaments and environmentally endangered species.

Import Licenses

Many countries require permits for the import of dangerous or controlled substances, or items that might pose a competitive threat to local producers.

Transport Available

Four modes of transport are available: air, rail, truck and ship. Shipments combining two or more of these modes are called inter-modal. It is important to determine which mode or combination of modes represents the most cost-effective means of physically moving the product from its Canadian origin to its destination.

Shipping Schedules

Once a transport mode has been determined, it is important to get some idea of shipping schedules since this will have an impact on delivery times. For example, seasonal variations will affect the availability of ocean-going transport.

Insurance Requirements

Many buyers will require that goods are insured against loss or damage. Sellers will also want to insure a transaction against default by the buyer. Find more information on insurance requirements by visiting:

Export Development Corporation
www.edc-see.ca/index_e.htm

Credit Check of Client

If possible, it is a good idea to get some idea about the reliability of the potential buyer. Many developed countries have the equivalent of a better business bureau, ad credit bureau or a chamber of commerce that can provide business references.

Risk Factors

Are there special risks (political instability, economic conditions, climate, etc.) that need to be factored into the deal?

Landed Cost Calculation

A critical step in responding to an unsolicited order is to prepare a reasonable estimate of the costs your firm will incur in fulfilling the order. Obviously, quoting too low runs the risk of losing money on the transaction while quoting high risks losing the buyer's interest. Preparing an accurate estimate, however, requires juggling many additional factors above and beyond those involved in domestic production. The most important of these are the costs associated with:

- preparing the many documents required in an international transaction;
- labeling, packaging and packing the shipment for transport;
- moving the shipment from the point of origin to the destination;
- payment of any duties levied by the foreign government; and
- financing charges, insurance and the costs of issuing payment instruments.

Even familiar business cost items such as promotion and marketing take on additional complexity in the international arena since they might involve travel, translation, and long distance telecommunications.

The following is a worksheet that can help you include all of the relevant costs involved in completing the transaction you have in mind. Use the spreadsheets below as a tool to help you keep track of, and add up the relevant costs. (Note: Definitions of terminology used within the tables are given on the following worksheets.)

Product	Cost
Materials	$
Labour	$
Plant overhead	$
Product modification	$
Administration	$
Domestic financing (eg bank charges)	$
Total Domestic Cost	$

Port and lading charges	Cost
Demurrage or storage	$
Wharfage	$
Special charges	$
Marking	$
Lading charges	$
Total, "Free on Board" (FOB)	$

Foreign marketing and costs of sale	Cost
Travel and accommodations	$
Promotional events (e.g. trade fairs)	$
Communications (e.g. telephone/fax, courier)	$
Translations	$
Negotiations, legal fees	$
Foreign agent's commissions and fees (if applicable)	$
Total "Ex Works" (EXW)	$

Physical preparation of shipment	Cost
Labelling	$
Packaging	$
Packing and crating	$
Marking	$
Strapping	$
Domestic financing (eg bank charges)	$
Other costs of preparation for transport	
Documentation (including consular invoices)	$
Freight forwarder's fees	$
Total, product ready for shipment	$

International carrier	Cost
Freight	$
Cargo insurance	$
Charges for special requirements	$
Total, "Cost, Insurance and Freight" (CIF)	$

Inland freight	Cost
Loading charges	$
Transport	$
Unloading charges	$
Total, product ready for shipment	$

Landing charges	Cost
Unlading	$
Special charges	$
Storage	$
Total, "Delivered Duty Unpaid" (DDU)	$

Customs clearance	Cost
Foreign duties	$
Broker's fees	$
Delivery to customer	$
Loading charges	$
Transportation	$
Total "Delivered Duty Paid" (DDP)	$

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International financing charges	Cost
Costs of financial instruments (e.g. letters of credit)	$
Export credit insurance premium	$
Discounts on receivables	$
Costs associated with currency conversions	$
Total cost of transaction before profit	$
Margin (in %)	$
Export price	$

Definitions of Landed Cost Calculator Terms

Product cost: This section summarizes the costs of the physical inputs and administrative expenses involved in physically producing the goods.

Materials: What are the costs of the material inputs required to fulfill the order?

Labour: All costs related to the labour (direct and indirect) required.

Plant overhead: All costs related to the plant overhead. This should include utilities, rent, taxes etc.

Product modification: Any costs required to modify the product for the new market.

Administration: Any additional costs incurred in administering the transaction. This may include special charges such as the costs of hiring researchers or performing credit checks on the prospective customer

Domestic financing (e.g. bank charges): Any costs required to finance additional production to fulfill the order.

Total domestic cost: The total of all costs of production incurred in Canada.

Foreign marketing and costs of sales: This section summarizes all costs related to promoting, advertising and selling the product in the foreign market.

Travel and accommodations: Includes all travel expenses incurred by your company in visiting the target market for research, a mission or a trade show, and it may include the costs of bringing foreign partners (agents, distributors, etc.) from the target country back to Canada.

Promotional events (e.g. trade fairs): Include all costs associated with the event (promotional materials, registration fees, booths and displays, etc.) except those already counted as travel expenses.

Communications (e.g. telephone/fax, courier: Include all communication costs (telephone, couriers, faxes, e-mail etc.) incurred in completing the deal or likely to be incurred in fulfilling the order.

Translations: Costs of translating promotional materials, product specs, labels, correspondence, etc. into and from the language of the target country.

Negotiations, legal fees: Include all lawyer's and legal fees incurred in drawing up the contract.

Foreign agent's commissions and fees (if applicable): Are commissions, finder's fees, distribution fees etc. owed on the transaction? These should be converted from foreign into Canadian currency before being entered on thisworksheet.

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Total Ex Works (EXW)*: The total of all production and marketing costs before shipment. Ex Works is one of the INCOterms used to define the terms of an international transaction. An Ex Works price includes all costs involved in producing something to the "factory gate." If a transaction were specified as "Ex Works", the buyer would assume responsibility for all costs incurred in moving the goods from the point of origin to the final destination.

Physical preparation for shipment: These are the costs incurred in labelling, packaging and packing goods in a suitable way for transport to the target market.

Labelling: Product labels usually must be in or at least include the official language(s) of the target market. There may also be specific regulations governing the content of the labels (e.g. coutnryh of origina, name and address of the manufacturer/producer, a description of the contents or ingredients, weight, conformity with technical standards or inspection requirements etc.) Failure to provide the proper labelling could result in goods being stopped at the border of the target market. Usually,the buyer will specify the type of labelling or marks required for the destination country, but a freight forwarder can give you the same information. Customs brokersin the foreign country will also be familiar with the specific labelling regulations required by customs inspectors.

Packaging: Distinguish between packaging (which pertains to individual products) and packing (which covers the way in which an entire shipment is assembled as cargo. Be careful to familiarize yourself with packaging requirements for your product in the target country. Regulations may call for a product type to be individually packaged, or packaged in specific quantities (e.g. by the dozen). Certain types of packaging (e.g. plastic bubble wrap) may be required. Other types of packaging my be prohibited (e.g. packaging that does not show the contents of the product).

Packing: Individual packages have to be assembled into boxes, crates, onto skids, or into containers. The goods must be packed in such as way as to reduce the possibility of damage, theft or spoilage and the buyer may specify how they expect this to be done. The packing materials you select will depend on the size, shape, weight, fragility, and contents of the product; whether the product will ship by air or sea; and the time, climate, conditions, and inland transportation in the destination country. Follow these guidelines for packing your product:

Pack the shipment in a strong container. Fill the containers to capacity. Distribute weight evenly within the container

Quotation

A quotation is a legally binding document by which your firm can respond to an unsolicited order from a potential foreign buyer. It represents your commitment to delivering a particular product or service at a particular price and time, on the terms specified in the quotation. Going back on that commitment could damage your company's reputation and it could involve you in other difficulties. That is why it is important to be careful in how you prepare your quotation.

By common agreement among international traders, there are certain types of information that should go into a quotation. These include: a description of the goods or services being offered the price (and details of how it is calculated) details of how the offerings is to be packaged what insurance coverage will be provided how it will be shipped and by whom when and where will delivery be made what documents and invoices will be issued who will decide that the order has been fulfilled correctly how payment should be made.

A quotation that does not contain all of this information in sufficient detail will raise a lot of questions about the transaction and could delay the time it takes to come to an agreement. If certain issues are not spelled out clearly at the outset, there is a possibility that differing interpretations can cause disagreements later on.

That, in turn, can delay payments or harm reputations.

Once you have filled out a quotation, take time to think about the deal you are proposing. Ask yourself the kinds of questions listed in Task 5 before you actually send the document to the prospective buyer.

Below is a template that can help you through the process of preparing a comprehensive response to the unsolicited order.

Description of Good or Services

The description of the goods must be clear and specify the type of goods, make, quantity and how that quantity is expressed (i.e as units, by weight, by number, by set etc.). Specify if there is a specific quality standard such as an inspection grade, or product type (deluxe, regular, economy etc.). .If the product contains third-party components they should be specified.

Internationally accepted nomenclature should be used wherever possible and local jargon avoided.

Details	Terms Offered
Name of Product	
Make Identifier (e.g. serial numbers)	
Quantity (and unit of measurement)	
Quality (grade, type)	
Components (if any)	

Price

The seller should specify how a price is calculated (ie. by unit, by weight, by grade, etc.). This should then be combined with the amount to yield a price for the goods. Additional charges should be broken out and detailed. These can include costs associated with special packaging, shipping, insurance, payment of customs, or any special fees for which the seller may be responsible. This should all be added together to yield the total cost for the order. The currency of the payment should be specified.

Details	Terms Offered
Rate (price per unit)	
No. of units	
Price of units	
Additional charges (packing, shipping, insurance, customs, or fees, etc.)	
Total cost	
Currency	

PACKING

If the goods carry labels, what language will the labels be in. What information is contained on the labels.

- How will the goods be packaged (Type of wrapping: boxes, shrink wrap, etc?
- Packaged by wieght, by single units, by multiples?
- How will the goods be packed for shiping (crates, pallets, containers etc.)?
- Are the goods fragile?
- Do they need refrigeration, low humidity etc?
- Do they require special handling (ie. explosives, chemicals)?

Details	Terms Offered
Language of labels	
Contents of labels	
How will goods be packaged	
How will goods be packed for shipping (pallets, containers etc)?	
Special handling (fragility, climate control, etc.)	

INSURANCE

- Who will be responsible for insuring the shipment? (Can specify here what insurer is to be used and from which country).
- What type of insurance is required (to cover accidents, spoilage, confiscation, all perils etc.)
- How much insurance will be taken out? (How much of the transaction will be covered).

Details	Terms Offered
Who will arrange for insurance?	
Type of insurance?	
Amount of insurance?	
How will goods be packed for shipping (pallets, containers etc)?	
Special handling (fragility, climate control, etc.)	

SHIPPING

- How will the goods be shipped (ocean, air, rail, truck) and by what route?
- Who will choose the carrier? (Some governments will specify that their national carriers be used).
- Who will make arrangements for shipping (buyer or seller)?
- Where are the goods to be shipped from? To what destination (city) are they to be shipped.

Details	Terms Offered
Mode of transport	
Carrier	
Shipping arrangements	
Who will cover shipping costs?	
Place from which shipment will be made?	
Destination of shipment?	

DELIVERY

On what date will the seller ship the goods? On what date are they to be delivered to the intended destination. If the shipment is to be made in installments, the amounts in each installment and the dates for each should be specified. To what place (address, name, other coordinates) are the goods to be delivered?

Details	Terms Offered
Date goods shipped (specify if partial shipments and dates)	
Date to be delivered (specify if partial shipments and dates)	
Place of delivery	

INVOICING

- When will the seller's invoice be sent (prior to shipment, with shipment, after)?
- How will it be sent (separately by air, cable, mail, fax, etc?
- Will it be sent with the shipment?
- Will other document be required (consular invoice, inspection certificates, other licenses or permits?) and if so, will the seller providethem?

Details	Terms Offered
Date of invoice	
How invoice is to be sent	
Other documentation	

Acceptance and Validation

- Who accepts the order when it is delivered (the buyer, a customs broker (specify name), the seller's agent (specify name)?
- How will the order be inspected and verified?
- Who will decide that all the terms of the transaction have been fulfilled?

Details	Terms Offered
Who will receive the order?	
How will quality be verified?	
How will other terms of the order be validated?	

Payment

- What financial instrument to be used by seller (letter of credit, bill of exchange, etc.).
- When is payment to be made (upon delivery to the destination, upon acceptance, or at some other specified time)?
- Is payment to be made in a lump sum or in installments?
- If in installments, when are they due? To what institution (usually the seller's bank) is payment to be made. Specify name, address and account number.

Details	Terms Offered
Financial instrument to be used.	
When is payment to be made? (specify if in installments)	
To which bank? (details of seller's bank, account number)	

Feasibility Test

Once you have completed the quotation, and before you send it, you should look closely at the deal you are proposing before you send the quote to the prospective buyer. Even though it may be profitable, it may still not make sense in terms of the time and effort involved in achieving that profit, or in terms of opportunities you may have to forgo in order to pursue this deal. Before you commit to the negotiation, ask yourself the following questions in order to evaluate the feasibility of the proposed transaction and get a sense of the terms you should be asking for.

- How much time will the deal take?
- Do you have the internal staff to take on this project?
- Would you have to get additional help to carry it out?
- What would be the impact of fulfilling the order on the firm's other operations?
- How much will the deal cost (in terms of staff time, material costs, financing, and other charges)?
- How much does the company stand to make on the transaction?
- Would the deal require financing, and if so, can the company get it?
- What would be the impact on other operations of securing additional financing for this deal?
- Would it preclude getting other types of financing that the company might need for other operations?
- What are the other potential benefits to your firm such as using up spare capacity, developing a foreign partnership, testing a market etc.?
- Are there significant impediments to the deal in the form of local trade barriers, distances, regulatory restrictions, logistics and the like?
- How risky is the deal? Do you have any information about the foreign buyer? What happens to the deal if there are fluctuations in exchange rates between Canada and the target country? How likely are such fluctuations?
- Are there any political risks involved?
- Are special inputs (materials, components, etc.) required for the deal?
- Are special skills required (language., cultural familiarity, expertise in logistics, etc.) to perform the transaction? [This can serve as a point to where to get these skills].

If the answers to these questions suggest that the deal is more complicated than at first thought, you may wish to adjust the price upward. If the deal looks extremely complex and time consuming, you may wish to cut your losses now and abandon the project altogether.

If, on the other hand, the potential benefits in terms of revenues, market position, use of spare capacity or other factors, tend to exceed the probable costs, then send your completed quotation form to the prospective buyer and move on to the next step in the process.

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Negotiations

Do not assume that your initial quotation will be accepted in its entirety. With so many different factors affecting the shape of a deal, it is to be expected that the prospective buyer may wish to alter your terms. They may need the product delivered more quickly than you suggest. They may try to talk down the price. They may require a specific type of packing for the shipment, the use of a particular mode of transportation or a specific carrier. When you prepare a quotation, you are putting everything on the table for review and negotiation.

If the prospective buyer alters any of the terms of the proposal, think about what that does to profits, costs and overall feasibility. Also, before agreeing to any changes, make sure you get the agreement of the divisions within your organization (manufacturing, inventory, shipping, finance etc.) that may be affected by the new terms. You may have to go through several iterations before both sides are satisfied with all of the terms of the proposed transaction.

You can use a negotiation template to help you in your discussions with the foreign buyer. The following is an example of how the negotiation template can be used to keep track of how various terms are changed as the quotation passes back and forth between the parties:

Item	Our 1st Quote	Their Response	Our 2nd Quote	Their Response	Final Deal
Price	100	50	90	75	80
Shipping	They ship	We ship to final destination	We ship to coast.	We ship to customs shed. They ship to final destination.	We ship to customs shed, they ship to final destination.
Insurance	They arrange.	They approve, we arrange.	We arrange, they approve	We arrange, they approve	We arrange, they approve

This negotiation worksheet is based on the quotation template you filled out to prepare your first offer to the foreign buyer. The first column of this template contains the terms specified in your quotation. Columns will then be added to this initial offer to chart the progress of the negotiation. This template can help you keep track of the offers and counteroffers that may be involved in the negotiation process. Once both sides have agreed to all the terms, the final column can be used as the basis for drawing up a contract.

Description of good or services	
Item	Terms Offered / Counter Offer/ Acceptance
Name of Product	
Make	
Identifier (e.g. serial numbers)	
Quantity (and unit of measurement)	
Quality (grade, type)	
Components (if any)	

Price	
Item	Terms Offered / Counter Offer/ Acceptance
Rate (price per unit)	
No. of units	
Price of units	
Additional charges (packing, shipping, insurance, customs, or fees, etc.)	
Total cost	
Currency	

Packing	
Item	Terms Offered / Counter Offer/ Acceptance
Language of labels	
Contents of labels	
How will goods be packaged	
How will goods be packed for shipping (pallets, containers etc)?	
Special handling (fragility, climate control, etc.)	

Insurance	
Item	Terms Offered / Counter Offer/ Acceptance
Who will arrange for insurance?	
Type of insurance?	
Amount of insurance?	

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Shipping	
Item	Terms Offered / Counter Offer/ Acceptance
Mode of transport	
Carrier	
Shipping arrangements	
Who will cover shipping costs?	
Special handling (fragility, climate control, etc.)	
Place from which shipment will be made?	
Destination of shipment?	

Delivery	
Item	Terms Offered / Counter Offer/ Acceptance
Date goods shipped (specify if partial shipments and dates)	
Date to be delivered (specify if partial shipments and dates)	
Place of delivery	

Invoicing	
Item	Terms Offered / Counter Offer/ Acceptance
Date of invoice	
How invoice is to be sent?	
Other documentation	

Acceptance and Validation	
Item	Terms Offered / Counter Offer/ Acceptance
Who will receive theorder?	
How will quality be verified?	
How will other terms of the order be validated?	

Payment	
Item	Terms Offered / Counter Offer/ Acceptance
Financial instrument to be used.	
When is payment to be made (specify if in installments)	
To which bank (details of seller's bank, account number)	

The Contract

Once both sides have agreed to all of the terms of the transaction, you are ready to proceed with drawing up a formal contract. The contract will require some additional pieces of information that were not part of the original quotation but that are necessary to provide an appropriate legal framework that protects both parties.

International trade transactions differ widely, so it is not possible to design one standard contract to cover all cases. It is advisable to get legal advice to make sure that the final agreement is both comprehensive and legally binding. It is also important to specify what mechanism will be used to resolve any disputes between the parties, should these occur.

Below is a contract framework for your transaction, which you can use in your discussions with your legal advisor. The framework will include a record of the terms to which both sides agreed during the negotiations and it can be used to guide your lawyer in drawing up a legally binding agreement between your company and the foreign purchaser.

DESCRIPTION OF GOOD OR SERVICES	
Details	**Terms**
Name of Product	
Make	
Identifier (e.g. serial numbers)	
Quantity (and unit of measurement)	
Quality (grade, type)	
Components (if any)	

PARTIES TO THE AGREEMENT	
Details	**Terms**
Purchaser	
Sellers	

PRICE	
Details	**Terms**
Rate (price per unit)	
No. of units	
Price of units	
Additional charges (packing, shipping, insurance, customs, or fees, etc.)	
Total cost	
Currency	

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Packing	
Details	**Terms**
Language of labels	
Contents of labels	
How will goods be packaged?	
How will goods be packed for shipping (pallets, containers etc)?	
Special handling (fragility, climate control, etc.)	

Insurance	
Details	**Terms**
Who will arrange for insurance?	
Type of insurance?	
Amount of insurance?	

Shipping	
Details	**Terms**
Mode of transportation	
Carrier	
Shipping arrangements	
Who will cover shipping costs?	
Place from which shipment will be made?	
Destination of shipment?	

Delivery	
Details	**Terms**
Date goods shipped (specify if partial shipments and dates)	
Date to be delivered (specify if partial shipments and dates)	
Place of delivery	

Invoicing	
Details	**Terms**
Date of invoice	
How invoice is to be sent?	
Other documentation	

Acceptance and Validation	
Details	**Terms**
Who will receive the order?	
How will quality be verified?	
How will other terms of the order be validated?	

Payment	
Details	**Terms**
Financial instrument to be used.	
When is payment to be made? (specify installments)	
To which bank (details of seller's bank, account number)	

Regulatory compliance	
Details	**Terms**
Inspections	
Standards	
Codes	
Licenses and permits	

Legal framework	
Details	**Terms**
Which country's laws govern the transaction?	

Arbitration	
Details	**Terms**
What institution or individual will arbitrate any dispute?	
Arbitration procedures?	

Order Fulfillment

Once an agreement has been reached, your next task is to alert those in your firm who have a role to play in implementing it. Generally this will involve the same divisions that were contacted in Task 1 (Internal Research) to provide input in the preparation of the quotation.

At this point, you should go back to the same divisions to inform them that a deal has been reached, provide them with the terms of the agreement, and make sure that they understand and agree to the role that they are to play in implementation. Below is a list of items you may wish to include in your agreement with the foreign purchaser:

Inventory

- How many units are expected from inventory?
- When?

Manufacturing

- How many units are to be produced?
- When?

Specify any additional inputs required to satisfy the order. Specify any product modifications.

Marketing

Inform marketing of the contract, size of order and pricing. Give them details about the buyer for follow-up.

Shipping

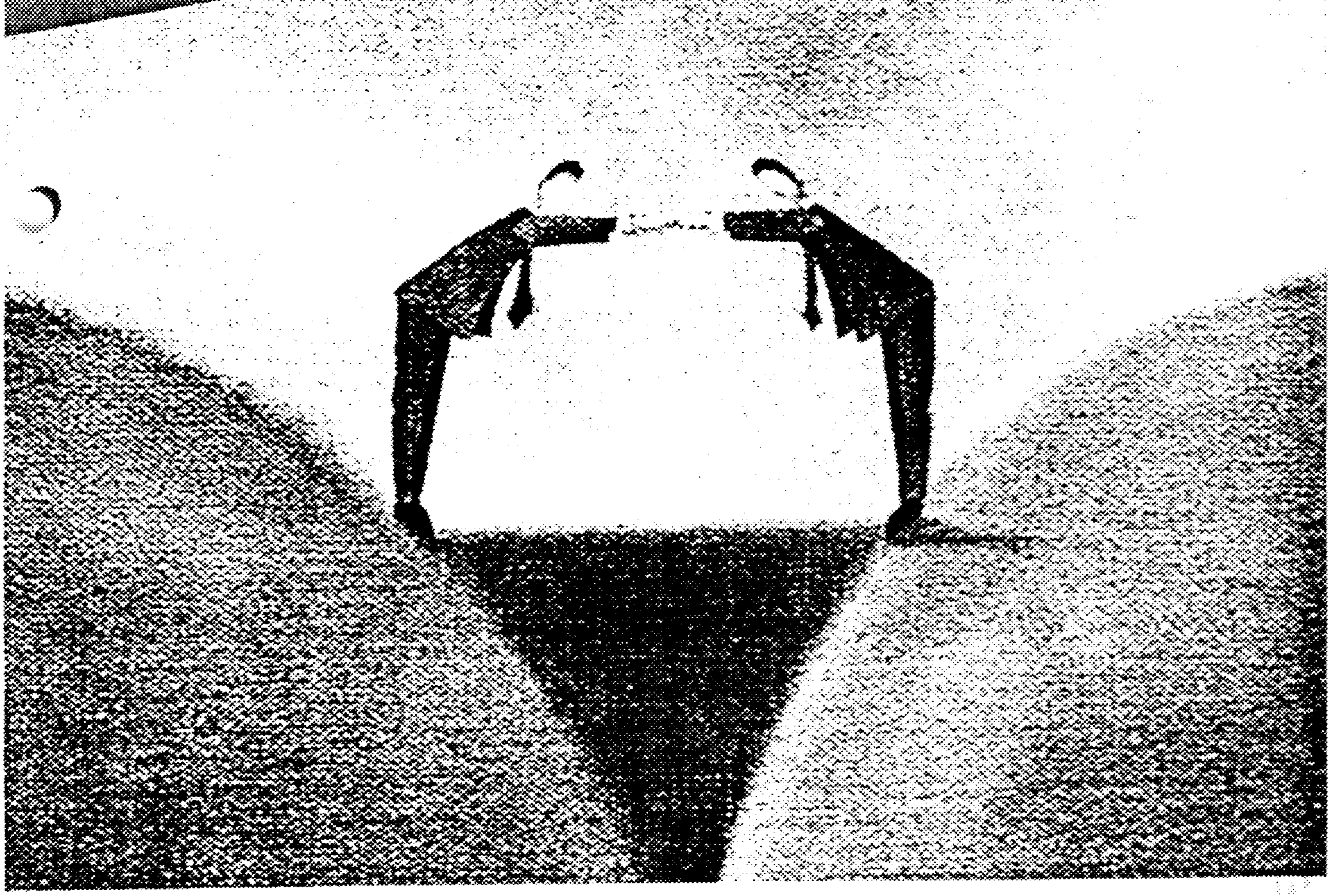
- How many units are to be shipped? On what date. To what destination.
- What modes of transport are to be used?
- What labeling and packaging requirements are there?
- Any special requirements (e.g. refrigeration, fragile packing, etc.)?
- Who is providing documentation?
- What kind of insurance is to be purchased?
- For how much?
- Who will provide it?

Finance

Instruments being drawn up (invoices, bills of exchange, letters of credit, etc.). Details of purchaser's bank.

- Is any special financing needed (e.g. to cover seller's operations until payment is received)?
- If so, who is providing it?
- What needs to be done to secure it?
- Any other special arrangements?

The Essential Guide to: Email Marketing



Contents & Contributors

fairfax f2) network everything essential

Welcome to
The Essential Guide to: Email Marketing

Let's face it. There have been easier times to be a marketer. The noughties are a time where marketers are facing more competitors in every category, less time from product concept to launch, squeezed budgets, greater accountability, media fragmentation, a changing agency landscape and consumers who are ever-more demanding and increasingly cynical.

Still, it's one hell of an exciting time to be a marketer.

Then, into this mix comes the Internet, with all its mysteries, complexities and opportunities. Call it what you will – Internet marketing, interactive marketing, e-marketing, digital marketing, online marketing. One thing is for sure: its form is as variable and evolving as its name. And the options it represents can be very confusing for a marketer who's Palm Pilot is already bursting with notes to themselves on things they should do, should read, should learn.

That's why we've decided to release the first in a series of Essential Guides to Marketing, looking specifically at Internet-related topics. They are designed to be the 'Thai Take-Away' solution to learning about these new marketing forms.

- Written simply for easy absorption.
- Delivered to your inbox at your request.
- Quickly digested in one easy session, but highly nourishing.
- Full of fresh ideas on the essential topics you need to get you started.
- Cooked up by experts in our industry who do this stuff for a living every day, so you can learn from their first hand, practical, Australian experience.

We hope that you enjoy **The Essential Guide to: Email Marketing**. And that after reading it over your morning coffee, or on the train on the way home, it will equip you with sufficient knowledge to begin your own experiments with this exciting new way to bring you closer to your customers.

Sincerely,

Dale McCarthy

General Manager, Marketing

f2 Network

1.
Introduction: What's the fuss?

Claire Mula,
e-marketing Strategist, f2 Network

The "Killer App" for Consumers

In less than a decade, Australian uptake of email has grown to 98% of the 7 million-odd internet users[9], with the average person checking their email almost as often as they brush their teeth.

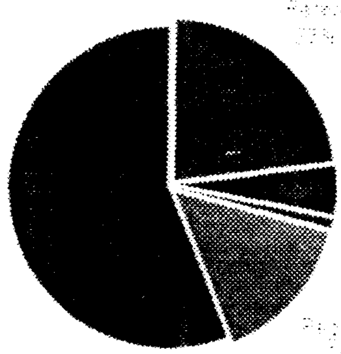
Email has carved a niche into the Australian psyche, quicker than you can say 'Big Brother' and will no doubt be here long after similar media phenomena have come and gone.

Early indicators are that people are highly responsive to email for marketing purposes although there is no doubt some 'novelty' factor to these early statistics that will wear off over time. Then, like all media forms, marketers will need to become smarter and work harder at trying to keep up with people's changing expectations. So now is a good time to start that learning curve.

Consumer acceptance is high

- Half of consumers have responded to email marketing in the past, with 16% regularly responding[8].
- Response rates vary depending on a multitude of criteria, including the objective of the campaign, creative, degree of personalisation, offer, format and the relationship with the [illegible]. However, in general, retention campaigns have better response rates [illegible] acquisition-oriented campaigns.
- Consumers will respond to email offers from senders that they know and trust, are relevant to them and offer them value ahead of anything else[?].
- Key reasons to opt-out of email marketing is a lack of interest in what is on offer (irrelevance) and the emails arriving too frequently.

How often do you click through to a companies website as a result of receiving an email?



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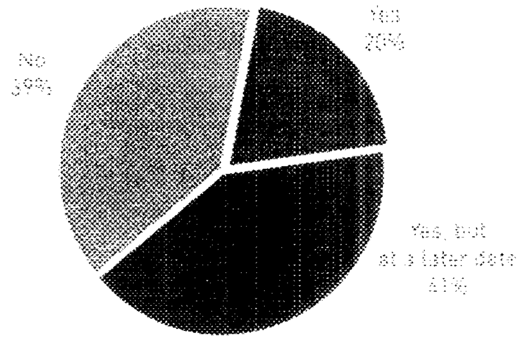
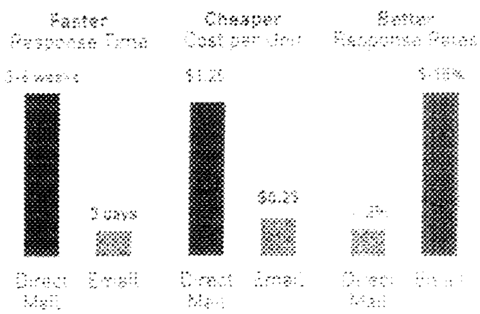
Top Factors Influencing Response



The "Silver Bullet" for Marketers?

Not surprisingly, marketers in Australia and around the world have leapt for a piece of this action. In general, early advertiser experiences with email marketing have been positive due to the fact it is proven to be cost effective, accountable and with fast turnaround times.



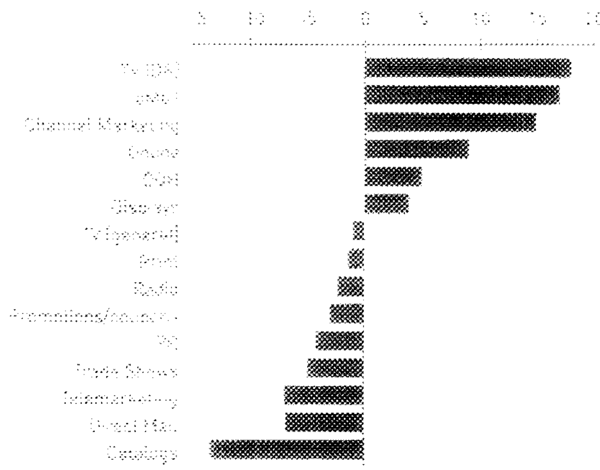
From a zero base, US marketers have quickly diverted 2.5% of their total 2000 Advertising expenditure into email marketing and this is expected to increase ten-fold over the next 5 years[1]

In Australia, 39% of Australia's top 100 advertisers claim they have already started implementing email marketing campaigns and plan to increase this spend dramatically in the future[4]

Perhaps the most significant driver of the uptake of email as a marketing tool is its ability to perform across the gamut of marketing objectives, including:

- brand awareness
- frequency building
- lead generation
- customer acquisition
- direct selling
- customer retention and
- after sales service

What changes in budget allocation do you expect in 2002 vs. 2001?



5 years' trend is pointing towards marketers using it as a principal way to acquire new customers and sales through acquisition offers, sponsorship and lead generation.

2.
How does email marketing fit into my marketing mix?

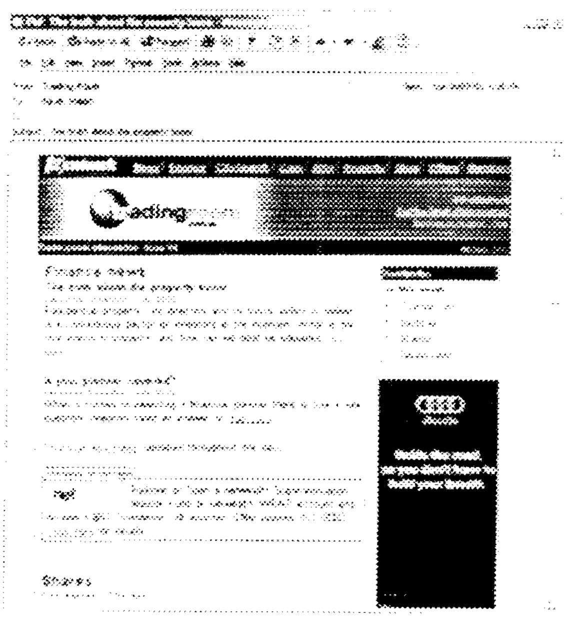
Kevin Walsh, Media Director, NetX

Types of email marketing

Awareness/ Acquisition Email Marketing

Options:

Advertising in Publisher's eNewsletters



Advertising in eNewsletters can be viewed like advertising in a high-frequency media with a loyal subscriber base, like magazines. The subscribers have a relationship with the publication and have given them permission to enter their inbox every day, week, or month. Generally, eNewsletters are sent in either HTML (with pictures, like a web page) or text-only versions, at the recipient's request. So, advertisers may need to provide both formats of ad when booking a position in an eNewsletter.

Buying an ad space or a sponsorship in an eNewsletter is only the first step of the email conversation. Most recipients will notice your message and some will click through to your site. Either way, you have an open door to your target's inbox and the opportunity to deepen the relationship with them.

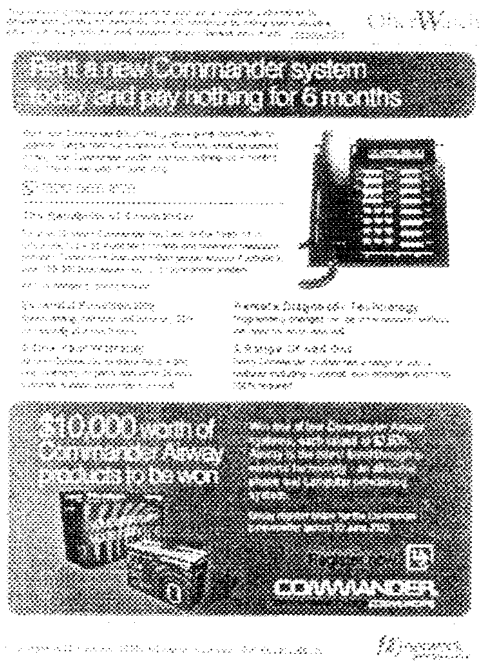
The ideal scenario is that every recipient instantly clicks through to your site and immediately buys from you. However, as this is not the typical behaviour of every person who sees an advertising message (no matter what the media vehicle), you should think about how you can continue the "conversation" with them regardless of whether they click on your ad or not.

For those that do click, perhaps you can get them to register to have more information sent to them via email or request someone contacts them. The beauty of email marketing is that people are at their mouse and keyboard and only a few keystrokes away from inviting further contact or telling you more about themselves.

For those that don't click you should think about what advertising message you will put in front of them next time the eNewsletter goes out – just as your would other forms of frequency media. It's important to keep the messages fresh and relevant to keep the audience's interest and help grow their understanding of your products and brand.

This form of email marketing is closer to traditional direct mail – sending dedicated ads or offers, using lists from brokers. But, unlike most direct-mail lists, which are akin to letterbox-spam, these lists are based on people "opting-in" to receive advertising communication. So they have been "warmed" to the notion of hearing from you.

Opt-in Email Advertising



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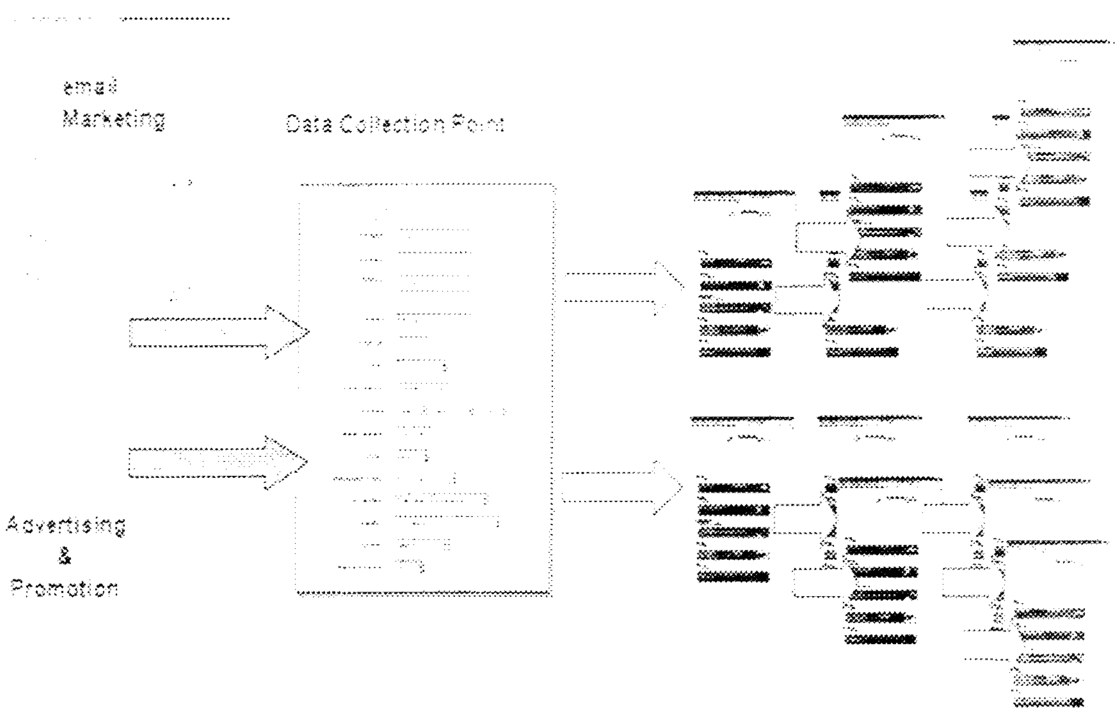
Retention Email Marketing



If your internal systems and processes aren't "email friendly" there are a number of agencies and email bureaus that focus on managing retention email campaigns, through connecting with your existing database. These external services can overcome resource and knowledge issues internally and are proficient at providing ongoing, tailored email communication programs to different customer segments, with related reporting and analysis. Using external email marketing services that talk to your in-house database can end up saving companies a great deal of internal budget, resource and money, while enabling the marketing department to make things happen quickly and achieve immediate sales results.

If done correctly, email marketing will decrease the cost of acquiring new customers while providing your existing customers with a better level of customer service.

About the author:
Kevin Walsh spent many years in mainstream media agencies before going digital and becoming Media Director of NetX, one of Australia's leading interactive agencies. NetX have amassed considerable experience in driving email marketing strategies for clients such as Westpac, Crown Games, Sold.com.au and Voyages. kevin.walsh@netx.com.au www.netx.com.au

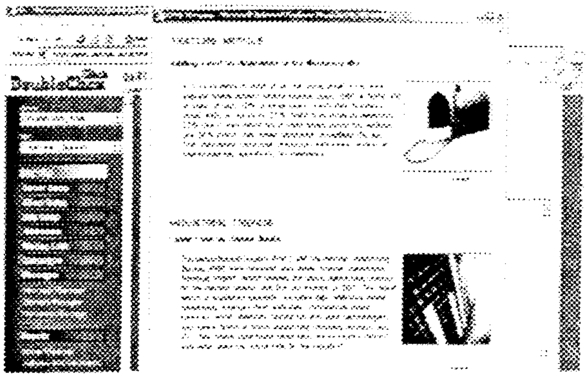
3.

The five essential tools for email marketing

Eoin Townsend,
Director - Technical and Consulting Services APAC, DoubleClick Inc.

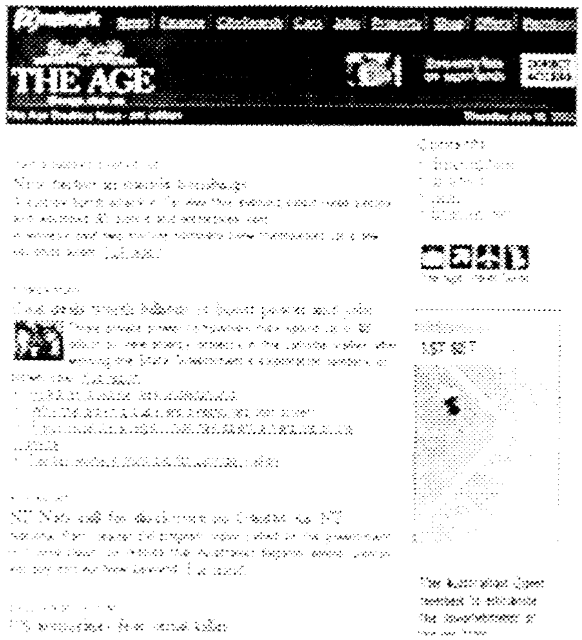
1. List management

Your customer base is the most valuable asset in your email marketing arsenal. These people already know you and value in the relationship has already been established. Marketing to



customers provides the chance to extend their knowledge of your organisation and what it can offer.

However, before planning multiple emails to every contact in your database(s), give thought to the issue of privacy. A proper opt-in program needs to be in place from the start, otherwise you run the risk of your campaigns being treated as SPAM, irritating recipients and creating a negative perception of your organisation.



Look at the depth of information available in your lists. If you can segment your database by noting the different interests of your customers, you can further personalise and target your emails on [illegible]. [illegible] well targeting increases the relevance of the message.

Keep your data "clean". Maintain your lists and ensure contact details are kept up-to-date. If people ask to be taken off your list, make sure it happens. Campaigns will be a waste of time if the information in your lists are out of date or inaccurate.

2. Delivery and Format Management

Once you have your list, it's time to consider how you deliver and format your messages.

The first thing your subscriber will see is the subject line. Keep this brief, using no more than 35 characters if possible, as some mail programs will not display more than that. The subject needs to be eye-catching without looking like junk mail.

Identify whom the email is from and include a simple note in the message such as: "You are receiving this email because you have subscribed to the [name of list] at [name of site]."

As a general rule, deliver your email in the most graphically rich format you can. However, if possible, it is even better to give your list subscribers a chance to tell you what kind of mail they prefer when they sign up (eg: plain text, HTML, AOL).

Unless it's a newsletter or carefully designed HTML message, keep the content brief – maybe just a screen full of information. Use links to your web site for more detail.

Some other simple rules are:

- Communicate only when you actually have something to say. Don't communicate so infrequently that subscribers forget about you, and don't bombard them with stuff just to keep up with a schedule, either.
- Experiment with your lists, testing to see what day (or days) of the week yield higher response rates.
- Always go through an "internal alert" process, notifying all the departments that are likely to be affected by the email campaign, before you send the email out.

3. Personalization and Targeting

For best results, personalize every message. At a minimum, personalize the "To:" line based on email address as opposed to using a generic salutation such as "subscriber." If it is possible, personalize with a name.

As mentioned, consider targeting the message by segmenting your database and personalising email content. The goal of email marketing is to deliver the right information to the right person at the right time. The possibilities of targeting and segmenting are limited only by your creative thought and existing database capabilities.

4. Customer Response

Help your customers to click-through or respond to your call to action.

- Consider providing a direct URL page link in your email rather than sending everyone to your home page.
- Try creating an introductory gateway page for those people responding to your email. This splash page should reiterate the offer made in your email, give a positive impression of your company and make the visitor glad they followed the link.
- Track user responses – Click throughs, pass alongs and HTML open – to help you better target future messages.

Once you've sent out your message, begin monitoring responses including everything from bounces to replies to unsubscribes. These can provide early indicators of any problems within the email such as broken links or whether there are possible spam concerns.

5. Reporting

Capture as much information about your campaigns and your users as possible. The reports you will need to run your business will provide you information on:

* The 'open rate' of HTML messages
* Unique click throughs
* Purchase rates
* Pass along rates
* List subscriptions

Reporting helps you to better understand your users and their choices. Combined with the other two, it equips you with all you need to get you on the right track with email marketing.

About the Author:
Eoin Townsend is DoubleClick's Director - Technical and Consulting Services for Asia-Pacific. Eoin has more than five years of email services and development experience. In recent years he has carried out the international launch of DoubleClick's email marketing product, DARTmail, and led numerous projects for DoubleClick's leading email marketing clients including CNET Networks, f2 Network, Proctor and Gamble, and Microsoft.
etownsend@doubleclick.net
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4.

Email marketing and direct marketing

Paul Cross,
CEO, BLUE Interactive

Email marketing is not a 'replacement' for traditional direct marketing. It is merely a new addition to the marketers' arsenal.

Email marketing should not be viewed as cheaper than direct mail, better than print or superior to broadcast – it can be none or all of these things. A better way to look at email marketing is that it offers some specific cost, targeting, deployment and response management advantages for your marketing campaigns.

Nor should email marketing be viewed in isolation as some of the most successful campaigns have used multiple channels of email, direct mail, print, TV and call centre to manage information delivery to the target.

In many ways, planning and deploying an email campaign follows the same steps as any direct marketing campaign. Obviously some costs are less – such as email distribution cost vs postage, and others may be more – flash email production vs. simple print production.

The important message is that successful email campaigns are based on sound strategic planning and experienced deployment.

Strategic Development and Campaign Planning

There is little difference between preparing a strategy for an email marketing campaign, and a traditional direct marketing campaign. For each, the targets and requirement must be clearly defined with timeline and budgets established.

There is a perception that email marketing campaigns are a 'cheap, quick and short' affair but this could not be further from the truth. Email campaigns can immediately communicate with 100,000's of customers or potential customers, and therefore requires the same discipline you'd apply to planning traditional campaigns.

Creative Development and Production

As with strategic development, creative development and production is similar to traditional direct marketing but has its differences. Detailed creative and production briefs outline the creative and strategic mandatories as well as the technical parameters of the campaign. It is important to use a skilled creative team that has experience in developing concepts and copy that deliver results online. It is not enough to re-hash direct mail copy and layout into an email. Like any creative, the best results will come if it is tailored to the media or delivery platform.

Data / List Preparation

[illegible]

Testing

[illegible]

Implementation

[illegible]

[illegible]

[illegible]

Cost

[illegible]

Analysis

[illegible]

[illegible]

Summary

[illegible]

The key similarity with other forms of marketing, including DM, is that thorough planning and analysis brings improved results, while sloppy, unprofessional campaigns yield poor results and, potentially, brand damage

About the Author:
Paul Cross is CEO for BLUE Interactive. His background includes experience in some of Australia's leading media agencies and more recently at the coal face of Internet marketing with companies like Looksmart and Red Sheriff.

Paul launched his own business, Mediactive, in early 1997 as a joint venture with AIS Media (Starcom) then BLUE Interactive Marketing in 2000 to focus on developing and managing interactive marketing campaigns. BLUE's clients include National Australia Bank, Telstra, Mercedes Benz, Village, AV Jennings, RACV and eChoice.

In 2001 BLUE became part of the Simon Richards Group. pcross@bluemelbourne.com

6.
Essential tips for creating effective emails

Paul Worboys,
Managing Director, Tequila\Sydney

TEQUILA\

[illegible]

[illegible]

Back to basics

[illegible]

- Competitions
- News Articles
- Account information – transaction statements, invoices, etc
- Product Releases
- Product News
- Reminders
- Loyalty Programs
- Special Offers
- Surveys
- Cross sell

"Whom may I say is calling?"

[illegible]

[illegible]

So how do you avoid the big 'delete'?

- [illegible]
- [illegible]

[illegible]

A few tips to a successful "Subject" line:

- [illegible]
- [illegible]

- In regular email communications use the same subject line or one with the same tone so that the user becomes familiar with your communication.
- Some 'key' words it's generally best to avoid: Register, Buy, Important Message, $$$, Shop for !!!, Guaranteed, Hi, Free Offer.

I want your body

Body copy. What did you think we were referring to? If you've managed to avoid the delete button and your email has been opened, the next challenge is to have your message – all your message – read.

- Make your message clear in the first few lines.
- Keep the copy concise, focused and easy to read.
- Occupy prime real estate – don't make your reader scroll through acres of 'scrub' to work out what you're talking about.
- Ensure the content is relevant to the recipient and, where possible, personalised to their express interests or preferences.

What do you want me to do?

Don't be backward in coming forward as some wit once said. Make it clear to the reader what you want them to do and what they might get in return. If you are asking them to fill out a survey, make sure your privacy policy is clearly visible.

Enough already alright.

If people want to read a book, they can go to the library or the bookshop. In most cases, the power of effective email is that it's concise and to the point. Where possible, keep the page layout to one screen. If using HTML ensure that the page design supports your brand and looks like something the recipient might actually be bothered to read. Don't assume anyone is going to want to read your message – make it worth their while!

Does it compute?

You need to be aware that due to the diversity of Browser types and operating systems, text and graphics within the email can appear differently on different computers.

Top tips to help overcome different computer configurations:

- Don't use more than 60 characters per line.
- Always use a regular font such as 'Courier' at 10 or 12 point.
- Remember that not everyone can read HTML. You should always forward a text version as well.

No thanks

You're never likely to please everybody with the information you are offering, but you don't need to 'lose friends' over it. Make it easy for people to unsubscribe if that's what they want. For those who are interested in your communication (hopefully most of them if you're following our guidelines!), the clear placement of an unsubscribe link adds reassurance that they are dealing with a reputable and considerate organisation.

It's all about "me"

The more relevant you make your communication to the reader, the more successful your results will be. Personalisation doesn't have to be accurate or taxing – it can be as simple as adding the reader's first and last name to the top of the communication. On the flip side – it can be as complex as inserting specific copy, graphics or other information according to the known preferences of the reader.

So you want to be rich?

Rich media options such as HTML open fantastic creative doors, but may not be accessible to everyone. Logos, graphs, photos and even movies can be included in an email, but if the recipient can't access this content they may have very good reason for feeling left out.

Where possible, find out which format your users prefer to receive – HTML or Text. Also make sure that the email broadcast provider that you are using uses HTML/Text auto-detect features (known as multi-mime) so that if the customer's email browser is set to text only, they won't be sent an HTML email.

So there is the A–Z of E? Well not quite, probably the best thing about email is that while these tips and hints can help you to more effective results, the rule is that there are no rules – well, except maybe one. Remember and respect the recipient – so no spamming.

About the Author:
Paul Worboys is the Managing Director of Tequila\Sydney, the direct and interactive marketing specialist arm of international advertising agency Whybin Lawrence TBWA. In 2002, Tequila\Sydney was awarded B&T Interactive agency of the Year. Current accounts include Sony Playstation, Apple, St. George Bank, Voyages Hotels and the f2 Network.
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www.tequilasydney.com

7. Privacy and email marketing in australia

Simon O'Day,
CEO, Marketing eServices Pty Ltd

"F**k off Spammer!"

Imagine reviewing the results of your first customer email campaign and discovering this response from one of your loyal customers! Devastation? Concern?

What if you found it in your own inbox from personal correspondence? Outrage? Embarrassment?

Because email is such an easy channel to reactively respond to, it actually happens more than one would imagine - so be prepared. But it is not necessarily your fault either ... perception on privacy has a funny way of creeping in.

Over the last couple of years, my company has managed over 60 million Australian customer emails. These have ranged from DM campaigns for major DM agencies to daily customer communication for clients in banking, retail, technology, publishing and other industries. While we have never been mistaken with actual spamming organizations, there are rare occasions when we have to deal with angry customers and concerned clients. The common thread has always been based on an assumption of privacy invasion.

To minimise this, it's critical you adopt the most stringent privacy guidelines and mix in a bit of logic. While it is tempting to go the easy route, stay away from easy opportunities to blast suspect lists, adopt progressive opt in policies and clearly identify the reason for the email is being sent. Violating the customer's privacy may not only damage your brand, but could land your company in court. Instead, use email marketing to build long-term value of the communication relationship with customers.

Privacy Legislation

On Dec 21, 2001 the Privacy Amendment (Private Sector) Bill was enacted. This act regulates the way private sector organisations handle personal information - and directly impacts on how marketers and other organizations manage email distribution initiatives. I will review the principles, but it is the responsibility of the individual managing an email campaign to understand how this bill and other standard practices impact electronic DM.

The Bill uses 10 National Privacy Principles (NPPs) as defined areas of concern:

NPP 1. Collection
NPP 2. Use and Disclosure
NPP 3. Data Quality
NPP 4. Data Security
NPP 5. Openness
NPP 6. Access and Correction
NPP 7. Identifiers
NPP 8. Anonymity
NPP 9. Transborder data flow
NPP 10. Sensitive information

Collection (NPP1) needs to be understood in relation to what information is actually needed and that the individual is aware of intentions (NPP1.3). This can apply most directly with any email data acquisition campaign or promotional campaign.

Use and Disclosure (NPP2) is crucial in relation to what the customer must know about any internal or external use of his/her information.

Data Quality (NPP3) is not complex but important to understand in relation to the time of data acquisition. Simply put, make sure that you are acquiring the info correctly from a technical point of view.

Security of Data (NPP4) has always been a question of comfort level for customers themselves, as well as any organization who uses a 3rd party to manage/host data. Reasonable steps must be taken to ensure information is secure from misuse, loss, modifications and disclosures. Contracts between parties must ensure these steps are taken when dealing with 3rd parties.

Openness (NPP5) refers to a more proactive approach to being open about privacy policies and how you handle personal information within your organization. This comes in the form of links to privacy pages and the ability for customers to request and access privacy information upon request (and at a price).

Access and Correction (NPP6) deals with an area that has to improve as more and more email marketing and online security standards arise in the industry. Customers will then be able to manage changes of their own details more readily. At the very least, customers should be aware that they can change their info upon request.

Identifiers and Anonymity (NPP7&8) [illegible] where you use the individual [illegible] identifying them [illegible] the option of anonymity [illegible] individual.

Transborder Data Flow (NPP9) [illegible] those email marketers working across different countries and how the individual countries manage their privacy issues. So [illegible] does not affect the way an organization [illegible] internal data from country to country [illegible]

Sensitive Information (NPP10) [illegible] concerned with organizations [illegible] such as health care and finance. [illegible] applied some flexibility [illegible] information and use or disclosure [illegible] information.

Underlying Issue of Consent

The underlying issue [illegible] marketing [illegible] issue of **consent**. [illegible]

The key is to focus on obtaining [illegible] consent prior to any communications.

Valid consent must be Informed and Voluntary (i.e. the person has opted in.)

- Informed: you must provide full disclosure of any relevant information to an individual for them to make an 'informed' decision.
- Voluntary: The individual must be able to act on that information and provide their 'explicit' or 'implied' consent.
- Explicit consent – individuals actively check opt-in boxes.
- Implied consent – do not assume that simply because they are not opting out that individual has opted in.

Best Practices

Best practices in managing customer data and email marketing are elusive in such an evolving industry – to say the least. But with the proliferation of opt-in and double opt-in lists vs the now growing mentality for internal customer databases, the notion of how to manage the privacy issues would appear grey. The simple answer is to follow the Principles and be proactive.

The best solution is to follow the logic set out in the NPPs, as well as other industry standards developed by groups such as ADMA, CMA and CAUBE, and react accordingly with your efforts. More than with Direct Mail, using a customer's email as a point of contact will always be a sensitive and reactive channel of communication. This requires the marketer to ensure his/her side of the bargain and be relevant and valuable in the process.

Mr "F**K Off Spammer!"

[illegible]

[illegible]

Go figure!

About the Author:
Simon O'Day is the CEO of Marketing eServices Pty Ltd (eServices). As an outsourced services provider for email distribution and database management, eServices works exclusively with companies such as Flybuys and National Bank and agencies such as M&C Saatchi, SRG and Leo Burnett to maximise marketing and customer communication online.
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8.
Getting started

Claire Mula,
e-marketing Strategist, f2 Network

f2) network
everything essential

It's easy to get excited about the possibilities of integrating email into marketing campaigns. Some of you may already be doing everything we've mentioned, or may have all the necessary resources in-house to commence doing it tomorrow.

But for most Australian marketers, the difficulty is how to leverage the power of email when you don't have a prospective customer's email address, their permission or an existing relationship. Or, for existing customers, you don't have the know-how to get the email conversation started.

So where do you begin?

Awareness / Acquisition Objectives - Third-party email marketing services

Unlike direct mail, with email marketing it is not a matter of simply purchasing a list of email addresses from a list broker and sending out an email from your company. This approach is likely to be perceived as spam, reflect poorly on the brand and yield poor results.

The best opportunity for marketers is to use third-party email services, such as opt-in offer services and newsletters, where the recipients have given their permission to have these sent to their inboxes. These services are provided by most of the major Australian publishers, including the f2 Network.

[illegible]

Opt-in email advertising

[illegible] OfferWatch [illegible]

[illegible]

[illegible]

[illegible]

To get started: [illegible]

eNewsletters

Unlike opt-in email advertising, eNewsletters are not solely advertising messages, but are primarily editorial and useful Internet content, with advertising in between. eNewsletters are more comparable to magazines than direct mail, in that readers subscribe to them primarily for the content and have an ongoing (frequent) relationship with the publication.

As the audience base is fairly consistent, advertisers will get best results if they use eNewsletters to build a brand or product story over time, not focus on immediate response or click throughs.

f2 Network is Australia's leading publisher of eNewsletters with around 40 different publications being sent to over a million subscriptions on daily, weekly or monthly basis, in a variety of categories including news, finance, travel, sport, business, IT, automotive, property and careers.

f2's eNewsletters are particularly useful for reaching time-poor, high-value individuals, such as professionals. They also provide an ideal vehicle to communicate about complex products requiring high-consideration or education, such as IT and finance products.

To get started: Ask your agency if they are aware of publishers who provide eNewsletters. Select publishers who offer eNewsletters with content that fits with your product or service and who have attracted subscribers with the right demographic profile for your brand.

Retention Objectives – Third-party email marketing services

We are all well aware that it costs less to retain an existing customer than it does to acquire a new one. Not surprisingly, advertisers have to date primarily used email marketing for retention and upsell. This can be achieved by simply sending customers a text email with an update on your products, services or company every month, provided they have asked for it and it adds value to their lives. These can take the form of eNewsletters, or customer service emails, depending on your product and the available content. The possibilities are endless.

If you're not sure how to get started, here are some ways:

Email Bureaus / Agencies

There are many advertising and interactive agencies offering eNewsletter production and campaign management services to companies, such as the agencies who have contributed articles to this guide. They can not only provide the delivery of the emails, but also strategic, creative and campaign analysis services, alleviating the marketer of these resource requirements.

To get started: Ask your agency if they provide this service, or have an affiliated company that does. Or, contact one of the agencies in this guide for a consultation.

Email Campaign Management Systems

Alternatively, agencies or companies may wish to manage their email marketing in-house. Companies can purchase the services of an online email campaign management system, such as DoubleClick's DARTmail. This type of system is run via the Internet and the marketer pays only for the number of emails they send at a cost per thousand rate. It will require more internal resources and take more time to build an in-house database, but there are no expensive hardware or software requirements up front and you benefit from the provider doing all the development and improvements on the systems as time progresses.

To get started: [illegible]

Email Content

[illegible]

[illegible]

To get started: [illegible]

Summary

In summary, you can get started by asking yourself 5 simple questions:

1. [illegible]
2. [illegible]
3. [illegible]
4. [illegible]

About the Author:

Claire Mula is the e-marketing Strategist at Fairfax's f2 Network, Australia's leading online publisher of news, finance and classifieds. Over 3 million high-value Australians visit one or more of the f2 Network's websites every month. Its audience base is second to none in the AB demographic and Active Internet User psychographic.

f2 is also the leading eNewsletter provider in Australia, with around 40 eNewsletters distributed to more than 1 million subscriptions.

f2's advertising clients include Australia's best known brands such as Qantas, Westpac, Optus, Procter & Gamble, IBM, Microsoft, NRMA and many more.

9.
Case studies

Case Study: Voyages Ayres Rock Resort.

Business Objective: Increase occupancy rates during winter period

Target Market: Higher income couples looking for a different kind of short break

Strategy: The overall communication strategy recognised that expecting users to only "Click & Book" was unrealistic. Booking a short break would not necessarily be done as a result of seeing a banner ad. It would require information gathering and potentially consultation with a partner before a decision was made. Equally, the user may want to go but may not be ready to go now so remaining top of mind was key.

Solution: The strategic direction provided the user with the means to "Click & Book" if appropriate but equally encouraged them to do two other things:

1. Send an email request for more information.
2. Register for ongoing information.

Newsletters that matched the target audience both demographically and editorially were used to reach the target in conjunction with traditional media placement across a combination of targeted travel sites, awareness generating sites, Search Engine Optimisation and paid for search engine listings.

Role of email Marketing: email Marketing was core to the overall strategic direction on three different levels. Firstly the media campaign used enewsletters to reach the target audience with a relevant call to action. "Book Now" or "Register for Ongoing Information".

Secondly Voyages sent emails to the existing customer database to reconfirm details and provide more information about their preferred type of holiday destination. This enabled the database of customers to be cleaned and additional information received.

Parts one & two then fed into a larger database of prospective and existing customers. This database can be segmented using various different filters and a tailored holiday offer assigned to each segment.

Results: Over 40% of advertising traffic to the Voyages web site originated from the newsletter component of the media campaign. 5% of users opted in to receive further information on an ongoing basis.

Case Study:
Sony Playstation.com

TEQUILA\

Business Objective: [illegible]

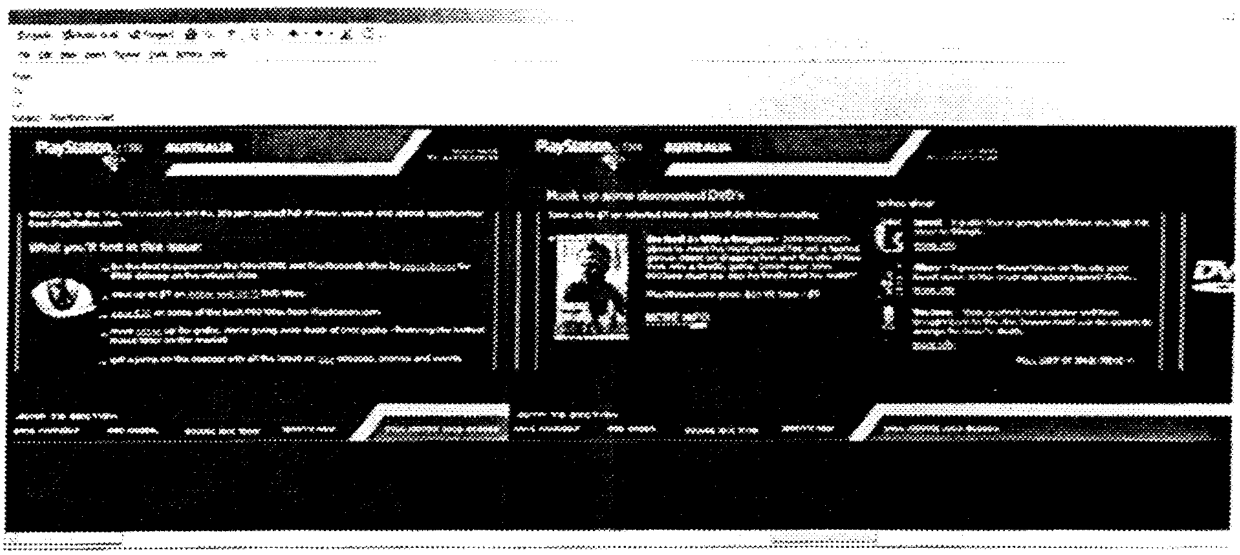
Target Market: [illegible]

Strategy: [illegible]

Solution: [illegible]

[illegible]

Results: [illegible]



Case Study:
Webjet OfferWatch Campaign

OfferWatch

Business objective: To raise awareness of promotions for economy and business-class driving new customer acquisition and bookings.

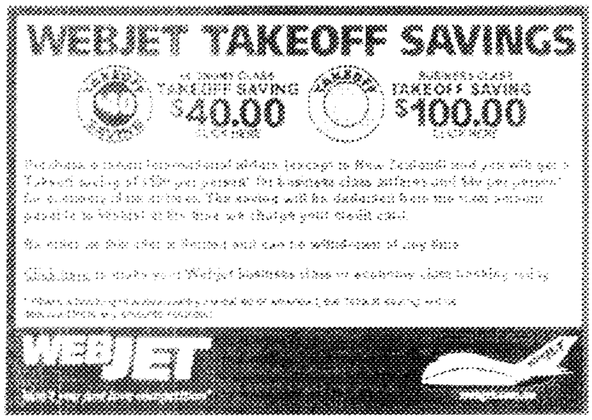
Target Market: Anyone interested in international travel.

Strategy: Webjet targeted f2 OfferWatch subscribers who had opted-in to receive special offers, promotions and deals from the travel category.

This group was sent an email in HTML or text, depending on their preferences. Due to the broad nature of the offer and the target audience, no further targeting based on demographics was necessary.

Role of email marketing: Email marketing was a fast means of communicating the special offer, which was only available for a limited time. Creative development was simple and meant within a few days the email could be sent. The campaign supplemented more strategic online advertising and display activity on the f2 Network, with OfferWatch being utilised tactically promoting a more immediate call to action.

Results: Within 7 days of send, the single OfferWatch email generated over 300 leads, representing a response rate of 4%. Dean [illegible], Business Development Manager at Webjet said: "I was confident that OfferWatch would produce results for us. We've found email marketing to be successful on our own site. Given that OfferWatch subscribers are people who have opted-in and are waiting for specific offers, something special from f2 it seemed logical."



Case Study:
afr.com (Australian Financial Review)
Daily eNewsletter

Business Objective: Reinforce AFR brand as Australia's pre-eminent business, finance and technology publication, driving traffic back to afr.com and long-term subscriptions.

Target Market: The Australian Financial Review's discerning readers are people of substance and influence, with real spending power – power sustained through the good and bad of the economic cycle. They demand quality and are not afraid to pay for it. The audience is typically:

- Middle to upper management
- Upper end of socioeconomic groups
- Income greater than $[illegible],000

Strategy: Utilising DoubleClick's email delivery and tracking system – Dartmail, the afr.com developed a daily eNewsletter designed, written and sent in-house by the afr.com team.

Solution: The daily AFR eNewsletter consists of a 'Morning Edition' highlighting the day's major stories and 'Breaking News' updates sent throughout the day as the news breaks.

The eNewsletters contain story headlines and a brief overview with links back to the site for more information. The eNewsletter is free – however Premium articles are available to subscribers only.

Key motivators for the audience to subscribe and read the AFR Daily eNewsletter are to stay informed in areas relating to their career and current role, to keep up with personal investments and continual education.

Role of email marketing: Building the brand of the AFR has created an important brand awareness tool, promoting [illegible] subscription packages for the print edition. The Premium content is part of the Subscription Package and is an important [illegible] that has resulted in greater subscriber acquisition and retention rates. The eNewsletter drives customers back to the site every morning and throughout the day, facilitating greater interaction with the brand and with both marketing and advertising objectives.

Results: The afr.com Daily eNewsletter has attracted over 20,000 subscribers. For perspective, subscriptions to the Australian Financial Review newspaper are around [illegible]. Overall 75% of subscribers have elected to receive their eNewsletter in HTML and average open rates are between 40 – 45%. Overall approximately 7% of those who receive the email click on either a story or advertisement within the newsletter, driving users back to the afr.com site and to advertising partner sites.

9. Dictionary of email jargon

Bounce-back*

When an email message cannot get to its recipient for some reason, it is returned or "bounced" to the sender, with an error message informing the user that it was not sent. This is also known as "bouncing back." You may hear someone say, "I tried to send you an email message but it got bounced back." Sometimes defined further into "hard bounce" and "soft bounce". A hard bounce is where a message is sent to an invalid email address (i.e. the address does not exist). A soft bounce occurs when an email address is temporarily inaccessible (such as if the ISP connection is down).

Click-through rate (CTR)*

The average number of click-throughs per hundred ad impressions, expressed as a percentage. It is important to distinguish what a click-through rate does and does not measure. The CTR measures what percentage of people clicked on the ad to arrive at the destination site; it does not include the people who failed to click, yet arrived at the site later as a result of seeing the ad. As such, the CTR may be seen as a measure of the immediate response to an ad, but not the overall response to an ad.

Email marketing*

Marketing via email. Email is a very versatile medium. Formats range from simple text to HTML & rich media. Content can be one-size-fits-all or highly customised. Frequency can consist of fixed, frequent intervals or sporadic intervals, with transmissions occurring only when something newsworthy comes along. Sophistication (and cost) can be very low or very high.

HTML email*

Email that is formatted using Hypertext Mark-up Language, as opposed to plain text email. HTML email brings some of the visual quality of the Web to the email inbox, previously characterised by plain text. As email inboxes become increasingly cluttered, HTML email provides one way to stand out from the crowd. Some of the available elements include graphics, formatted text and background colours. Used properly, HTML email has the potential to communicate more information, which can lead to higher response rates. As with Web pages, however, load time is still an issue. Using HTML email includes the ability to embed cookies and scripts in messages.

Netiquette*

Short for network etiquette, the code of conduct regarding acceptable online behaviour. The term netiquette is commonly used in reference to popular forms of online communication, including email, forums and chat. It is essential to have a good understanding of acceptable ways to communicate with potential customers.

Opt-in email*

Email that is explicitly requested by the recipient. The definition of opt-in email has been a matter of intense debate. Even in this option, there is a debate over opt-in vs. double opt-in. The term **single opt-in** simply means that actions were taken to sign up for the email in question. The term **double opt-in** means that the subscriber has confirmed their subscription, typically by responding to an automatically generated checking message sent to the email address. Proponents of double opt-in may not actually use that term as they feel any email labelled "opt-in" must be verified.

Opt-out*

To remove oneself from an "opt-out" program. Opt-out is sometimes used to refer to email which assumes inclusion, sometimes having "Yes" automatically checked on a sign up form, sometimes by adding your name directly to a list (although in the latter case the term email spam is often used.) The terms opt-out and "unsubscribe" have subtly different, yet related, meanings. You unsubscribe to something to which you had previously subscribed, but may opt-out of something you never opted into in the first place.

Pass-along rate*

The percentage of people who pass on a message or file. Pass-along rates are a measure of word-of-mouth marketing. Objects typically passed include email messages, Web pages and multimedia files. Content typically passed includes humour and entertainment, late breaking news, shopping specials, and technical glories.

Spam*

Unwanted, unsolicited email. Email spam usually pertains to unsolicited commercial messages sent in bulk to people you don't know, although there are exceptions to the rule. The lack of significant barriers (cost to entry sending) is often cited as a key problem with email spam. With traditional junk mail, a direct marketer must ensure that the offer & targeting are good enough to more than offset the costs of mailing. With email spam, anything goes. While the monetary costs of emailing are small, there are other non-monetary costs that junk emailers face: the risk of getting kicked off of their ISP or webhost, plus the risk of tarnishing their name within the legitimate marketing community.

Subscribe*

To manually add your name and email address to a mailing list, LISTSERV or discussion group, or to sign up for a service.

Unsubscribe^

To manually remove your name and e-mail address from a mailing list, LISTSERV, or discussion group. It is different from opting-out.

Viral marketing*

Marketing phenomenon that facilitates and encourages people to pass along a marketing message. Viral marketing depends on a high pass-along rate from person to person. If a large percentage of recipients forward something to a large number of friends, the overall growth snowballs very quickly. If the pass-along numbers get too low, the overall growth quickly fizzles.

Post Click Tracking#

The process of tracking users actions beyond clickthrough and on to key areas of the advertiser's site to determine whether the clickthrough resulted in an event such as purchasing a product.

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* Marketingterms.com

^ Netlingo.com

Direct Marketing Association
New Zealand eMarketing Council