MBA-DE(Second year) **ASM 304**

Semester- 3 **ADVERTISING AND SALES MANAGEMENT**

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NATURE AND SCOPE OF SALES MANAGEMENT, ORGANIZING, RECRUITING AND SELECTION OF SALES PERSONNEL, THEIR TRAINING AND DEVELOPMENT, SUPERVISION AND APPRAISAL, MOTIVATING SALES PERSONNEL.

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1.0 OBJECTIVES:

After studying this chapter you should be able to understand the followings:

- Concept of selling and sales management
- Nature and scope of sales management
- Responsibilities and importance of sales force
- Process and criteria of recruitment of sales force
- Techniques of sales force training and development
- Process and criteria of sales force performance appraisal
- Process and techniques of sales force motivation

1.1 INTRODUCTION

Sales are the ultimate aim of any organization for its existence. Be it manufacturing or service provider, it needs to generate sales for its growth and survival. For the effective and prompt sales generation, generally separate sales department is created in most of the companies, which is run by sales executives and sales managers. Today's sales executives are professional. They plan, build and create effective control systems. The professional approach requires thorough analysis, market-efficient qualitative and quantitative personal selling objectives, appropriate sales policies and selling strategies at corporate, regional and personal levels.

Selling is in existence since ages. No one can produce all the commodities it requires for living. So it used to buy it from others and sell what it has. It was either goods, which mainly were food grains or clothes, or services like working on the farms. This is what we call barter system also. Before industrial revolution, only small-scale enterprises existed and selling was not a problem at all. Only the problem was production of sufficient quantities of products. Orders were obtained in advance of even the goods were produced. Effort on selling was minimal. Industrial revolution started in England in 1760. Soon after it spread to US and production increased substantially. It was necessary to search for new markets. New factories were build around the US and Europe. But still selling was not the problems. Problem was search for manpower to work in these factories. Earlier the industries were located only in US, England and Europe only. But with passage of time, it is expanded to all Asian countries. Now Asian countries are leading the industrial production like Japan, China, Korea, Taiwan and India. Now large production base is established in these nations due to availability of manpower. But the markers exist around the world and primarily in EU and US.

With the expanding production base and capacities and competitive market structures, it is essential to have a specialized sales department, which should ensure that the goods reach the customer at the right cost and at the right time. Customer is very sensitive. It wants best product at the lowest possible price. Inventory and distribution cost is very high in some of the production and needs to be managed very efficiently. Following are the prime functions of sales department in any organization

- Optimum Inventory levels
- Establishment of efficient distribution channel
- Obtaining Sales Volumes
- Providing profit contributions
- Continuous business growth

1.2 SALES MANAGEMENT

Sales Management was originally referred as personal selling. With the expansion of markets, production base and more application of scientific tools, it took the activities of Marketing research, Advertising, sales promotion, distribution, pricing and merchandising. This broader term of selling was converted to marketing with time. Then the definition Committee of American Marketing Association (AMA) agreed that the sales management meant "the planning, direction and control of personal selling including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating the as these tasks apply to personal sales force."

AMA is definition made sales management synonymous with management of sales force. But modern sales managers have far broader portfolio and sales force management is only a small part of it. Sales managers are sole responsible for the liquidation of inventory, sale of complete production, receipt of payment on time and profitable business generation. Also sales executives and managers are responsible for

organizing sales efforts, both within and outside their companies. Within the company, sales managers build formal and informal organizational structures that ensure effective communication of not inside the sales department but also with other related departments. Outside the company, sales managers serves as face of the company for customers and other external public agencies for building and maintaining cordial relationship and establish effective distribution systems.

Other responsibilities of sales department is to provide relevant information to marketing department enabling them in designing effective marketing, pricing and promotional strategies. Role of sales management is even more crucial in retail industry, where personal selling plays pivotal role. In service industries like telecom, sales department is like backbone of company. As we know new subscriber base generation is key job of sales executives and it required effective selling skills. Other service provider area is insurance where again personal selling is the key to success of any company.

1.2 Self check questions

1. What was Sales Management originally referred to as?
2. In which industries, the role of sales management is particularly crucial?

1.3 NATURE AND SCOPE OF SALES MANAGEMENT

The simplest way to think of the nature and role of selling is that its function is to make the sale. But the above statement is not as simple as it seems. Selling is a very complex process, involving the use of a whole set of principals, techniques and substantial personal skills, and covering a wide range of different types of selling tasks.

The Literature of selling abounds with texts, ranging from more conceptual approaches to simplistic “how it is done'* approach. Company spends large sum of money training their sales persons in art of selling. The reason for this attention to personal selling is simple: In most companies the sales persons are the single most important link with the customer. The best-designed and planned marketing effort may fail because the sales force is ineffective. This front line role of sales person means that for many customers the sales person is the company. Allied with the often substantial cost associated with recruiting, training and maintaining the sales force, there are powerful reasons for stressing the importance of the selling task and for justifying attempts to improve the effectiveness in this area.

The term selling encompasses a variety of sales situation and activities. For example, there are those sales a position where the sales representative is requires primarily to deliver the product to the customer on a regular or periodic basis. The emphasis in this type of sales activity is very different to the sales position where the sales representative is dealing with the sales of capital equipment to industrial purchaser while some sales representatives deal in export markets. While the other sells direct to customers in their home. One of the most dynamic features of selling is the diversity in selling role.

1.4 ORGANIZING, RECRUITMENT AND SELECTION OF SALES PERSONNEL

Recruiting and selecting sales personals is an important part of implementing personal selling strategy. Initial sales training is required to bring to sales force to that productivity level and continuous training is required to generate improved results and high level of productivity. Motivational and supervisory helps in stimulating sales personals to apply their skills effectively. It is one thing for sales personals to know that they are supposed to know. But it is a different thing to get o apply what they know.

1.4.1 JOB ANALYSIS

Job analysis is the process of analyzing factual information on specific job. Job analysis provides the data required for preparing written job description, which in turn are used to derive job specification. The job analysis and its two derivatives - job description and job specification, provides basis for hiring sales personnel.

Sales job analysis is one of the most critical and important in sales force management. Sales job analysis required systematic collection and study of information on particular sales job, such as that of territorial sales person. It involves determining job objectives and what the person holding the job should do to reach them. It answers such questions to whom such does this person reports, who reports, what products it sells to whom does this person sells? What information should this person gather? What reports should this person make and to whom? Sales job analysis also enlists details on specific duties and responsibilities, relations with customers, relations with other sales departments of the company. The outcome of thorough analysis of sales person job is a detailed picture of role a sales person plays.

1.4.2 JOB DESCRIPTION

A sales job description is an organized statement covering

1. The reporting relationship of a job to other job
2. Job Objective.
3. Duties and responsibilities.
4. Job performance criteria.

A sales job description tells to whom the sales jobholder reports, what has to be done, how it is to be done, and why and in addition it describes the standards against which the performance will be measured.

1.4.3 CHECKLIST FOR COMPILING "DUTIES AND RESPONSIBILITIES" WHILE PREPARING JOB DESCRIPTION

Sales

- Make regular Calls.
- Sell the line: demonstrate.
- Handle Questions and objections.
- Check stock; discover possible product users.
- Interpret sales points of the line to the customer.
- Estimate the customer's potential need.

- Emphasize quality.
- Explain company policy on price, delivery and credit.
- Get the order.

Service

- Install the product or display.
- Report product weakness and complaints.
- Handle adjustments, returns and allowances.
- Handle request for credit.
- Handle special orders.
- Establish priorities, if any.
- Analyze the local conditions for the customers.

Territory Management

- Arrange route for the best coverage.
- Balance efforts with customers against the potential volume.
- Maintain sales portfolio, samples, kits etc.

Sales Promotion

- Develop new prospects and accounts.
- Distribute home or office literature catalogues etc.
- Make calls with customer sales people.
- Train personnel of wholesalers and jobbers.
- Present surveys and reports.

Executives

- Everyday make a daily work plan for the next day.
- Organize field activity for minimum travel and maximum calls.
- Prepare and submit special reports on trends and competition.
- Prepare and submit statistical data requested by home office.
- Investigate the lost sales and reason for sales lost.
- Attend and organize the sales team meetings.
- Prepare a prospect list.
- Collect credit information.

Goodwill

- Counsel customers on their problem.
- Maintain loyal and respect for company.
- Attend local sales meetings held by customers.

1.4.4 JOB SPECIFICATION

Preparing a complete and accurate job sales job description is simple compared to preparing a complete sales and accurate job specification. The duties and responsibilities of job description are focused on to determine the qualification that an individual need to perform the job satisfactory. This set of qualification is called the job specification. If a job description states, for instance, the sale person is to train dealers, and then sales personal must be qualified to conduct such training. What will the sales person has to know about the product, their uses, and the dealer's customer? About dealers operating method and problems? About the training methods? Will this require the sales person to have a certain kind of education - special experience?

Similar sets of questions must be answered about each of the duties and responsibilities in the job description.

There are differences among the qualifications that a new addition to the sales force may bring to the job, those that an individual may acquire through training and those that a person gain through field selling experience. Sales management decides which qualifications all new recruits should possess, and which should be provided through training. A company specifying some higher entrance qualification than other can expect, other thing being equal, that its training program will have to accomplish less. But the first company is likely to encounter greater difficulty in finding as many as recruits as the second company. A trade off is made between recruit persons with many qualifications, which reduces the need for training, and recruiting a person with few qualifications, with increased need of training.

It is generally considered desirable for sales job specifications to set forth the required personality characteristics. These the sales person must bring to the job, since the training programs are not effective instrument for personality development. All sales personnel need certain traits: empathy and ability to get along with others; integrity and character; maturity in terms of sensible self-perspective. Motivation is important - some sales jobs require their holders to be routine order taker only, but others serve as proving grounds for future managers. There is an optimum level of motivation for each job. If new sales persons are too strong motivated, they may not be content for getting along with routine jobs or lacking in advancement of opportunities.

Job specification may stipulate minimum requirements with respect to education and product or technical knowledge. The importance of these requirements varies widely. Some selling job demands the technical training offered by engineering colleges and others may demands only average education of graduation or even under graduation. Graduation from recognized college or university would indicate that the candidate has minimum ability to perform the job and can be trained to perform better. Job specifications provide the recruiters with a device to save time and energy. Minimum requirement works as filter to call for only right candidate and not to waste time on those who do not fit the basic requirement of the company. But companied must ensure that the set requirement criteria is capable to invite the right candidate and will enhance the performance of the company.

1.4 Self check questions

1. is the statement covering the reporting relationship of a job to other job, Job Objective, Duties and responsibilities and Job performance criteria

2. is the process of analyzing factual information on specific job

1.5 RECRUITMENT OF SALES PERSONNEL

Recruitment forms are the first stage in the process of hiring a sales force and are followed by selection and ends with placement and socialization. The purpose of recruitment is to locate the source of manpower to meet the job requirements. Recruitment is defined as the process of generating a pool of qualified candidates for a

particular job. The process starts with prospecting for employees and stimulating them to apply for job, Recruitment is an act of inducing the qualified and appropriate people to get interested in and apply for a salesperson's position within a sales organization.

Recruitment is a process by which suitable sources of manpower are identified to fit the organizational requirements. Its aim is to attract qualified candidates. Unqualified candidates would waste the time of the company. The job description helps in identifying the kind of people required for particular job.

1.5.1 SOURCES

An important decision to be made at this stage is regarding the source of recruitment. The sources of recruitment are divided into two categories: Internal sources and external sources.

1.5.2 INTERNAL SOURCES OF RECRUITMENT

Internal source of applicants are found within an organization and include existing employees, which have been promoted, transferred or demoted. Also, employees who once left the organization for some reason may want to re-join the same organization. The process if recruiting internally achieves two goals - vacancies are filled up quickly and group morale is influenced positively. The internal recruitment process increases the morale and loyalty of the sales people and puts them in a better position to evaluate their performance. This process helps the sales people to get acquainted with the firm and results in lower investment in terms of training and cost of recruitment also is low. However the internal recruitment discourages the new recruits and value experience over training.

There are 3 primary sources of internal sources of recruitment - lateral or upward moves, interns and cooperative students and employee referral programs.

1.5.3 LATERAL OR UPWARD MOVE

Salespeople can move to higher position in an organization after completion of desired years of service or through lateral movement from a territory to another. Most sales managers are hired from the internal sources through the elevation or transfer of existing sales force. At times, employee pressure group, associations and trade unions exert pressure on recruiting staff from within the organization only. Internal candidate may come from various sources. For example staff from telemarketing department to line sales position after a period of time. Similarly employees with previous sales exposure but currently working in staff position can return to sales position. Advantages of such movement are that the incumbent possesses the knowledge of the market, the product and level of competition in the market.

1.5.4 INTERNS AND COOPERATIVE STUDENTS

Another source of staff recruitment is through cooperative and interns who work on part time basis in an organization while pursuing their studies. Intern includes all those employed who are either paid part time or non paid and who take up jobs in order to gain work experience while studying. Cooperative students pursue programs that allow them to take break from studies and work full time for organizations.

This practice is not evident in most of the Indian organizations, but many organizations do offer jobs to students when they enroll for summer training projects and internships during the course of the MBA. In this manner the organizations gain access to free or inexpensive manpower and at the same time monitor the performance of the part time employees while they serve in and organization.

1.5.5 EMPLOYEE REFERRAL PROGRAMS

Many organizations value the referral given by the employees. Employee referral programs are incentive programs designed to reward an employee currently working in the organization. Currently employed sales people understand the need of the organization and are often in a position to make referrals of people, which can contribute to the organization's goal.

As sales people are in market, they possess the information of employees who work for other organizations and can recommend hiring them in their own organization. Some of these employees could be working with existing customers, suppliers and competitor firms.

1.5.6 EXTERNAL SOURCE OF RECRUITMENT

The recruitment sources located outside the organization form where applicants are recruited are called external sources. While most of managers are hired from within the organization, most of sales people are hired from outside the organization to enable them the flow of fresh idea and thoughts to the organizational environment. These external sources of recruitment include other industry sources, educational institutions and campus placements, employment exchange, placement consultants, walk in interview, networking referrals, web consultants and direct response to open advertisements.

1.5.7 OTHER INDUSTRY SOURCES

Other industry sources consist of the employees of competing organizations and customers and supplier firms. These people have work experience and established contacts within the industry, which is beneficial for recruitment. With adequate experience, these people bring good potential business to the hiring organization. Many people would also like to join a new organization for the reason of a better career opportunity, higher salary and higher responsibility. The advantage of hiring a candidate from a competitor organization is that it comes with industry knowledge and with customer base that which person would bring to new organization. Also these new recruits will need less training as the candidate is already trained in the job.

1.5.8 EDUCATIONAL INSTITUTES/CAMPUS RECRUITMENTS

Organizations often recruit manpower from educational institutions through campus placements. Large MNC's visit the premium business schools and engineering colleges and select candidates for their organizations. Here, regardless of qualifications of the candidates, the sales organizations gets a chance to test the various skills of the candidate such as communication skills, leadership qualities, customer orientation etc.

1.5.9 ADVERTISING

Classified advertising and recruitment advertising draws a large numbers of potential applicants. This method helps to get the bright applicants who would not have applied otherwise. The problem with this method is that it brings in large numbers of applications that do not qualify to be applicant otherwise. Also selection of right candidate from these large numbers of application is cumbersome and time consuming.

1.5.10 EMPLOYMENT AGENCIES

Employment agencies constitute the traditional method of recruitment in Indian job market. The government has established employment exchanges across the nation and many un-employed youth register their name in these exchanges. Sales organizations collect the resumes from these employment exchanges and select the right candidate for the vacant job. Also there is strong network of private employment agencies who maintains large database of prospective employees. Companies contact these recruitment companies for required candidates based on job specification. Sometimes these organizations enter into long term contracts with these HR consultants to provide regular candidates for the various positions in the company.

1.5.11 WALK-INS

Many organizations find it convenient to use this method of walk-ins for recruitment. Sometimes these walk-ins are published in news papers and qualification requirements are published. Candidates possessing the desired qualifications can come for interview.

1.5.12 WEB SOURCE

Companies today are using web based service providers who provide access to their database on payment of fee. The potential candidates can submit their resumes on these sites so that they are visible to potential recruiters. Today large number of recruitments is done through web sourcing only. It saves time of the organizations and selects only the candidate for the interview which fits their requirements on various benchmarks.

1.5 Self check questions

1. The purpose of recruitment is to
2. What is the purpose of walk-ins in recruitment for many organizations?
3. How do organizations often recruit manpower from educational institutions?
4. What is the advantage of lateral or upward moves in internal recruitment?

1.6.0 SELECTION OF SALES PERSONNEL

Selection is the process of making a hire or no hire decision regarding ea=h applicant for a job. The sales manager obtains the data base of candidates to be selected from

the recruitment stage. Selection is the mechanism that determines overall qualities of the human resources in an organization. It is the process that determines whether or not an applicant meets the qualification for the specific job and selects the applicant who is most likely to perform well in a job. A sound selection of a sales person increases goodwill of firm. In the eyes of buyers a sales person represents the company. If he makes a poor impression, the company too suffers loss of reputation among its customers. A poor selection will have a bad impression on customers, on functioning of other departments and on firm's goodwill. It also increased the sales organizations overhead on training.

Factors affecting the selection process can be grouped into factors related to applicant and factors related to the organization. Factors relating to the applicant include the selling aptitude of the candidate, education and training, basic knowledge of psychology, the physical, mental and socialization qualities, age, and life cycle stage, and the family background.

The factors relating to policy matters are many. These includes the role of management in the selection of manpower, a focus on the candidate's ability rather than its source of recruitment, following sets an proved standards, simple and clear norms of selection, giving due importance to stages of selection, the selection of flexible methods of recruitment according to the situation and the consideration of general principals of business, society and in the country.

1.6.1 SELECTION PROCEDURE

Sales manager follow a selection procedure for recruiting employees to their organization. This is done after the qualification necessary to fill a job have been determined and have some applicants have been recruiting. The next task it to determine which applicant best meet the qualification and has desired aptitude for sales job. Sales manager use a combination of techniques and procedures to evaluate the prospective employees. The procedure includes

- Inviting blank application
- Personal interviews
- Reference checks
- Physical examination
- Psychological tests
- Determination of terms of services
- Appointment
- Initial orientation

1.6.1.1 Application Form

Sales manager invites application from prospective candidates from the various sources identified in the earlier discussion in the recruitment stage. Many companies have their standard application for, which record individual applicant individual applicant and are easier to assess the candidate. A well-designed application form ensures that the same information about all the candidates is obtained through uniform application form. The primary objective of the applications is to collect and evaluate the information about the applicant physical, physical characteristics, educational

qualification and employment history.

1.6.1.2 Personal Interview

In addition to the scrutiny at the application stage> sales managers conducts personal interviews to gain an insight into an applicants mental abilities and personalities. It also helps a sales manager to assess applicant's personality, the level of appearance and intelligence, communication skills, and the degree of sociability among peers, aggression level, ambitions, and other personality elements necessary to smoothly conduct the sales job.

1.6.1.3 Reference Check

The next task after the interview is the reference check. Usually applicants submit the references, which are always good and positive. Checking reference can ensure the accuracy of the factual data about the applicant. The information a candidate gives in the application is not always true. Son one should a reference check about the previous job experience, college degrees. A reference check can help in supplying the information and opinion about applicant's aptitude and past job performance.

1.6.1.4 Physical Examination

A sales job in general is not perceived as physically exhaustive job but it requires stamina and ability to withstand stress. Physical examinations are expensive and many sales managers prefer their applicant to go through physical and medical tests before they select them. It includes testing of weight, height, blood pressure, heartbeat, ENT test, blood and Urine, nuro-psychiatric test and previous medical treatment history.

1.6.1.5 Psychological Test

These sets of tests are used by many sales organizations in determining the mental ability and personality characteristics of a sales person. A variety of tests measure different abilities including verbal, qualitative, cognitive skills. A cognitive ability test measure the applicant's potential in a certain area such as quantitative mathematics and is a good predictor of job performance. The test can be grouped into three broad categories. These are intelligence test, aptitude test and personality tests. Intelligent tests are useful in determining whether applicant has adequate mental ability to perform the job better. These are the most useful among all the tests conducted for selection of sales personnel in organization. Aptitude tests are conducted to detect if there is any problem in the person's sensory processes and intellectual capabilities. Personality test aims at measuring nonintellectual characteristics of sales people that include motivational, interest, ability to adapt and adjust and desire for level of inter personal relationship.

1.6.1.6 Determination of Terms of Services

After the candidate has successfully cleared all above tests, the terms of services are fixed for the selected candidate. Terms of service are related to compensation

pattern and types, including salary, commission structure, allowances including travel and medical allowance, leaves with pay, housing facility, leave travel concession, which is determined before the appointment letter is issued.

1.6.1.7 Appointment

The appointment letter is issued to selected sales person at the end of selection exercise. It contains the terms and conditions of service with regard to compensation and allowances, probationary period, date of joining and other terms and conditions.

1.6.1.8 Initial Orientation

After joining of new recruit in the organization, it is sent for formal orientation, it is a process aimed at providing job related and organization related information to the new sales person. This includes the origin and growth of the firm, policies, procedure, and regulations governing the job in the organization, information about sales department and its structure, current structure and marked standing of the sales force, information on welfare schemes, policies towards promotion and transfers, disciplinary measures and rights, and duties and responsibilities of sales person.

1.6 Self check questions

1. Which tests are conducted to detect if there is any problem in the person's sensory processes and intellectual capabilities?

2. is a process aimed at providing job related and organization related information to the new sales person.

1.7 TRAINING AND DEVELOPMENT

New sales recruit need proper training to perform their job efficiently and thereby help the organization reach it set goal. A sales manager role-plays an important role in evaluating the need of sales force and deciding on the kind of training a sales person requires for achieving the organizational goal.

Sales training is the process of providing the sales force with specific skills for performing their tasks better and helping them to correct deficiencies in their sales performance. When a new product is introduced into the market, the market situation undergoes a change with the entry of a new competitor or new technology, in this case a new product moves across the life cycle or sales people are asked to perform job in new way. The sales force needs to be trained to meet these new kinds of situation. Training provides the necessary skills to perform the job better.

According to William Berliner and William McLarney, the discovery of training needs involves the following five tasks -

- Listing the duties, responsibilities or the task of the job under consideration on the basis of job description guide.
- Listing the standards of work performance related to the job.
- Comparing the actual performance against standard.
- Determining the part of job that creates the problematic environment for the

sales person and whether or not he is performing the job, as per the standards.

- Determining the kind of training needed to overcome the specific difficulties and problems.

1.7.1 TYPES OF TRAINING

Training approaches are classified on the basis of types of training imparted to new recruits. These approaches include sales skill and re-training and cross functional team, creativity and literacy training.

1.7.1.1 Cross Functional Training

A method of job enrichment where employees are trained to perform activities and duties in functional areas other than their assigned responsibilities. There are various ways in which cross-functional training can be performed in any sales organization. Job rotation is one of the methods in which sales people in a territory are either rotated through other territory or given additional responsibilities. In organization like Cadilla Pharmaceuticals, sales people are sometimes are given corporate responsibilities in between field responsibly so that they understand the versatility of sales job from different prospective.

1.7.1.2 Team Training

In B2B selling and high technology product selling, sales team function in place of individual sales person. Japanese management style and market operations make sales program team centric rather than self-centric. As team synergies and cohesiveness helps increasing the efficiency of the sales person. An organization has to be done through a team training program needs to conducted around teams. The guidelines used for team training in sales organization include both personal and interpersonal training skills and encourage respect for other members of team. Training programs should focus on communication and listening skills.

1.7.1.3 Creativity Training

This method taps the creativity and innovation of the sales people to counter the competitive moves in the market. A popular approach of creativity training is brain storming. Here, the sales trainee is given the opportunity to generate ideas without fear of judgment. The generation and development of creative solutions need an organizational environment which supports creativity. These kinds of training programs are based on assumptions that creativity can be learnt and foster and that sales people can solve their problems in newer and more creative way.

1.7.1.4 Literacy Training

Literacy, in sales context, means the mastery over basic and functional skills. General or functional literacy means sales persons general skills of reading, writing and communication. Functional skills cover a person's skill level in a particular area of specialization. Literacy training programs are undertaken to solve the problem of deficiency related to the ability of the sales people and employees in understanding topics like mathematics, reading and problem solving.

1.7 Self check questions

1. is a training method where employees are trained to perform duties in different functional areas other than their assigned responsibilities

2. Which training method taps the creativity and innovation of the sales people to counter the competitive moves in the market?

1.8 SUPERVISION AND APPRAISAL

A sales manager takes decision related to performance appraisal in a sales organization used for measuring performance, conducting of performance appraisal, and evaluating individuals and teams. Sales manager also uses suitable criteria for comparing actual performance with established standards, frequency of performance appraisal, and the decision taken on other external influences in the evaluation process.

1.8.1 APPRAISAL CRITERIA

The first step in appraisal of performance is identification of what is to be measures? Here, those aspects or dimensions of the performance need to be identified which determines effective job performance. This may be in terms of quantity and quality of work done and interpersonal effectiveness. The selection of the dimension of a appraisal is very critical. Even if one significant dimension is left out, it can affect the moral of the sales force. Inclusion of irrelevant dimension will lead to employees losing their faith in appraisal.

Measuring the performance of sales people involve assigning a relative score to reflect a sales person performance on the identified dimension or characteristics while measuring a sales person performance, the same rating should be assigned to the characteristics or dimension of the employees behavior on the job. The labeling of the characteristics as "Good", "Bad", and "Average", can also be considered and sales manager can chose the performance technique from wide array of formats available. These techniques are classified on basis of type of judgment required for evaluation.

1.8.1.1 Related and Absolute Judgment

The judgment of sales performance can be based on both and absolute method. In the relative judgment method, the sales manager is asked to compare the sales person's performance that of other sales people on the job. A rank order of sales people from the best
to the worst performer is developed in such a method.

Another method classifies sales people into groups such as top 3, middle bracket and lower set. This kind of system enables the sales manager to differentiate the performers among the sales people or else the sales manager will group all sales people in the same rank. The problem with the relative judgment method is the there is no clarity is how big or small is differences are between group of employees. This method does not provide any absolute information and leads to an indecisive attitude among sales managers. This may lead to conflict within the sales force aver the ranking given to sales persons. The relative judgment method also looks for the

assessment of overall performance of sales persons. Sales persons may get an ambiguous evaluation as a result as a result and will not be able to get any insight onto their individual performance.

1.8.1.2 Trait Based

The sales force can be evaluated based on some criteria based on the traits, outcome and behavior of the sales force. A traditional organization uses a trait based evaluation system. Here, sales managers to make judgments about a sales person's trait and selling characteristics that tend to be consistent and enduring use trait appraisal instruments. The most commonly used for this purpose are decisiveness, reliability, energy and loyalty. Trait ratings are often criticized as ambiguous and biased. The definitions of traits may differ from person to another and from one organization for another. Moreover, the focus here is on personal train rather than on sales performance. Such appraisal do not help in performance development but are helpful in describing a sales person and making judgments.

1.8.1.3 Outcome Based

Performance criteria based on outcome measures the results of selling process. Some of the outcome instruments that allow managers to assess the results achieved by sales force by the amount of sales, number of products sold in units, profitability as net margins and sales expenses as a ratio as cost to sales. The most common approach used in this method is called management by objectives and natural outcome measures. MBO is goal directed approach to performance appraisal in which sales people and managers together set the goals for the upcoming evaluation period. A rating is then done by deciding whether these goals are met.

1.8.1.4 Behaviour Based

This method focuses on the behavior of the sales people and does not focus on train or performance outcome. The behavioral measure is related to selling activities and for this the sales manager records how frequently behavior listed in a checklist of rating has occurred. These ratings assess the value of the behavioral measure rather than their frequency of occurrence and include product knowledge, quality, closing ability, service performed, number of active accounts, and relationship with customers. Other behavioral measures that are rated include the number of calls per day, number of working days in a specific period of time, and the other measures of sales activity.

1.8.1.5 Performance Rating

There are various instruments used for the purpose of performance appraisal. These instruments include rating forms, forced choice scales, and behavioral observation scales.

Many organizations also use the self-assessment questionnaire to supplement the level of understanding of the sales manager. Organizations specializing in customer service also conduct customer survey to assess the behavior of sales person.

1.8 Self check questions

1. What are the various instruments of performance appraisal?

2. In which method, the sales manager is asked to compare the sales person's performance that of other sales people on the job?

1.9 MOTIVATING SALES FORCE

In some organizations people do not perform well. This is not because they don't have skill, but because they do not have commitment to the job due to lack of motivation. Individuals and organizational matter restrict them from applying themselves to perform a sales job up to their potential. This affects the overall productivity of the organization. Problem of motivation in the organizations arises due to lack of effort from the salesman part in performing the job. This leads to frequent absenteeism and unwilling to finish the job. The biggest challenge among the sales managers is to keep the sales team motivated and meet their commitments.

Motivation is a complex phenomenon that combines the individual's needs, motives, drives, tension, comforts and expectations. The level of motivation among individuals varies significantly as people at the same level in the sales organization show distinct behavior patterns due to their different levels of motivation. An individual's needs are not static and vary over a period of time. So a motivated and satisfied salesperson after a few months or years may become dissatisfied as his needs structure changes over a period of time.

Meaning of motivation is to move or activate. Motivation is an internal feeling and an energetic force within sales people that drives them to behave in a certain way. It produces goal directed action and harness human energy towards the goals of the sales organization. It can take both forms of positive and negative and its effort on individuals are similar in nature but different in intensity. When motivation is positive, it takes time to build up and has an effect on individual, whereas when motivation is negative, it is believed to manifest faster much faster in person's behavior and communicates a sense of bargaining for the individual, in which the final behavior is what they do and motivation is why they show or perform this behavior.

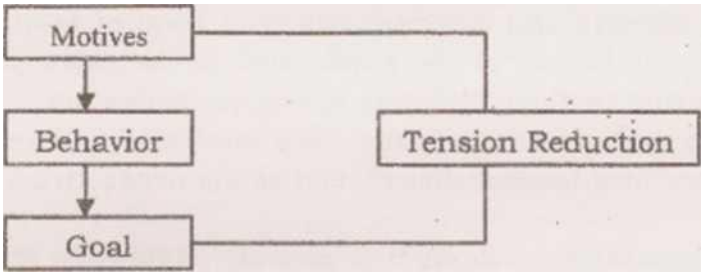
If a goal directed action always leads to reward, the individual is likely to repeat the same action again and again. But if the goal directed action does not lead to any expected reward, the individual is less likely to pursue this action with similar intensity. If a salesperson realizes that certain set of actions will lead to higher income and non-financial reward, he is likely to repeat the behavior for the reward. Motivation and satisfaction, which is achieved through compensation and reward system, are interrelated.

The process of satisfaction states that individuals have continuous changing need patterns and many instances are in conflict with each other and are very difficult to measure. Similarly, satisfaction as a differentiating factor for the degree of motivation is also difficult to measure. It may also be assumed that the gratification of certain need may gradually lead to an increase in its intensity. For example, the scope of a foreign trip for an employee once fulfilled by the organization, intensifies the urge for more foreign travels over a period of time. It is also observed that all goal

directed behavior do not always lead to need satisfaction. This is because it is the intensity of the pursuit of the goal that measure up against the reward received from the sales organization and is a very significant factor in deciding the level of satisfaction.

1.9.1 PROCESS OF MOTIVATION

The sales manager needs to understand the process of motivation and use it to improve it for organizational efficiency. He can use the process of motivation process to stimulate the sales person to work efficiently, establish a cordial relationship between the sales manager and sales people, satisfy the economic, social and human needs of the sales person, and to seek the cooperation of the sales person in achieving the sales target. The process of motivation starts when a motive prompts people to action. Motives are the primary energizers of behavior and explain the reasons of reasons of behavior. Motives are largely subjective and represent the mental picture of sales person by explaining the rationale of human behavior. Motives arise continuously and determine the general direction of the sales person behavior.



The behavior of the sales person comprises a series of activities that a person does by being motivated to achieve individual and organizational goals. The sales person's motives are directed towards goals and very often create a state of disequilibrium. This stages of disequilibrium may arise sue to imbalance physiological and psychological states of sales person. The behaviors of attaining goal tend to restore balance. The goals chosen by an individual depends upon factors like cultural norms and values, the sales persons inherited capabilities, influences of personal learning and experiences, and the type and level of mobility in the physical and social world of the sales person.

1.9.2 FACTORS INFLUENCING THE MOTIVATION OF SALES PERSON

Various factors influence the motivation level of the sales person. These factors can be grouped as personal characteristics, environmental conditions, organizational policies and procedures. The impact of these factors affects the level of motivation of a sales person. Different people show a different level of motivation in response to same kind of salary and incentive programs and accordingly the effort expended varies. People with different personal characteristics have different perception of the link between effort, performance and reward.

Personal characteristics include the individual satisfaction with the current job, the demographic variables, experience in the job, psychological variable including the

personality traits and attributions about why performance has been good or bad. Career stages influence the level of motivation because the effort expended and outcomes expected will undergo changes as the person move from one level of career to another. There are four stages through sales people progress namely exploration, establishment, maintenance and disengagement. The new recruits are in the stage of exploration and are unsure about the selling is the career that best suits their life. As they are uncertain about their own skills and the requirement of their new job, they tend to have lower expectancy and instrumentality perception in a firm sales force. They have little confidence that putting more effort will lead to better performance and help in getting better rewards. As they gain experience and their expectations increases, financial rewards are the best to motivate them.

In the establishment stage, sales people have settled in an occupation and wish to develop that occupation into a successful career. They concentrate more on improving their performance and work related skills. As they gain confidence, their expectation to go higher in position increases. They also make social commitments like marriage and buying house; so their valence for the financial reward is high, but their strong desire to be successful and move to management level makes their valence for promotion higher than other rewards expectations. They also value recognition and other indicators their superior and peers approve of their performance and consider them worthily of promotion.

In the maintenance stage a sales person of age in 30 to 40 and his primary concern is retaining the present position, status and performance level within the sales force. All of which are likely to be high. People in this stage reflects high status and good performance such as formal recognition and respect of their peers and superiors. At this stage the desire for promotion diminishes but expectation for high salary increases.

In disengagement stage, a person people prepare for retirement and possible loss of self-identity that can accompany separation from one's sales job. This happens when people reach to age of 50 to 60 years. Sales person psychologically withdraw from their job, often seeking to maintain just an acceptable level of performance with a minimum amount of effort in order to spend time developing interest in attaining higher order reward such as recognition and personal development. They have low valance for attaining for low pay and other financial incentives.

1.9.3 DESIGNING A MOTIVATION PROGRAM

A sales manager can design a motivation program to keep up the motivation and morale of sales people in the organization so that the valance and willingness to contribute will be high over a sustained period of time in the organization.

1.9.3.1 Motivational Tools

The selection of motivational tools is most crucial step in the design process while selecting a motivational tool and method, the needs of both organization and individual should be integrated, so that the sales manager can create a win-win situation for both the parties. While selecting a suitable motivator, the sales manager needs to take the results of the previous motivational programs and the expectation of

employees into account. Other issue that should be taken into account includes the timing of the program, place of work, duration and timing of work, frequency and nature of travel in the job, alternate tools used in the past to motivate the sales staff, and their effectiveness. The sales manager should also evaluate the financial implication of the motivational program and cost benefit trade off for the sales organization. The motivational tools be it financial or non financial, should be the best alternative to satisfy the needs of the sales people of the organization.

Companies need to design different kinds of programs like bonus contests and enhanced commission for their sales staffs. These programs are used to motivate the sales people to achieve higher goals and achieve targets desired by the company. The motivation programs are also undertaken to counter the offensive marketing moves by the competitor, seasonal fluctuation in demand, and to push a mature product in the industry so that new products can be introduced. Motivational programs are also .undertaken to provide additional support to product added to product portfolio. Coupons, conferences, contests and bonuses are the most popular motivational tools in Indian organizations.

Motivational tools or methods can be classified as financial and non-financial motivation. Financial motivation is the most prominent method to motivate the sales people towards achieves higher sales and includes financial incentives like enhanced salary, sales based commission, periodic and performance linked bonus. Financial incentives are strong motivator as it is associated with social prestige, status and high standard of living. The financial incentives are ineffective after a certain period of time in a sales person's life as he look for more recognition and long term reward rather than just increase in salary.

Non-financial motivators have deeper effect on the sales people at the later stages of establishment and maintenance. People need psychological satisfaction, which is beyond monetary benefits and is provided by non-financial motivators like promotions, job enrichment, higher territorial responsibilities, social stocking, rewards and recognition. Tools of motivation can be classified into individual and group method of motivation.

Individual Method

Regular contacts with the sales people and appreciation of their performance, helping them to solve their problem, supporting, coaching and providing-guidance are individual methods that motivate the individual sales person. Regular correspondence with the field sales people also helps in the creating the feeling of accomplishment, mutual understanding and self-confidence among them. An appreciation letter from sales manager and a solution to the problem through e-mails can help solve problems and create an environment of relatedness with organization.

Group Methods

Sales manager organize sales conference and conventions at regional, national and international levels. This helps the organization to understand the behavioral patterns of sales people, a platform for providing sales training and listening to and finding solution to the problems of sales people. Sales conferences also motivates

people to support the introduction of new products and services, inform people about changes in the organizational policies, plans and targets, improve the effectiveness of sales performance control system and reorient sales people with new selling techniques.

1.9 Self check questions

1. are the primary energizers of behavior and explain the reasons of reasons of behavior
2. What are the examples of non financial motivators?

1.10 SUMMARY

A successful sales management program does not exist in vacuum. A sales manager has to prepare sales strategy keeping in mind the available resources, level of competition, and internal and external environmental factors. Personal selling is a personal mode of communication between sales person and customer. Sales management is the process of organizing resources, planning future course of action for organization and managing sales force.

The recruitment and selection process in sales organization is analyzed as a four step process namely planning for hiring, selecting and socializing. Planning for hiring involves job description and man specification. Job description and analysis phase involve what the activity job involves, what are expectations from a job, what tasks and responsibilities should be taken into consideration for defining a job.

Sales training are vital for the success of sales organizations, as these enrich the job content and help the sales people to perform their jobs better and secure an advantage over competitor. A training program contributes to top and bottom line of the organization. An efficient and trained sales force helps in achieving higher sales goals at lower cost. Higher sales realization from efficient sales force contributes to the top line however lower cost incurred on training contributes the bottom line of the organization.

Effective job performance is essential for the success of a sales organization and long term employment of sales people. Performance evaluation is done for every sales person to find out his achievements against desired goals and to plan the future course of action in meeting the desired goal of organization. The primary evaluator is the sales manager who supervises the sales force. This is duty of sales manager to develop proper performance appraisal system that would lead to higher sales force performance and ensure their long association with the organization.

Motivating sales people is the key challenge for sales manager in modern day in the sales organization. Organizations loose quality manpower and marketing knowledge with them due to motivational programs. Though technologies have brought changes in the way sales management function, the human factor plays significant role in keeping profitability of organizations.

1.11 GLOSSARY

- **Job Rotation**: It is a method of on the job sales training, which allows the sales people to gather experience of different territory of the markets.
- **Cross-functional Training**: it trains employees to perform operations in areas other than their assigned jobs.
- **Brain Storming**: It is a creativity training technique in which, these participants are given opportunity to generate ideas openly and without fear of judgment.
- **Socialization**: It refers to the process by which an individual comes to appreciate the values, abilities, expected behavior and social knowledge, essential for assuming an organizational role for participating as an organizational member.
- **Job Analysis**: it refers to the gathering and organizing information concerning the tasks, duties and responsibilities of specific jobs.
- **Job Specification**: it refers to the characteristics needed by a sales person to perform job successfully.

1.12 SHORT ANSWER QUESTIONS

1. What is the difference between job analysis, job description and job specification?
2. What is brainstorming? How does brainstorming help in increasing the creativity of sales people?
3. Why planning, recruiting and selecting right people in the organization are important for organizations?
4. What is socialization? Why it is important for sales organization.

1.13 LONG ANSWER QUESTIONS

1. What are primary and secondary source of recruitment for any organization?
2. What do you mean by training? What are the challenges an organisation face in developing a training program?
3. What is performance appraisal? Why it is difficult to evaluate sales persons? What are the different criteria used for performance evaluation of sales people?
4. Explain the process of selecting an employee for an organisation.

1.14 SUGGESTED READINGS

- Panda, Tapan, Sunila Sahadev, "Sales and Distribution Management", Oxford University Press.
- Jobber.David, Geoff Lancaster, "Selling and Sales Management", Pearson Education.
- Still, R., Richard, Edward W. Cundiff, Norman A.P. Govani, "Sales Management", Pearson Education.

1.15 SELF CHECK QUESTIONS (ANSWER KEY)

1.2 1. Personal selling
2. Retail and telecom industries

1.4 1. Job description
2. Job analysis

1.5 1. locate the source of manpower to meet the job requirements
2. To allow candidates possessing desired qualifications to come for an interview
3. Campus placements
4. boost their morale

1.6 1. Aptitude tests
2. Orientation

1.7 1. Cross functional training
2. Creativity training

1.8 1. rating forms, forced choice scales, and behavioral observation scales
2. Relative judgment method

1.9 1. Motives
2. promotions, job enrichment, higher territorial responsibilities, rewards and recognition

CARVING TERRITORIES, ROUTING, QUOTA SALES CALL PLANNING

STRUCTURE

2.0 Objective
2.1 Introduction
2.2 Sales Territory
- 2.2.1 Advantages
- 2.2.2 Disadvantages
- 2.2.3 Designing of Sales Territory
- 2.2.4 Criteria
- 2.2.5 Territory Shapes
- 2.2.6 Allocation Criteria

2.3 Sales Quota
- 2.3.1 Types of Sales Quota
- 2.3.2 Sales Volume Quota
- 2.3.3 Sales Budget Quota
- 2.3.4 Sales Activity Quota
- 2.3.5 Combination Quota
- 2.3.6 Problems in Setting Sales Quota

2.4 Summary
2.5 Glossary
2.6 Short answer Questions
2.7 Long answer Questions
2.8 Suggested Readings
2.9 Self check questions (Answer key)

2.0 OBJECTIVE

After studying this chapter you should be able to understand the following:

- Concept of sale territory and its importance to a sales organization.
- Advantages and disadvantages of sales territory.
- Factors influencing the size of sales territory.
- Factors that influence the decision making on territory.
- Concept of sales quota and its importance in sales organizations
- Types of quotas
- Problems in setting quotas

2.1 INTRODUCTION

Number of sales people recruited to cover a market has a direct bearing on the sales and profitability of an organization. An improper design of a sales territory may lead to higher cost of serving the customer and impact negatively on the sales force. Specifically, this would result in the loss of opportunity for a firm due to better territory management by the competitors and poor level of forecasting per territory and improper sales territory design also result in improper quota allocation leading to the de-motivation of the sales force, and an inefficient market intelligence system within the organization leading to a poor strategic response to the changing market situation.

Organizations coordinate their function to achieve their sales goals. The sales goals serve as targets for the organizations. All the efforts of sales force are coordinated together achieving this end. Goals are set in the organization in the coordination with long term objectives of the enterprise and are always backed up by effective sales planning. The fate of sales people depends upon how they face the challenge of achieving these goals in the organization. Sales quotas are the targets that sales people try to achieve within a specific period of time, which contributes towards achieving the organizational goals regarding sales forecast.

2.2 SALES TERRITORY

Sales territory is defined as a group of present of potential customers assigned to an individual sales person, a group of sales person, a branch, a dealer, a distributor, or a marketing organization at a given people of time. For a firm, a profitable sales territory is one which has number of potential customers that are willing to buy the category of products sold under the firm's brand name. Territories are defined on the basis of geographical boundaries in many organizations. Though geographical markets may have heterogeneous mix of both existing and potential customers, a decision on the basis of geographical coverage has distinctive advantages.

2.2.1 ADVANTAGES

The designing of a sales territory provides various advantages to a firm. It ensures better market coverage, effective utilization of sales force and efficient distribution of workload among people. Further it offers convenient way to evaluate the performance of sales persons, control over direct and indirect sales function and optimum utilization of sales time by sales people. Designing of sales territory also enhances employee morale and helps managers to better control and monitors sales and evaluates programs.

Companies follow different strategies of market coverage at different stages of the product life cycle and the business. Similarly, a firm having different strategic basic units (SBU) follows different kinds of coverage strategies for each SBU. A territorial design brings more clarity and focus to the sales target to be achieved and the geographic market to be covered by each sales person. Compared to a vast market which is an aggregate whole of customers, a territorial design helps in building accountability of each sales person in the form of identification of prospects, maintenance of call norms, and realization of different level of sales at different

points of time.

By restricting a sales force to specific geographic area, a sales manager not only generates more sales from the same market and serves the customers better but also ensures that sales people do not encroach upon each other's territory. This way, a sales force also works to build customers increase the profit level out of each customer by inculcating higher sales through up-selling and cross selling to the sale set of customers. A territory that is built up scientifically makes the sales people build the market and rely less on willing customers only. Customer service improves over a period of time as the sales people have to male calls to same set of customers whom they have served in the past. This makes sales people deliver and manage a higher value of sales rather than being only transaction oriented during calling.

2.2.2 DISADVANTAGES

Many organizations do not plan territories and organized sales on the basis of geographical division. This includes newly established enterprises, organizations where sales are achieved more through personal relationship rather than professional approach, and in organizational selling highly sophisticated and technically complex products. Other organizations that do not plan territories on the basis geographical division include firms with customers distributed over a vast geographic area and with a lower density in any specific block, and firms using telemarketing and internet marketing as tools to reach customers. Finally firm rely on customer service that requires coordination across different geographic territories do not establish sales territories. Small firms particularly firm with single sales person can manage their business without any effort in establishing territories. Organizations sell products like insurance, fixed deposits and other investment products through personal contacts of sales peoples rather than territory based formal sales structure. Highly sophisticate technologically complex products like computer hardware and soft ware are mostly sold through a sales team a systematic selling effort, which reduces the scope of territory.

2.2.3 DESIGNING OF SALES TERRITORY

Designing a sales territory is one of the most difficult jobs for sales managers. Various factors like the size of the organization, level of competition in each product category, number and quality level of the products in the portfolio, type and quality of the services and customer support to be provided, and the quality of the sales person serving in the organization are considered while designing the sales territory. The territory once established needs to be observed and controlled for performance and over a period of time need to be realigned and redesigned for improving the sales efficiency of the organization in response to changes in the market situation.

Territorial re-design is done when the market grows to such a size that it is not possible for sale sales force to cater to the market or when there is a merger or a takeover. Territorial redesign is also needed when there is a change in the stage of PLC and when there is a reallocation of customers in the market. In the situation, a sales manager has to return to the basics of the design and make suitable adjustments

to the size of the territory.

Territory design is time consuming and manual process where charts, maps, and typographical data are taken into account. Sales people in Merico industries for example use geographical information software to design territory. GIS contains detailed maps of specific regions and allows the user to key in additional information such as demographic data of the market to help managers overcome design problems. Merico's GIS software uses sophisticated tools that analyze satellite based pictures t provide relevant data on transportation, communication, distribution of settlement and spread of retail outlet in a geographical area. This software also helps the sales managers to look at the demographic data of customers such as their purchase parity in order to forecast the probable level and link it with the retail distribution data for effective transportation route and territory planning.

The first step in designing a sales territory is to select the appropriate geographic control unit that can be combined to form sales territory. These control units must be small enough to allow flexibility in setting up geographic boundaries but also not to be so small that a high level of data manipulation is needed. The units so selected should be homogeneous and of reasonable size to achieve economies of scale. The basic units can be a country, state, district, division, block with clear boundaries. Firms having international or global operation treat a country as a territory. Further, a country can be sub divided into states or geographical control units, which differ in terms of area, population, transportation, resource, purchasing power, and the level of development.

The division of units on the basis of district is suitable for large-scale producers and for those customer spread over a large population. The selection of the geographical control units will be effective only when it is based on a trading area. A trading area is a geographical area concentrated near a city where there are many retailers and whole seller that furnish a high level of sales, despite a small geographic concentration. A trading area is made up of principal city and surrounding dependent area. It is an economic unit, which ignores the political and non economic regions for setting boundaries.

A.C. Neilsen, a market research company develops trade area maps. These trade area maps are available for general product classification. The firm publishes 65 major trade maps and 215 minor trade area maps. Major trading areas are mapped out of metropolitan cities and state capitals. The minor trade areas comprise populated town in different states. Various newspapers and television channel also publish their readership and viewer ship data on cities. Pharmaceuticals and other durable companies for territorial planning often use this data.

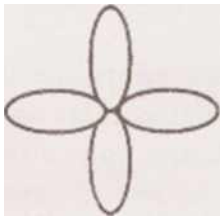
2.2.4 CRITERIA

Once the selection of the basic geographical control unit is complete, the next task is to analyze the consumer characteristics, buying patterns, market share data, and competitive position of firm in order to identify the sales potential of each control unit. A sales manager has to identify both the present and prospective customers on the basis of information such as sex, age group, likes and dislikes requirements,

standard of living, and data on disposable income. Other market information like the type and level of competition and demand patterns for the product category and brands are also gathered to forecast the potential sales in basic geographical control units. Services of field sales people can be obtained to gather requisite customer information and to forecast the potential sales with the help of top authority, market experts and statistical models.

Based on the forecasted sales units, for the geographical control units, managers can combine neighboring control units to form territories. This helps in avoiding the position where the sales force de-motivated by assigning territories only based on market data. The basic objective at this stage is to make tentative territories as equal as possible in market potential. Each territory should provide an equal standard of living for the sales force. Differences in the workload or sales potential due to different levels of competitive activities are taken into account at this level. It is also assumed that all members of the sales force have equal experience and capabilities in the market in achieving the sales goal. All these assumptions are taken into consideration at subsequent stages as well. The attempt at this stage is on building an approximation of a territory for final alignment. The total numbers of territories should be equal to the territorial needs defined prior to this exercise.

Many Indian firms take into account three key factors deciding on the size of the territory. The customer base comprises current customers, potential customer size, and geographic size in terms of square kilometers or square miles to be covered by the sales person. The current customer base helps in identifying the basic work load for the sales people as the existing customers are added in each new territory. The presence of existing customer improves the morale of the sales force and motivates them further. Current sales in the area should not be used as the sole allocation criteria as it ignores the future potential.



Cloverleaf

Wedge

2.2.1 TERRITORY SHAPES

Companies use different kinds of shades for designing sales territory. The shape of the territory affects the sales expenses and ease of sales coverage.

It also helps sales person to spend less time on travel and keeps sales people motivated to work hard. The three popular territory shapes used in the Indian markers are wedge, circle and cloverleaf.

The wedge territory is most applicable for the fast moving customer goods and is used

by companies by Marico, HUL, and P&G. These companies serve both the urban and rural markets in. India. They design from a densely populated urban area to small rural area. Balancing the travel time between the urban and rural areas can equalize the travel time to adjoining wedges. The circle-shaded territory is appropriate when companies have their account distributed across equally sized areas. In a circle shaped territory a sales person is based in the central part of the area and travels uniformly to the different areas. Companies concentrating in urban areas like Maruti, Hyundai, and Park Avenue follow this kind of territorial design. The cloverleaf design is used when accounts are distributed randomly throughout the territory. Careful call planning makes each visit to the clover at timely affair on the basis of weekly, daily, or periodic schedule for sales people.

2.2.2 ALLOCATION CRITERIA

After initial allocation of the control units to the points decided earlier, a sales managers needs to compare the territory on other relevant criteria like customers per square mile and support retail outlets per square mile. Many times, small and large territories in a particular geographic spread may have an equal potential on customer size. In such cases there is a need to allocate control units on the basis of traveling and call norms in order to reach customers. The more the number of factors considered for deciding on the territory, the more judgmental is the sales manager on deciding on the territory. In this process, sales territories are given the final shape by adjusting and redistributing the tentative territories. This adjustment is made keeping in view the sales potential, customer size, market growth rate and sales expenses involved in the market coverage.

Once initial boundaries are establishes for each sales territory, the next task is to determine how much work is required to cover each territory on the basis of equal sales potential and workload. Workload analysis consists of deciding how much of selling effort is required to meet the sales objectives for a given region. If there is a need for a higher selling effort with in the territories, then the boundaries can be shrunk to match the suitability of market coverage. If the territory is found to be having customers more than what a single sales person can cover then the task is shared by adding more sales people. Many different potential territories can be constructed and modified when the work lead approach is taken into consideration.

The starting point of the workload approach is the finalization of the tentative boundaries for each sales territory. A decision than has to be made on how much work is required to cover each sales territory. Ideally only a territory with an equal potential and work load should be considered followed by each customer in the territory. The first stage estimates the sales potential for each customer and prospect in the territory. This is called account analysis. The sales potential derived from account analysis is then used to decide on how much each account must be called on and for what duration of time. The total effort required to cover a territory is determined by considering then number of accounts and calls to be made for each account e.g. the duration of each call, estimated time of travel, and non selling activities. This method is popularly known as the Talley's workload approach. Here, all accounts may not be

taken up for calculation. In typical business-to-business situation while large accounts are considered, smaller accounts are proportioned depending upon the potential of large business. The optimum call frequency is decided at sales conferences. This way it is easier to find out the workload in each territory. Firms can be grouped in volume classes and the call frequency for each volume class can then be agreed upon. Territories with different combination of volume customers can be identified to calculate the work load per territory.

2.2 Self check questions

1. is a group of present of potential customers assigned to an individual sales person, a group of sales person, a branch, a dealer, a distributor, or a marketing organization at a given people of time.

2. What are the advantages of designing sales territories?

3. shape territory is most applicable for the fast moving customer goods

2.3 SALES QUOTA

Organizations coordinate their functions to achieve their sales goals. The sales goals serve as targets for the organization. All the efforts of the sales force are coordinated towards achieving this end. Goals are set in organizations in coordination with the long-term objectives of the enterprise and are always backed by effective sales planning. The fate of sales people depends on how they face the challenge of achieving these goals in the organization. Sales quotas are the targets that sales people try to achieve with in specific period of time, which contributed towards achieving the organizational goal regarding sales forecast.

Quotas are routinely assigned to sales unit such as departments, divisions and individuals, and they proceed to reach at these quotas in their respective domain. They are sales assignments or goals, which are to be achieved in a specific period of time. Sales quotas are the some of the total sales of a future period and duties to achieve the components of total sales by each sales person are handed down to them at the beginning of the period. According to Philip Kotler, "a sales quota is the sales foal set for a product line, company division, or sales representative. It is primarily a managerial device for defining and stimulating sales effort". These are the sales assignments or goals and expectations of top managements expressed in volumes or in rupees. Sales for a specific future period. It is part of company's total expected market share that is assigned to the sales people in each territory, a branch, a distributor, a selling agent, a dealer, or any other selling unit as a target to be achieved in a specific future period of time.

It is a quantitative goal assigned to a specific marketing unit such as a sales person or territory for a time period. Sales quota is standardized method of evaluating the effectiveness and performance of sales people. Quotas are based on sales but there is a difference between sales potential and quota. A sales forecast is an estimate of what a firm expects to sell during a time period using a particular marketing plan. Sales

quotas may be set equal to, above, or below the sales forecast. Sales potential is the minimum share of the market demand that a firm can obtain under the legal environment. Sale potential helps the firms for long term and strategic planning, but sales quotas are used for different reasons.

2.3.1 TYPES OF SALES QUOTA

Companies set different types of sales quotas. The method of selecting the sales quota largely depends upon the business practice, the design of the organization and level of competition in that industry. Broadly, quota types include sales volume quota, sales budget quota, sales activities quota and a combination quota.

2.3.1.1 Sales Volume Quota

Most of the companies follow this method of quota setting. It is most traditional and commonly used method in Indian organization because this method provides an important standard for appraising the performance of individual sales people, intermediaries and branch. Sales volume quotas communicate the organization expectations in terms of what amount of sales in what period. The annual quota is set into year and then it is broken into specific time period like months, quarters and weeks. This is called the breakdown approach. Once the sales person targets know his annual targets, he can plan out his target for different period. In many cases these are not for specific time period because they may vary depending upon the seasonality of the business, consumer attitude, and geographic location of the customer. The sales person can fix the sales quota based on the basis of total product line, the existing product line and new product line or territory depending upon the design of the organization which may include the sales division, branches, regions, districts and individual sales territory.

The sales volume quota is of three types -

- Monetary sales volume quota
- Unit sales volume quota
- Point sales volume quota

Monetary sales volume quota Organizations selling a broad product line sets sales volume quota in monetary terms rather than in terms of units of products. The international sales quota is also in shown in dollar/ponds/relevant foreign currency.

Unit sales volume quota This method is used in two situations, when the prices of the product are expected to fluctuate considerable during the quota period and when the companies with a narrow product line sell at a price that fluctuate little during the quota period. Volume quota setting helps the firms to achieve the sales in volume terms as the rupee value vary during the sales period.

Point sales volume quota In this method the sales volume quota is set in terms of point. Some organizations use sales volume quota expressed in points into which money or unit sales or both can be converted as desired by the sales manager.

2.3.1.2 Sales Budget Quota

These kinds of quotas are set for various units by the organizations in order to control expenses, gross margins and net profits. The overall intention of setting a budget quota is to make it clear to sales people that they are more of responsibility center where the job includes not only obtaining the desired sales volume but also making good profits. This means the cost to acquire customer should be less than the revenue generated from those new customers.

Expense quota ensures that the sales people limit their expenses in alignment with sales volume and control the cost to acquire the customer. In this method, the sales manager seeks to provide sales people with financial incentive to control their own expenses. Many companies sent upper limits on items of expenses like lodging, meals and entertainment and expect the sales people to manage within that budget. Profit quota can be set on gross margins or on net profits. Organizations emphasize net profits more than sales volume. The sales person is asked to generate profitable sales rather than mere sales. Organizations set profit quota along with sales volume quota because profits are necessary for surviving in business.

2.3.1.3 Sales Activity Quota

The activity of a sales person has direct influence on the sales of the organization. The sales person is not always involved in sales realization - for example - a retail sales person has job of providing information only. In this case the quota can be fixed on activity a sales person has to perform rather than final outcome. In addition to the direct sales activity, the sales person is expected to do some non-selling activity and quota can be set as a mix of these activities. Activities quota set objectives for job related duties, which helps the sales people in achieving their targets. They help the sales people to do non-selling activities perfectly, as they become part of the job definition.

2.3.1.4 Combination Quota

Many organizations use the combinations of these quotas. The most common combination is the sales volume and activity quota. Combination quota is used to control sales force performance on the basis of selling and non-selling activities. A combination sales quota can be achieving a sales target of lOOO units along with developing 20 new key accounts, identifying 100 prospects and bringing back 50 lost customers. This kind of quota reduces expected understanding level of the job for novice or beginner and often serves as a de-motivator. Sales managers have to use this method with continuous briefing and effective control over the sales force. Combine sales quota should be based on most important activity like sales volume and the products that sells the most.

2.3.2 PROBLEMS IN SETTING SALES QUOTA

Sales managers face various problems while fixing the sales quota for the organization. Quota setting is a complex procedure and in many cases sales person is not able to understand the reason and logic behind the goal and quota assigned to him

by the sales manager.

2.3 Self check questions

1. are the targets that sales people try to achieve with in specific period of time.
2. The quota which organizations with a broad product line sets in monetary terms rather than in terms of units of products.

2.4 SUMMARY

Sales territories arc geographical areas designed to each sales person ;o achieve the market goal and cover the selected market at lower cost and minimal travel time so that sales staff to the service expectations of customers can give more attention. Calculating the nature of business and the scope of coverage often creates territories. For large multinationals companies, every country they serve is treated as territory whereas companies operating within a geographic boundary can take a state etc as territory. A sales manager has to take decision on the allocation of each sales territory, its shape and workload allocation to sales team based on customers and prospects a firm has in a territory. Various methods are used for this purpose including computerized mapping as discussed in the chapter in detail.

Organizations have ultimate goal to earn profit and expand. These goals and objectives can be achieved through planning and proper distribution of products and services. Quota is mean for organization through which these needs objectives are realized. The type of quota than can be fixed for organizations will vary from one to another organization, as it depends upon various factors as discussed in the chapter. Setting up sales quota is a difficult process, which may involve the use of computer mapping and other statistical tools even. A proper and unbiased approach to quota setting will lead to achievement of goal.

2.5 GLOSSARY

- **Geographic control unit**: It is basic unit of market coverage, such as nation, states, postal index number, cities and metros.
- **Mapping program**: It is computer software used by sales people to design territories.
- **Quota**: It refers to an expected performance objective. Quotas are assigned to sales units and individual sales persons in a organization.
- **Activity Quota**: This kind of quota sets objectives for job related duties and helps sales people in achieving their jobs.
- **Expense Quota**: This is a quota fixed for the sales people to realize the sales while controlling their selling expenses. Usually, the sales person receives an expense budget as a percentage of the territory sales volume.
- **Profit Margins**: These quotas of net profit or gross margins sales managers are asked to generate.

2.6 SHORT ANSWER QUESTIONS

1. What is workload approach? What benefit does it bring for a manager in building a territory?
2. Why should a sales manager have detailed maps and spreadsheets while designing a new territory?
3. What is an activity quota and why is it more important than sales quota based on volume?

2.7 LONG ANSWER QUESTIONS

1. What are the different types of quotas and what problems sales manager faces while fixing the quota?
2. What is sales territory? What advantage sales territories have for sales people, firms and customers?

2.8 SUGGESTED READINGS

- Jobber, David, Geoff Lancaster, -Selling and Sales Management", Pearson Education.
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2.9 SELF CHECK QUESTIONS (ANSWER KEY)

2.3 1. Sales territory
2. Better market coverage, efficient sales force utilization, workload distribution, and performance evaluation
3. Wedge

2.4 1. Sales quota
2. Monetary sales volume quota

SALES FORCASTING

STRUCTURE

3.0 Objectives
3.1 Introduction
3.2 Forecasting Process
3.3 Sales forecasting techniques
  3.3.1 Qualitative forecasting techniques
  3.3.2 Quantitative forecasting techniques
3.4 Factors affecting the sales forecast
  3.4.1 External
  3.4.2 Internal
3.5 Summary
3.6 Short answer Questions
3.7 Long answer Questions
3.8 Suggested Readings
3.9 Self check questions (Answer key)

3.0 OBJECTIVES

After reading this chapter, the students should be able to:

- To know the meaning and nature of Sales forecasting,
- To know the factors affecting the sales forecast
- To understand when to go for sales forecasting,
- To understand the forecasting process.

3.1 INTRODUCTION

Sales forecasting involves predicting the amount people will purchase, given the product features and the conditions of the sale. Sales forecasts help investors make decisions about investments in new ventures. They are vital to the efficient operation of the firm and can aid managers on such decisions as the size of a plant to build, the amount of inventory to carry, the number of workers, to hire, the amount of advertising to place, the proper price to charge, and the salaries to pay salespeople. Sales forecasting is a common activity in most companies affecting operations, marketing and planning. Forecasting sales of your product or service is the starting point for the financial projections. The sales forecast is the key to the whole financial plan, so it is important to use realistic estimates. Divide your projected monthly sales into "Categories", which are natural divisions that make sense for your type of business. Typical categories might be: product lines, departments, branch locations,

customer groups, geographical territories, or contracts.

Sales forecasting is the process of organizing and analyzing information in a way that makes it possible to estimate what your sales will be. Sales forecasts are estimates based on research and logical assumptions. There are many sources of information to assist you with gathering information to help you develop those estimates.

- Competitors
- Neighboring Businesses
- Downtown business assoc
- Trade associations
- Trade publications
- Trade directories
- Statistics Canada
- Wholesalers/retailers/brokers

The ability to effectively forecast sales can have a significant and positive impact on sales and operations as well as the overall financial health of a corporation. The opposite is true when a forecast is inaccurate. It is therefore important to ensure that the processes and systems you have in place for sales forecasting are optimized given your current situation. Frequent review and assessment of your forecasting system will help keep it up to date with changes in the corporation as well as improvements in technology and Best Practices.

An effective Sales Forecast can have a positive impact on:

- Financing and Valuation
- Inventory Management
- Order Management
- Sales Headcount Capacity Planning
- Sales Revenue
- Visibility into Sales Activities

There are different periods when there may be need to go for forecasting:

1. **Short term forecasts:** there are usually for periods up to three months ahead and are really of use for tactical matters such as production planning. The general trends of sales is less important here then short term fluctuations.

2. **Medium term forecasts:** these have direct implication for planners. They are of most importance in the area of business budgeting, the starting point for which is sales forecast. Thus if the sales is incorrect then the entire budget is incorrect.

3. **Long term forecasts:** these are usually for periods of three years and upwards depending upon the type of industry being considered. For

computer industry is a long period but for some other industry such as steel manufacture ten years is a typical long term horizon. Such forecasts are needed mainly by finance accountants for long time resource implications and generally the concern of boards of directors.

Other functions in company (production, purchasing, finance, human resource sector) can be directly and indirectly affected in their planning considerations as a result of the sales forecast.

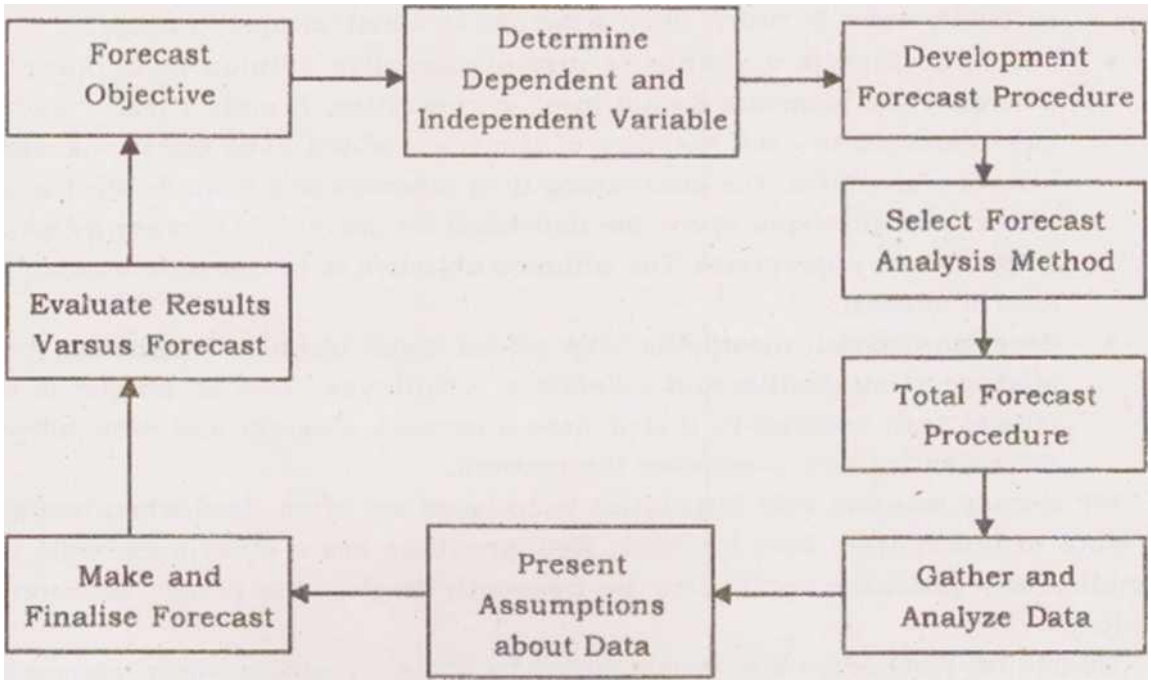
3.1 Self check questions

1. What do you mean by sales forecasting?

2. What are the benefits of sales forecasting?

3.2 THE FORECASTING PROCESS

The forecasting process refers to a series of procedures used to forecast. It begins when an objective is determined. For example sales objectives can be (estimation of dollar sales, number of sales people to hire, etc.). Data are then gathered and analyzed often assumptions must be made about the forecast. The forecast is made, finalized, and, estimate passes, evaluated.



3.3 SALES FORECASTING TECHNIQUES

It is important to know when we should use qualitative or quantitative forecasting techniques.

Managers apply quantitative forecasting techniques when environment is predictable and if they have data from past period about sales. These techniques are good when we want to predict existing products and technologies. They often used mathematics' techniques for forecasting.

Qualitative forecasting techniques are used in the not predictable environment and when we don't have enough data. These techniques are usually used when managers forecast launching the new product line or new technologies.

3.3.1 QUALITATIVE FORECASTING TECHNIQUES

Qualitative forecasting techniques are sometimes referred to as judgmental of subjective techniques because they rely more upon opinion and less upon mathematics in their formulations. The absence of past sales means that we have to be more creative in coming up with prediction in the future. Sales forecast for new products are often based on executive judgments, sales force projection, surveys and user's expectation.

Qualitative forecasting techniques which include:

- Jury of executive opinion consists of combining top executives' views concerning future sales. This type of forecasting technique is term a 'top down' technique whereby a forecast is produced for the industry.
- Customer expectations use customer's expectations of their needs and requirements as the basis for the forecast. The data are typically gathered by a survey of customers or by the sales force.
- Sales force composite combines the individual forecasts of salespeople. This technique involves salesperson making a product-by-product forecast for their particular sales territory. Such a method is a bottom-up approach.
- Delphi method is a similar to jury of executive opinion technique. The main difference the members do not meet in committee. A project leader administers a questionnaire to each member of the team which asks questions usually of a behavioral nature. The questioning then proceeds to a more detailed second stage which asks questions about the individual company. The process goes on to further stages where appropriate. The ultimate objective is to translate opinion into some

form of forecast.

- Bayesian decision theory has been placed under techniques although it is really a mixture of subjective and objectives techniques. This technique is similar to critical path analysis in that it uses a network diagram and probability must be estimated for each event over the network.

We already mention that qualitative techniques are often used when managers have little data to incorporate into forecast. New products are a classic example of limited information and qualitative techniques are frequently employed to predict sales revenues for these items.

Qualitative techniques are recommended for those situations where managers or sales force arc particularly adept at predicting sales revenues. These techniques are often utilized when markets have been disturbed by strikes, wars, natural disasters, recessions or inflation. Under these conditions historical data are useless and judgmental procedures that account for the factors causing market stocks are usually more accurate.

3.3.2 QUANTITATIVE TECHNIQUES

Quantitative techniques are sometimes termed objective or mathematical techniques as they rely more upon mathematics as less upon judgment in their computation. These techniques are now very popular as a result of sophisticated computer packages.
Quantitative techniques which includes:

- Regression analysis statistically relates sales to one or more explanatory (independent) variables. Explanatory variables may be marketing decisions (price changes, for instance), competitive information, economic data on any other variable that can be related to sales.
- Exponential smoothing makes an exponentially smoothed weighted average of past sales, trend and seasonality to derive the forecast.
- Moving average takes an average of a specified number of past observations to make a forecast. As new observations become available, they are used in the forecast and the oldest observations are dropped.
- Box-Jenkins uses the auto correlative structure of sales data to develop autoregressive moving average forecast from past sales and forecast errors.
- Trend line Analysis fits a line to sales data by minimizing the squared error between the line and actual past sales values. The line is that projected into the future as the forecast.
- Decomposition breaks the sales data into seasonal, cyclical, trend and noise components and projects each into the forecast
- Straight-line projection is a visual extrapolation of the past data which is projected into the future as the forecast.
- Life cycle analysis bases the forecast upon whether the product is judged to be in the introduction, growth, maturity or decline stage of its life cycle.
- Simulation uses computer to model the forces which affect sales: customers, marketing plans, competitors, flow-of-goods, etc. The simulation model is

mathematical replication of the actual corporation.

- Experts systems use the knowledge of one or more forecasting experts to develop decision rules to arrive at a forecast.

New product forecasting is of particular interest in view of its importance to decision making. In addition, large errors are typically made in such forecasts.

When the new product is in the concept phase, a heavy reliance is usually placed on intentions surveys. Intentions to purchase new products are complicated because potential customers may not be sufficiently familiar with the proposed product and because the various features of the product affect one another (e.g. price, quality, and distribution channel). This suggests the need to prepare a good description of the proposed product. This often involves expensive prototypes, visual aids, product clinics, or laboratory tests

3.3 Self check questions

1. What is a straight line projection?
2. What is a simulation model?
3. Explain Boxjenkins technique.

3.4 FACTORS AFFECTING THE SALES FORECAST

Forecasting helps companies predict what they plan to sell and when they plan to sell it. As such, an accurate sales forecast helps companies maintain adequate stock levels to avoid stock outs, improve customer service, and to determine what raw materials and components are needed to meet current and future demand. Further, accurate forecasts help companies manage extended supply chains.

Credible forecasts can come from those who have the actual customer contact. Get the salespersons most closely associated with a particular product line, service, market or territory to give their best estimates. Experience has proven the grass roots forecasts can be surprisingly accurate. Accurate sales forecasts allow functional areas, such as marketing, advertising, human resources, and finance, to effectively develop programs to advance the company.

Factors that can Affect Sales Forecast

There are number of factors which affect the sales forecast, some of them are controllable and some are uncontrollable.

3.4.1 External

- Competition
- Special events
- Fashions or styles
- Holidays
- Population changes
- Seasons

- Competition, direct
- External labour events
- Productivity changes
- Family formations
- Births and deaths
- Consumer earnings

3.4.2 Internal

- Promotional effort changes
- Labour Problems
- Shortages, inventory
- Credit policy changes
- Product changes, style, quality
- Shortages, production capability
- Sales motivation plans
- Price changes
- Service changes, type, quality
- Shortages/working capital
- Distribution methods used

3.5 SUMMARY

This chapter discussed the sales forecasting which involves predicting the people who will purchase, given the product features and the conditions of the sale. It also considers the external and internal factors affecting the sales forecast and different techniques for sales forecasting. Company must be careful when it goes for sales forecasting of new product.

3.6 SHORT ANSWER QUESTIONS

1. What do you understand by sales forecasting?
2. Explain Delphi method and jury of executive method.
3. What is Bayesein decision theory?
4. Explain the sales forecasting process.

3.7 LONG ANSWER QUESTIONS

1. Explain the various internal and external factors affecting sales forecasting.
2. What are the various quantitative and qualitative techniques of sales forecasting?

3.8 SUGGESTED READING

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- Chunawalla, S. A. and Sethia, K. C., **Advertising Theory and Practice,** Himalaya Publishing.
- Sontakki. C. N., **Advertising,** Kalyani Publishers

3.9 SELF CHECK QUESTIONS (ANSWER KEY)

3.1 1. Sales forecasting involves predicting the number of people who will make purchase, given the product features and the conditions of the sale.

2 Financing and Valuation, Inventory Management and Order Management

3.2 s 1. Straight-line projection is a visual extrapolation of past data which is projected into the future as forecast.

2 Simulation uses computer to model the forces which affect sales: customers, marketing plans, competitors, flow-of-goods etc.

It uses the auto correlative structure of sales data to develop autoregressive moving average forecast from past sales.

SALES ORGANIZATION: STRUCTURE AND CULTURE

STRUCTURE

4.0 Objectives
4.1 Introduction
4.2 Purpose of Sales Organisation
4.3 Setting up a Sales Organisation
4.4 Basic Types of Sales Organisation Structure
4.5 Field Organisation of the Sales Department
4.6 Centralization Versus Decentralization in Sales Force Management
4.7 Schemes for Dividing line Authority in the Sales Organisation'
4.8 Summary
4.9 Short answer Questions
4.10 Long answer questions
4.11 Suggested Reading
4.12 Self answer questions (Answer key)

4.0 OBJECTIVES

After reading this chapter, the students should be able to:

- To know the Sales organizations
- To know about measuring of advertising
- To understand types of sales organisation

4.1 INTRODUCTION

Effective sales executives insist upon sound organization. They recognize that the sales organization must achieve both qualitative and quantitative personal selling objectives. Over the long haul, it must achieve qualitative objectives-those concerning personal-selling's expected contributions to achievement of overall company objectives. In the short run, it must attain the quantitative personal-selling objectives-not only sales volume but other objectives related to "profit*' (such as keeping selling expenses within certain limits) and to "competitive position" (such as attaining given market shares). Achieving short- run quantitative personal-selling objectives precedes attainment of the long-run qualitative personal selling objectives. The effective sales executive looks upon the sales organization both with respect to the here and now" and to the "future." But the sales organization makes its major contribution in the present and the near term-recognizing this, the effective sales executive builds both sales mindedness and profit-mindedness into the sales organization.

A sales organization is both an orienting point for cooperative endeavor and a structure of human relationships. It is a' group of individuals striving jointly to reach qualitative and quantitative objectives, and bearing informal and formal relations to

one another. Implicit in the concept of a sales organization is the notion that individual members cooperate to attain ends. The sales organization is not an end in itself but rather the vehicle by which individuals achieve given ends. Existence of a sales organization implies the existence of patterns of relationships among subgroups and individuals established for purposes of facilitating accomplishment of the group's aims and objectives.

Organizational defects often trace to lack of attention given to sales organization during the early existence of a company. When setting up a business, management is more concerned with financing and non-marketing problems. Executives of new enterprises consider organization questions, but most often these relate to non-marketing activities. In manufacturing, for example, as products are improved, production quantities increased, new products added, and production processes developed, the manufacturing organization is adapted to changed situations. Similar alterations in the sales organization are frequently neglected or postponed.

Sales organizations in man)' companies evolved without regard for changing conditions. The basic setup designed when the company was new remains, despite, for example, changes in selling style and size of sales force. The sales organization, after all, is the vehicle through which personal-selling strategy is implemented. A well-designed sales organization, like a well-designed automobile, accomplishes more, and more economically, than does one that is an artifact.

The sales organization should be adjusted to fit-ideally, to anticipate- changing situations. Shifts in marketing, in competition, and in other business factors call for changes in the sales organization. The ideal sales organization has a built-in adaptability allowing it to respond appropriately in fluid and diverse marketing environments.

4.2 PURPOSES OF SALES ORGANIZATION

With the ideally organized sales department, wasted motion and duplication of effort would be eliminated, friction would be minimized, and cooperation maximized. Dynamic characteristics inherent in marketing preclude the achievement of such perfection. But when sufficient attention is given to sales organization, the ideal is approached, if not attained, and personal-selling efforts increase in productivity.

Executive effort expended on sales organization need not, indeed should not, go exclusively to questions of design, that is, of the "formal* organization plan. How an organization works is more important than how it is supposed to function. Sales management should direct its main organizational efforts toward the 'informal[1]' organization. Through intelligent leadership and related "human relations" talents, the skilled manager moves both individuals and informal groups along lines that facilitate achievement of the purposes of formal organization.

1. To Permit the Development of Specialists

As a business expands, marketing and selling activities multiply and become increasingly complex. It is difficult to fix responsibility for performance of all necessary activities, particularly when executives are reluctant to delegate authority.

One purpose of reorganizing the sales department is to facilitate assignment of responsibility and delegation of authority. This often requires reshaping the structure so that, it is easier for specialists to develop. In fact, specialization, or division of labour as economists call it, is the chief means through which the processes of organization and reorganization are affected. As tasks grow in number and complexity, they are broken down into manageable units and are assigned to specialized personnel. This involves fixing responsibility for specific tasks of specific individuals (or, occasionally, with certain groups). The assignments made are called "delegations of authority.' This is conducive to the development of specialists.

2. To Assure that All Necessary Activities Are Performed

As a sales organization grows and specialization increases, it is increasingly important to perform all necessary activities. What is ''necessary" changes over time. When jobs are highly specialized, danger exists that the organizational plan will not provide for supervision of all activities. Essential tasks may not be per formed, simply because they are not assigned to specific individuals.

When a company is small, for instance, its executives are in close contact with users of the product. As a company grows, as marketing channels lengthen, and as the marketing area expands geographically, top executives become farther and farther removed from the customers. As soon as executives begin I lose their informal contacts with customers, an individual should be assigned responsibility for maintaining such relationships. If these contacts are highly important, responsibility for maintaining them should be assigned to an executive specializing in customer relations.

3. To Achieve Coordination or Balance

Good organization achieves coordination or balance. Individuals vary in competence, potential, and effectiveness. Particularly forceful executives may prevent a basically sound organization from functioning smoothly. Their personalities may be such that through assumption of authority, failure to delegate it, or both, their positions are magnified out of all proportion to their importance. Worse yet, total accomplishments of the organization are less than they could have been if, so to speak, greater advantage had been taken of the synergistic effect- when the sum of a combination effort exceeds the efforts of the same individuals working alone. By getting people to pull together as a team rather than as an assortment of individuals, the organization accomplishes more collectively than its members could independently.

Motivating individuals to work together toward common objectives is, then, important in achieving coordination. Individual goals are subordinated to, or reconciled with, organizational goals. Some of the means for accomplishing this are indoctrination and training programs group meetings, supervision and guidance, and two-way communications. Throughout the sales organization different activities are kept in proper relation to one another in order that the greatest organizational effectiveness is realized.

As specialists emerge in a growing sales organization, management must guard

against a tendency of each to search for ways to justify his or her own existence. One form of justification is to devise technical nomenclatures that non-specialists in other areas have difficulty understanding. This, in turn, leads to increasing communications difficulties with other specialists and a reduction in overall organizational effectiveness. These instances of uncoordinated proliferation suggest that top sales executives should concern themselves continually with orchestration of effort. Modern organizational theory suggests that sales departments should be divided into small, freely communicating, face to face groups to decrease the possibility of uncoordinated proliferation.

4. To Define Authority

Sales executives should know whether their authority is line, staff, or functional. Line authority carries the power to require execution of orders by those lower in the organizational hierarchy. Staff authority is the power to suggest to those holding line authorities the method for implementation of an order. Functional authority enables specialists in particular areas, such as in technical product service, to enforce their directives within a specific and limited field. Line executives make decisions on the need, place, and time of action over a wide range of matters. Staff executives advise line executives about methods but have no formal power to require or enforce the execution of their recommendations. Functional executives are specialists experts in some aspect of the business-who assist executives holding general line authority. For example, such specialists advise on new product introduction. They do this by issuing orders, mainly on routine technical problems, directly to lower organizational levels. All executives should understand the nature of their authority with respect to each aspect of the operation; otherwise, friction develops. When, for instance, staff executives attempt to exercise line authority, they are headed for trouble with the line executives whose authority is usurped. A sales organization receives directions from several sources. A salesperson, for instance, may get instructions on merchandising the advertising from an advertising specialist, directions for administering a questionnaire to customers from a marketing research technician, and general supervision and direction from the district sales manager. This conflict with traditional organizational theory, which, in general, has said: No person should have more than one boss. The supporting argument is that, if individuals receive instructions from multiple sources, they may get conflicting and confusing directions. The argument is a good one, but the "one-boss" rule does not necessarily follow. Modern organizational theory points out, and rightly so, that the real problem is one not of avoiding the multiple-boss situation but harmonizing orders and directives from different sources. A smoothly operating sales organization has built-in ways of achieving harmony. Two important ways are continuing coordination of the work of different executives and free-flowing communications systems.

5. To Economize on Executive Time

As a sales department's operations and activities increase in complexity and number, additional subordinates are added. This permits higher-ranking sales executives to delegate more authority. It also allows for the more effective use of specialization, while higher executives devote less time to operations and more to

planning. One purpose, then, of organization-and one often overlooked-is achieving economies in the use of executive time. Top sales executives need not concern themselves personally with all the sales department s problems and activities, particularly routine or technical ones, when they have capable and well- trained subordinates.

However, as sales executives gain subordinates, they must devote more attention, and probably more time, to coordinating their efforts. Unless the executive is an effective coordinator, subordinates may not work in harmony or discharge assignments in line with expectations.

In building the sales organization, then, the need for effective coordination limits the number of subordinates who report directly to certain executives. This limit is the "span of control." It is not possible to specify the proper number of subordinates. But the greater the abilities of the coordinator and of those reporting to him or her, the larger the number that can be effectively coordinated. Lower-level sales executives, however, those with salespeople reporting directly to them, have a wider span of control than higher executives devoting much time to planning and policy formulation and little to administrative and operating details. One must consider not only relative abilities of the coordinator and the subordinates, but the nature and importance of the coordinator's other du ties. Furthermore, in deciding optimum span of control for a particular position, other factors arc taken into account. The span of control is widened: (I) with improvements in the efficiency, speed, and reliability of the communications system; (2) when subordinates perform routine, similar, or repetitive tasks; and (3) when subordinates are concentrated at the same location as the executive.

4.2 Self check questions

1. What is the importance of sales organisation?
2. What is the most important feature of a sales organisation.

4.3 SETTING UP A SALES ORGANIZATION

Not often is a sales organization built entirely from scratch, as some structure usually exists. Most problems of sales organization, in other words, arc problems of reorganization- the sales organization exists and the goal is to make it more effective. It is appropriate, nevertheless, for the sales executive to approach the organizational problem, each time it arises, as though a completely new organization were being built. There are five major steps in setting up a sales organization:

1. Defining the Objectives

The initial step is to define the sales department's objectives. Top management, of course, defines the long-run objectives for the company, and from these, the general, or long- run, objectives for the sales department arc derived. Considered collectively, general objectives constitute top management’s vision of the company at some future time. Top management, for instance, may want the firm not only to survive but to achieve industry leadership, develop a reputation for outstanding technical research, diversify its product lines, provide excellent service to customers,

furnish investors with a generous return, establish an image of public responsibility, and so on. From such composites, sales management determines the implications for the sales department and articulates a set of qualitative personal-selling objectives. Quantitative personal-selling objectives, in turn, are set with an eye on the qualitative objectives. Survival, for instance, is the most basic qualitative objective of any enterprise as well as its sales department, and this requires, among other things, a continuing flow of sales revenue; so, securing a given level of sales volume is an important sales department quantitative objective.

Survival also requires profits. Hence, a second qualitative personal-sellmg objective is to produce profits, not only by making profitable sales but by controlling departmental costs and expenses. Furthermore, survival requires growth in both sales and profits; otherwise, in a growing economy the company is destined to fall behind competitors or even risk being forced out of business. It follows that a third qualitative personal-selling objective is to realize long-term growth in sales and profits. Therefore, three of the sales department general objectives- all traceable to management's desire for survival of the firm-may be summed up in three words : sales, profits, and growth.

Qualitative personal-selling objectives are indispensable for long-range planning arid must be kept in mind while short-range planning. Quantitative personal-selling objectives are required as operating guideposts. Thus, the qualitative personal-selling objective of producing profits may be translated into specific quantitative personal-selling objectives such as "to increase our market share of the hand-held calculator business to 20 percent by the end of the current year" and "to secure four wholesalers in Australia and one in New Zealand to introduce our vest-pocket calculators in those markets next year." People in the sales department, as those elsewhere, work more effectively, with less wasted time, effort, and money, when assigned definite goals. The sales department as a whole, similarly, operates more smoothly, and its activities arc more purposeful, when it has specific quantitative objectives.

The qualitative objectives set for the sales department form the basis for the general policies governing its long-term performance. The quantitative objectives set are the foundations from which to develop day-to-day operating sales policies and programs. A thorough examination-perhaps even a restatement of the qualitative and quantitative goals of the sales department is the logical place to begin the task of reorganization.

2. Determination of Activities and Their Volume of Performance

Fundamental to sound organizational design is recognition that activities are being organized. Only after determining all necessary activities and estimating their volume of performance is it possible to answer such questions as: What executive positions are required? What should be their relationships to other positions? What should be the duties and responsibilities of persons who fill these positions?

Determining the necessary activities and their volume of performance is a matter of analyzing the sales department’s qualitative and quantitative objectives. Thorough examination discloses which activities must be performed in what volume.

The activities involved in modern sales management arc similar from firm to firm, and although individual sales executives think that their operations arc different, most differences are more apparent than real. Almost every sales department carries on the same general activities; differences among departments arc those of detail, of relative emphasis placed upon individual activity and in volume of performance.

3. Grouping Activities Into Positions

Next, the activities identified as necessary are allocated to different positions. The planner must keep in mind that activities are aimed at achieving certain objectives- ultimately the composite provides the raw material from which job descriptions are compiled (in terms of reporting relationships, job objectives, du ties and responsibilities, and performance measures).

Activities are classified and grouped so that closely related tasks are assigned to the same position. Each position should contain not only a sufficient number of tasks but sufficient variation to provide for job challenge, interest, and involvement. Only in very large organizations, where extreme specialization is practiced, should a position comprise only a single activity, and even here the burden of proof should be on those proposing such a move. Pressures of administrative economy are generally strong enough that most position holders are responsible for a number of diversified, although related, activities.

Certain activities arc of crucial importance to success of the sales department, and this has implications for organizational design. For example, in a highly competitive field, product merchandising and pricing are assigned to positions high up in the organizational structure. Activities of lesser importance are assigned to lower-level jobs.

When a large number of positions is being set up, groups of related jobs are brought together to form departmental subdivisions. In most cases, a number of intermediate-level positions would, in turn, have to be coordinated by the top sales executive. Nevertheless, the planner should guard against building too many levels into the department. The smallest number of administrative levels that permits the organization both to perform its activities and to operate smoothly is best.

4. Assignment of Personnel to Positions

The next step is to assign personnel to the positions. This brings up the question of whether to recruit special individuals to fill the positions or to modify the positions to fit the capabilities of available personnel. This is a question that has long been controversial. Compromises are frequent. On the one hand, some position requirements are sufficiently general that many individuals possess the necessary qualifications, or can acquire them through training. On the other hand, some individuals possess such unique talents and abilities that it is prudent and profitable to modify the job specifications to fit them. Nevertheless, planners prefer, whenever the situation permits, to have individuals grow into particular jobs rather than to have jobs grow up around individuals.

5. Provision for Coordination and Control

Sales executives who have others reporting to them (that is, those with line authority) require means to control their subordinates and to coordinate their efforts. They should not be so overburdened with detailed and undelegated responsibilities that they have insufficient time for coordination. Nor should they have too many subordinates reporting directly to them-this weakens the quality of control and prevents the discharge of other duties. Thus, in providing for coordination and control, consideration must be given the span of executive control.

Control and coordination is obtainable through both informal and formal means. Strong leaders control and coordinate the efforts of their subordinates largely on an informal basis. Through sheer force of personality coupled with unusual abilities to attract and hold the loyalty of followers, the strong leader tends to make minimal use of formal instruments of control and coordination. But all sales executives, whether strong leaders or not, can improve their effectiveness through formal instruments of control.

The most important formal instrument of organizational control is the written job description. This instrument sets forth for each job: reporting relationships, job objectives, duties and responsibilities, and performance measurements. The most critical section is that of setting forth the job objcctives-many planners argue that the job objective section should be the part emphasized and, to the extent possible, the person who holds the job should be allowed to deter mine how to achieve these objectives. This not only encourages position holders to use their own initiative but makes it clear that they are to achieve stated job objectives even if that requires performing duties and responsibilities beyond those contained in job descriptions. Few sales executives will dispute this argument, but most are also convinced that there is merit in detailing duties and responsibilities and in defining the measures for evaluating the position holder's performance.

Good job descriptions provide clear pictures of the roles job holders are to play' in the sales organization, and arc also useful in other situations. Written job descriptions find use in employee selection processes. They are used, too, in matching job specifications with applicants' qualifications where recruits cannot be found with all desired qualifications, job specifications form the basis for training. Position holders, in addition, can use their job descriptions as yardsticks against which to appraise their own performances.

An organizational chart, another control instrument, shows formal relations among different positions. A chart reduces confusion about the individual's role. An organizational chart delineates formal relations and, because of this, rarely provides a true picture of how the organization actually works. Nevertheless, availability of an organizational chart enables members of a sales department to learn the nature of their formal relations with others, to know with whom they are expected to cooperate, and to clarify their formal roles.

An instrument of organizational control used increasingly is the organizational manual. It is an extension of the organizational chart. Typically, it contains charts for both the company and the departments, write-ups of job descriptions and specifications, and summaries of major company and departmental objectives and policies. The organizational manual brings together a great deal of information and

helps its users to learn and understand the nature of their responsibilities, authorities, and relations with others.

4.4 BASIC TYPES OF SALES ORGANIZATIONAL STRUCTURES

If sound practices arc followed in setting up the sales department, the resulting structure takes on features of one or more of four basic types: line, line and staff, functional, and committee. The grouping of activities into positions and the charting of relationships of positions causes the organization to take on structural form. The first two types (line and line and staff) are the most common. Functional and committee organizations are rare. Most sales departments have hybrid organizational structures, with variations to adjust for personalities and to fit specific operating conditions.

The sales department's structure evolves from the needs of the business. No two companies have identical sales organizations, because no two have identical needs. The customers, the marketing channels, the company size, the product or product line, the practices of competitors, and the personalities and abilities of the personnel arc but a few of the factors affecting the organizational structure of the sales department. So numerous are the factors influencing the structure of individual sales departments that it is impractical to draw generalizations about the many possible "mixed" types; the discussion that follows is an analysis of the four basic types. Organizational planners should know the chief features of each type, and its respective merits and limitations. If they have this background and understand the other factors influencing the structure of the sales department, they are equipped to evaluate its appropriateness.

1. Lines Sales Organization

The line organization is the oldest and simplest sales organizational structure. It is widely used in smaller firms and in firms with small numbers of selling personnel- for instance, in companies that cover a limited geographic area or sell a narrow product line. The chain of command runs from the top sales executives down through subordinates. All executives exercise line authority, and each subordinate is responsible only to one person on the next higher level. Responsibility is definitely fixed, and those charged with it also make decisions and take action. Lines of authority run vertically through the structure, and all persons on any one organizational level are independent of all others on that level.

The line sales organization sees its greatest use in companies where all sales personnel report directly to the chief sales executive. In these companies this executive often is preoccupied with active supervision and seldom has much time to devote to planning or to work with other top executives. Occasionally, however, the line sales organization is used where more than two levels of authority **Eire** present.

The basic simplicity of line organization is the main reason for its use. Because each department member reports to only one superior, problems of discipline and control arc small.

Lines of authority and responsibility are clear and logical, and it is difficult for

individuals .to shift or evades responsibilities. Definite placement of authority and responsibility saves time in making policy changes, in deciding new plans, and in converting plans into action. The simplicity makes it easy for executives to develop close relations with salespersons. With this working atmosphere, it is not surprising that executives who come up through a line organization are frequently strong leaders. As the typical line sales department has few organizational levels, administrative expenses are low.

The greatest weakness of the line sales organization is that so much depends upon the department head. The head needs outstanding ability and rare qualifications, and should be well versed in all phases of sales management, for there are no subordinates with specialized skills and knowledge. Even if the head is an all-around expert, there is insufficient time for policymaking and planning, since rigidity of the line structure requires that a great deal of attention be given to direction of sales operations. The head often must make decisions and take action without benefit of planning. Under such conditions, results are often disappointing.

For rapidly growing concerns and for those with large sales staffs, the line organizational structure is inappropriate. As the department grows, new layers of executives must be added to retain control. Orders and directions must be passed down through a growing series of administrative levels. Managerial effectiveness becomes impaired and results are less predictable, as directions become more and more distorted and garbled at each succeeding organizational level. Moreover, as growth proceeds, earlier advantages of close relations among executives and salespeople are sacrificed and maintaining morale becomes a greater challenge.

Not many executives have the talents needed to manage a large-scale line sales department effectively, and line organization offers little opportunity for subordinates to acquire these skills. Ordinarily, the stakes are too high, except perhaps in the smallest companies, for management to gamble on the availability of a replacement at the time needed. Sound organizational practice dictates that trained understudies are ready to step into the shoes of their superiors. But more often than not, chief sales executives in line sales organizations fail to groom their own replacements.

2. Line and Staff Sales Organization

The line and staff sales department is often found in large and medium-sized firms, employing substantial numbers of sales personnel, and selling diversified product lines over wide geographic areas. In contrast to the line organization, the line and staff organization provides the top sales executive with a group of specialists-experts in dealer and distributor relations, sales analysis, sales organization, sales personnel, sales planning, sales promotion, sales training, service, traffic and warehousing, and similar fields. This staff helps to conserve the top sales executives' time and frees them from excessively detailed work. They make it possible for their chiefs to concentrate their efforts where they have the most skill. If the top sales executive is not equipped, through prior training or experience, to handle certain problems, staff specialists assist in increasing overall effectiveness of the department. Similarly, by delegating problems involving considerable study or detailed to staff executives the top sales executive has more time for planning and for dealing with

higher-priority matters.

Staff sales executives do not have authority to issue orders or directives. Staff recommendations are submitted to the top sales executives, who if they approve, transmit necessary instructions to the line organization. Departures from this procedure are occasionally made. For example, staff members may be authorized to deal directly with line executives regarding execution of plans and implementation of policies developed by the staff and approved by management. Although staff members act on behalf of line sales executives in these in stances, they assume joint responsibility for results. This departure from the normal procedure is justified if it speeds the translation of staff plans into line action. Note the difference between the assistant to and assistant. The assistant to is a staff executive who is given a broader operating area than those staff specialists with more descriptive titles. In contrast, the assistant has general line authority delegated by the superior. The assistant general sales manager is an understudy of the general sales manager who performs assignments of a line nature in the name of the superior. The assistant to the general sales manager carries part of the general administrative load that would otherwise be borne by the general sales manager.

The advantaged of the line and staff organization are mainly those of specialization. The chief sales executive, being relieved from much detail work, can take a broader view of the department. Problems can be seen in clearer perspective, and connections between apparently unrelated problems arc brought into focus. A pool of experts provides advice and assistance in specialized fields. Planning activities are subdivided and apportioned to staff members, and decisions and policies rests on a sounder base than in the line organization.

Meanwhile, the top sales executive can concentrate on control and coordination of subordinates. Staff members assume much of the burden of solving problems in their areas. Thus, the top sales executive can devote more attention to the human aspects of administration.

The specialization made possible by line and staff organization is also the source of its weaknesses. Work of the staff specialists must be coordinated, and this is costly. Other administrative expenses may also increase, unless the number of staff executives is kept in line with departmental needs. The staff should be expanded only when it can be shown that the contributions of new staff members will equal or exceed the costs of maintaining them.

Close control over staff-line relations is essential. If staff people issue instructions directly to line executives, it is difficult to prevent some persons from evading unwanted responsibilities. All areas in which line and staff executives share authority and responsibility should be noted in written job descriptions and in the organizational manual. All other areas of responsibility and authority should be delineated and assigned to specific individuals.

When the line and staff sales organization is used, the time between problem recognition and corrective action tends to widen. This results from giving staff executives time to study problems before making recommendations to the decision makers. This interval is reduced by permitting staff planners to assist in expediting the implementation of the plan. But, as already indicated, this may play into the hands of

those wanting to evade responsibility. When time is important, though, it is wise to use staff people in this capacity. However, when sales people take instructions from several sources, confusion may result, especially if experts overstep their authority. Then, too, problems in maintaining contact with individual salespersons are multiplied.

3. Functional Sales Organization

Some few sales departments use functional organization. This type, derived from the management theory developed by Frederick W. Taylor, is based upon the premise that each individual in an organization, executive and employee, should have as few distinct duties as possible. The principle of specialization is utilized to the fullest extent. Duty assignments and delegations of authority are made according to function.

No matter where a particular function appears in the organization, it is in the jurisdiction of the same executive. In the functional sales department, sales people receive instructions from several executives but on different aspects of their work. Provision for coordinating the functional executives is made only at the top of the structure; executives at lower levels do not have coordinating responsibilities. In contrast to the line and staff organization, all specialists in a functional organization have line authority of a sort-or, more properly, they have functional authority. Instructions, and even policies, can be put into effect with or without prior approval of the top-level coordinating executive.

The outstanding advantage for the functional sales department is improved performance. Specialized activities are assigned to experts, whose guidance should help in increasing the effectiveness of the sales force. The sheer size of the sales force in many large firms makes the highly centralized sales operations of a functional organization impractical. This limitation is traced to the requirement in the functional model for a lone official to coordinate the specialists. Most large firms need more administrative levels when the marketing area is extensive, when the product line is wide, or when large numbers of selling personnel are required. It is possible to use modified versions of the functional model-versions providing for a modicum of decentralization and for more administrative levels-but in its pure form, at least, functional organization for the sales department is inappropriate.

The practicality of functional organization for the sales department is open to question. Small and medium-sized firms do not find it feasible, or financially possible, to utilize the high degree of division of labor. It is sometimes contended that functional organization is suitable for large firms with stable operations and with opportunity for considerable division of labor; however, certain characteristics of functional organization cause it to be rejected even by most large firms. Large companies with stable selling operations are the exception rather than the rule.

4. Committee Sales Organization

The committee is never the sole basis for organizing a sales department. It is a method of organizing the executive group for planning and policy formulation while leaving actual operations, including implementation of plans and policies, to

individual executives. Thus, many firms have a sales training committee (comprised of the general sales manager, his or her assistants, the sales training manager, and perhaps representative divisional or regional sales managers) that meets periodically to draft training plans and formulate sales training policies. Implementation of these plans and policies, however, is the responsibility of the sales training manager, if the company has one, or of the line and/or staff executives responsible for sales training in their own jurisdictions. Other committees found in sales organizations include customer relations, operations, personnel, merchandising, and new products.

The use of committees in the sales department has advantages. Before policies are made and action is taken, important problems are deliberated by committee members and are measured against varied viewpoints. Committee meetings, where ideas are interchanged and diverse opinions are present, promote coordination among members of the executive team. When problems are aired in the give and take of committee meetings, cooperation is likely to be better than under any other organization plan. However, unless decision making and policy formulation are left to specific individuals, it is impossible to fix responsibility. Committees render their most important service in providing focal point for discussion and for the making of suggestions; so many companies prohibit committees from making decisions or formulating policies. No committee should develop into a vehicle for the evasion of responsibility.

For committees to operate effectively, other precautions are necessary. The agenda must be planned and controlled to avoid wasting time of executives not directly interested in the topics considered. The tendency for committees to consume large amounts of time is counteracted if the chairperson keeps the discussion focused upon the subject at hand. But the chairperson should not dominate. Chairpersons should guide discussions within specified bounds, but they should not force their opinions on others.

4.4Self check questions

1. Which structure is followed in companies that cover a limited geographic area or sell a narrow product line
2. Which type of sales organisation is based on management theory developed by Frederick W. Taylor?
3. Which type of sales organisation is found in large and medium-sized firms, employing substantial numbers of sales personnel, and selling diversified product lines over wide geographic areas

4.5 FIELD ORGANIZATION OF THE SALES DEPARTMENT

Every growing company faces, sooner or later, the necessity for establishing a field sales organization. The sales manager can personally supervise field selling operations when a company is young, when only a few salespeople are employed, when the sales force travels out of the home office, and when the marketing area is small. As more salespersons are added, it is increasingly difficult to supervise and

control them. If growth in sales volume is to parallel additions to the sales force, either the same marketing area must be worked more intensively or new areas must be penetrated. Both alternatives call for closer supervision and control of field sales personnel.

The field organization consists of all employees of the sales department who work away from the home office. All outside salespeople are included, as are traveling sales supervisors, branch and district, managers, and clerical employees in branch and district offices. Also included are service, repair, and sales promotion personnel. Although not all are concerned directly with increasing the effectiveness of field selling operations, each makes contributions to that end.

The two main purposes of a field organization are (1) to facilitate the selling task and (2) to improve the chances that salespeople will achieve their goals. Sales personnel count on the field organization for assistance and support. Their jobs should be made easier because of it.

The makeup of the field organization is influenced by the organizational philosophy of the management. Companies that consider centralization desirable have complex supervisory organizations. Each salesperson is subjected to close supervision hence the need for a considerable force of supervisors. Firms that believe in decentralization, in contrast, permit individuals in the Field to operate more on their own.

Numerous factors influence the size of the field organization. The larger the firm, assuming similar sales-related marketing policies, the greater the required number of salespeople, supervisors, and regional, branch, and district managers. The relative emphasis placed on personal selling in the marketing program affects the size of the field organization. For example, the firm selling directly to retailers, ultimate consumers, or industrial users commits itself to the performance of a sizable personal selling task, and it requires a field organization of commensurate size. In contrast, companies using wholesalers find that their field organizations can be correspondingly smaller, since parts of the personal selling and other tasks are transferred to these middlemen. Other factors affecting the size of the Held organization include desired frequency of sales calls, number of customers and prospects, and geographical spread of sales accounts.

4.6 CENTRALIZATION VERSUS DECENTRALIZATION IN SALES FORCE MANAGEMENT

In the centralized sales organization almost all activities, including sales force management, are administered from a central headquarters. The central sales office has full responsibility for recruiting, selecting, training, compensating, supervising, motivating, controlling, and evaluating the sales force. In the de centralized organization, in theory at least, all these activities are handled by field sales executives.

A decentralized sales organization is one in which there is decentralization in management of various selling tasks and in performance of certain important personnel management activities. For example, branch or district sales offices may do the recruiting, selecting, motivating, and supervising; the central head quarters may

handle training, compensating, and evaluating; and the branches and the central headquarters may share responsibility, in proportions varying with the marketing situation and management philosophy, for other aspects of sales force management. It is rare, in other words, for sales force management to be either 100 percent centralized or 100 percent decentralized. Management's appraisal of relative costs and effectiveness results in some aspects being centralized and others decentralized.

Centralization in sales force management varies. Smaller companies that have few salespeople and confine their operations to a small geographical area, keeping the unit of sales high, the sales call frequency low, and the caliber of salespersons relatively high, incline toward centralized sales force management. Manufacturing firms relying almost entirely upon specialized wholesale middle men for marketing of their products need only minimum sales forces and, there-fore, tend toward centralization. Local wholesalers with restricted sales areas also have small sales forces and, by the mature of their operations, are highly centralized. The principal factor determining centralization, then, is a small size of sales force, but other marketing factors, such as those illustrated, also move a company in this direction.

High decentralization in sales force management is found mainly among companies with large sales forces. Likely to have considerable decentralization, for instance, is a manufacturing firm distributing a wide line of consumer products over a vast market area and selling directly to varied retailers-all conditions indicating the need for a large number of salespeople. Wherever marketing conditions require large sales forces,[1] the economies and effectiveness of decentralization are more attractive than are those of centralization.

Other things being equal, there is a strong pull in the direction of sales force decentralization as a company grows. This is true even though decentralization requires at least one more level of sales management, and the maintenance of branch and district offices (or both) causes additions to other fixed operating costs. With growth, the advantages of decentralized sales force management increasingly outweigh the higher costs. Among these advantages are:

1. More intensive cultivation of the market and, consequently, a higher sales volume to absorb the higher fixed costs.
2. More effective control, improved supervision, and increased sales productivity resulting from the addition of at least one intermediate level of sales executives, and from reduction of geographical separation of executives and sales personnel.
3. Improved customer service stemming from more effective control of sales personnel.
4. Reduced need for and costs of territorial "break-in" time, since more salespersons are recruited from the areas to which they are assigned.
5. Improved sales force morale-there are more frequent contacts with executives, reductions in travel time, and fewer nights away from home.
6. Lower travel expenses salespeople are dispatched from decentralized points, and fewer field trips by home office sales executives are required.
7. A "built-in" management development program-branch and district offices not only provide realistic training but serve as proving grounds for future

high-level sales executives.

4.6 Self check questions

1. In which sales organization almost all activities, including sales force management, are administered from a central headquarter
2. Branch or district sales offices may do the recruiting, selecting, motivating, and supervising; the central head quarters may handle training, compensating, and evaluating, it is an example of?

4.7 SCHEMES FOR DIVIDING LINE AUTHORITY IN THE SALES ORGANIZATION

As marketing operations expand, line authority and responsibility eventually become excessively burdensome for the top sales executive. There are increasing number of people to supervise. Ordinarily, the first remedial step taken is to add a general line assistant, for example, an assistant general sales manager. As the burden of line administrative work continues to grow, it is necessary to provide additional assistants. These new subordinates are given line responsibilities narrower than those of the assistant, general sales manager. Although they work with a variety of matters, their assignments cover a limited area of operations. Tasks of line administration are subdivided among these new assistants in one of three ways: (1) by geographic area, (2) by products, or (3) by customers or marketing channels.

1. Geographic Division of Line Authority

The large firm with far-flung selling operations is likely to subdivide line authority geographically. This is particularly so if the characteristics of large numbers of customers vary by geographic location, if different selling problems are encountered in different areas, or if certain products are more strongly demanded in some regions than in others. But there is an even more compelling reason for dividing line authority geographically-as more customers arc added and as a wider area is cultivated, the size of the sales task increases enormously. Setting up geographic divisions is a way of cutting the sales task down to manageable proportions. When centralized administration becomes too great a burden for the top sales executives, secondary line executives are delegated authority to conduct sales operations within smaller areas. Geographic division is usually made first into regions or divisions. These may or may not be broken down further into districts or branches.

When line authority is divided geographically, local problems are handled speedily. It is not necessary to wait for decisions from the home office; many questions of importance to customers can be answered by executives personally acquainted with local conditions.

Shortening the lines of communication makes possible closer supervision of salespeople, which, in turn, helps in improving customer service. Local markets can be cultivated intensively, and tactics of local competitors can be met and countered in the field.

However, this system calls for multiple offices, so administrative expenses

increase. Then, too, the top sales executive faces coordinating several regional operations. Unless this coordination is effective, conflicting policies may develop in different regions.

2. Product Division of Line Authority

A second scheme for dividing line authority is to split the sales task among sub ordinate line executives, each of whom directs sales operations for part of the product line. When authority is so divided, more than one sales force may be required. Some companies' product lines are too wide to be distributed economically by a single sales force. Others sell both highly technical and non technical products; thus some salespeople need specialized training and some do not. In still others, economies of a single sales force are reduced or eliminated because different products are marketed to different types of customers.

The decision to use the product type of sales organization should rest on whether the benefits of product specialization outweigh the additional expenses. If they do rot, it is wiser to organize the sales force on some other basis. Gains associated with specialized salespersons, who concentrate on selling specific products, must be outweighed against increased expenses. Maintaining more than one sales force results in higher administrative and travel expenses. There are almost certain to be times when two company sales personnel selling different products make calls on the same customers. Although specialized salespeople may give more "push" to individual products, many customers object to multiple calls from the same company. The benefits of specialized sales forces are greatest for companies selling broadly diversified lines, reaching different markets with different products, and encountering unique selling problems for the various products.

3. Customer (or Marketing Channel) Division of Line Authority

The third scheme for subdividing line authority is by type of customer or marketing channel. This is appropriate when nearly identical products are marketed to several types of customers and the problems of selling to each type are different. When the same, or similar, products are sold to a number of industries, they often find different applications in each industry. In each industry, the products arc used for different purposes. Customers not only have different needs, they are influenced by different buying motives. Thus, special sales forces sell to each major type of customer.

Other companies, especially in the Consumer-Goods field, pattern their sales organizations after the marketing channels. Although ultimate consumers may be substantially alike, they frequently must be reached in different ways (that is, they may buy the product in different types of outlets). Problems of distributing to chain stores are often unlike those of selling to independent wholesalers and retailers, and specialized sales training programs are often required. In cases of this kind, the problems of selling vary more with the marketing channel than they do with the product or geographical location; consequently, line authority is subdivided according to marketing channels.

4. Dividing Line Authority on More than One Basis

Few companies use a single basis for subdividing line authority. Most use a combination, subdividing the selling task more than once, to permit greater specialization. Nearly every large sales department subdivides authority on the geographic basis at some level of organization, but this is done usually in combination with either the product or type-of-customer system. If geographical differences arc more important than those of product or type of customer, the primary subdivision is geographical, and the next is at a lower organizational echelon according to one of the other bases. If geographical differences are of lesser importance, the procedure is reversed. The factor most important to the marketing success of the company should form the basis for the first subdivision, and less important factors should determine subsequent breakdowns at lower organizational levels.

4.8 SUMMARY

There is growing recognition of the need to apply sound principles of organization to the sales department. Organizational planning is a continuing activity, and the sales department structure is adjusted to changing marketing needs. This has evolved as less emphasis has been placed on securing orders and more attention has been paid to control of costs and expenses and the realization of net profits. These trends are of great importance. As they continue, an increasing number of sales organizations are structured more logically. Selling activities are preformed with less waste effort, and total effectiveness of the sales effort is enhanced. These advances result in significant benefits to the firms achieving them, and to their customers.

4.9 SHORT ANSWER QUESTIONS

1. What is a sales Organisation?
2. What is the importance of sales organisation?
3. What is the difference between centralized and decentralized organisation.
4. What is the difference between line and line and staff organisation.

4.10 LONG ANSWER QUESTIONS

1. Explain the various types of organisation structure.
2. Discuss the process of setting up a sales organisation.

4.11 SUGGESTED READINGS

- James S. Norris, **Advertising,** Prentice Hall of India Private Limitec, New Delhi
- Chunawalla, S. A. and Sethia. K. C., **Advertising Theory and Practice**, Himalaya Publishing.
- Sontakki. C. N., **Advertising,** Kalyani Publishers.

4.12 SELF CHECK QUESTIONS (ANSWER KEY)

4.2 1. To ensure that all activities are performed on time, to achieve balance and coordination in firm

2. Adaptability,

4.4 1. Line

2. Functional sales organisation

3. Line and staff organisation

4.6 1. Centralized

2. Decentralized

ADVERTISING RESEARCH

STRUCTURE

5.0 Objective
5.1 Importance of Advertising
5.2 Need for Advertising Research
5.3 Advertising Research
5.4 Media Research
- 5.4.1 Media Audiences
- 5.4.2 Print Media
- 5.4.3 Radio and Television
  - 5.4.3.1 Coincidental Method
  - 5.4.3.2 Roster Recall
  - 5.4.3.3 Diary Method
  - 5.4.3.4 The Audimeter
- 5.4.4 Copy Testing
  - 5.4.4.1 Consumer Jury
  - 5.4.4.2 Psychological Tests
  - 5.4.4.3 Rating Scales
  - 5.4.4.4 Psychological Tests
  - 5.4.4.5 Inquiry Tests
  - 5.4.4.6 Laboratory Testing
- 5.4.5 Simulated Sales Tests
- 5.4.6 Day-after Recall Tests
  - 5.4.6.1 Recognition Tests
  - 5.4.6.2 Recall Tests
  - 5.4.6.3 Sales Tests

5.5 Summary
5.6 Short answer questions
5.7 Long answer questions
5.8 Suggested Readings
5.9 Self answer questions (Answer Key)

5.0 OBJECTIVES

In this lecture, we will discuss the utility of marketing research in the field of advertising research:

- Importance of Advertising

- Need for Advertising Research
- Media Research
- Copy Testing
- Paradoxes in the evaluation of Advertising Research

5.1 IMPORTANCE OF ADVERTISING

A study done by the Centre for Media Studies emphasizes the phenomenal growth in advertising that has taken place in India in recent years. It observes: By any count 1986-88 years will go down as a turning point in the Indian advertising industry." A number of factors have contributed to this growth. First, advertising expenditure has crossed the Rs.1000 crores. Second, advertising through TV has become a force to reckon with. Third, consolidation and realignment of advertising agencies has taken place. Fourth, newspapers and magazines have to woo advertisers and advertising agencies. Fifth, advertising expenditure is no longer questioned following the new buoyancy in the market. Another study - shows that five consumer megatrends have swept across the urban landscape in India. These are; the new individualism, the growing multi- culture orientation, the search for status a harder look at brand values, and the new aspirations among the consumers. These mega trends have emerged as a result of four forces of change in the Indian society. These forces arc: more purchasing power with consumers, availability of wide variety of products and brands, availability of greater information about products and brands, and changes in the socio-economic environment in the country. In view of these developments, advertising has assumed more importance in recent years. This rising trend will continue on account of a number of factors such as increase in urbanization, expansion of education, increase in per capita income, etc. This would mean that companies will give far more attention to their advertising efforts, use more sophisticated and improved advertising techniques and be more concerned about knowing the impact of their advertising efforts.

5.1 Self check questions

1. What are the major reasons behind the growth of advertising?

5.2 NEED FOR ADVERTISING RESEARCH

The role of research in advertising can be seen in various stages of advertising planning. First, what should be the objectives of advertising? Unless the objectives are clear, advertising cannot be useful. Research would enable the company to be clear in its objectives of advertising. Second, advertising research should be used for developing a strategy for marketing the product in question. Further, the selection of the target audience can be facilitated by advertising research. In this connection, mere demographic classification will not be adequate. It may be equally necessary to pay attention to product usage behaviour. Another aspect where research can be useful is the selection of message that an advertisement should carry and through what media it should be conveyed. This is a major area of advertising research. Finally, research has

to concern itself with the evaluation of advertising in order to find out whether the expenditure on advertising has been justified or not. If not, the reasons should be ascertained so that in improvement in advertising can be made in the future. In short, research can be instrumental in increasing the efficiency of advertising as a result of which the pay-off from advertising expenditure will increase.

5.3 ADVERTISING RESEARCH

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5.4 MEDIA RESEARCH

The main issues in media research are:

(a) How to choose amongst media types - television, radio and newspapers?

(b) How to decide on a specific insert within a particular type of media, say, television? In order to decide on these two issues, it is necessary to have some data. The Advertising Research Foundation (ARF) suggested the following type of data for this purpose :

1. **Media vehicle distribution**: the circulation number for a magazine or newspaper or the number of television or radio sets available to carry the advertising.
2. **Media vehicle audience**: the number of people exposed to the media vehicle. This would be larger than the number in (1) above as more than one person reads the same newspaper/ magazine or watches on the same television set.
3. **Advertising exposure**: the number of people exposed to a specific advertisement in the media vehicle. This number would be less than the number in (2) above as all those who are exposed to a newspaper/magazine may not notice a particular advertisement.
4. **Advertising perception:** the number of people who perceived the advertisement in question. This number would be less than that in (3) above. The people may perceive an advertisement because of several factors such as its large size, use of attractive colors or positioning in the media vehicle or on account of the product involved.
5. **Advertising communication:** the number of people who comprehend specific things about the advertising. This number would obviously be less than the number of people who perceived.

6. **Sales response:** the number of people who buy the product in question as a result of advertising. This number would be far less than that in (5) above.

It may be noted that of these six categories, there is an interaction of media and message in the last four categories. This makes it difficult to obtain the numbers for media alone in respect of these categories. Accordingly, media vehicle data are generally obtained for the first two categories, viz. media vehicle distribution and media vehicle audience.

5.4.1 MEDIA AUDIENCES

Media research comprises, inter alia, the measurement of the size and break-up of individual vehicle audience. We will discuss this under two heads - print media and radio and television.

5.4.2 PRINT MEDIA

Prior to the reports of the Audit Bureau of Circulation (ABC), the measures regarding individual vehicle audiences were those which the media themselves claimed. Such measures were rather inflated as any individual media vehicle would suggest that its circulation is far and wide. Since the ABC's reports are now available, these inflated measures have ceased. The ABC compiles its report which gives the size of circulation of a newspaper/magazine on the basis of certified audits. This information while being useful, it's not sufficient. It is difficult to estimate precisely the size of audience for a particular publication. The data collected by merely asking respondents as to whether they have looked at a particular copy would be unreliable. This is because some respondents may regard reading a particular magazine as a status symbol and hence they may report exaggerated readership. Likewise, reading of some magazines may be regarded as below one's status and hence their readership may be reported to be much less than in reality. Another important aspect in determining the audience size for print media is the extent of duplication between magazines. This is because readership of three or more magazines among respondents is quite common. But the data on readership seldom give the extent of duplication. The problem is how to get the size of 'unduplicated' audience. A detailed study is to determine the duplication among a large number of magazines would obviously be very expensive, not to mention the time it would involve.

5.4.3 RADIO AND TELEVISION

There are four methods to measure the size of the audience for any radio and television program. These methods are discussed briefly below.

5.4.3.1 Coincidental Method

First of all, a sample of households having a telephone is selected. This is followed by an inquiry on telephone as to whether a particular program on radio is being listened or being watched on television. Other information such as the name of the sponsor and the product being advertised is also collected. The main advantages of this method are that it is quick and economical. It has some limitations though. First, the method has to be confined to only those households which own telephones. In a country like India, a large number of households do not

have telephones and hence they have to be excluded. Second, since the enquiry has to be conducted while a particular program is in progress only a limited number of households can be contacted in this short duration. Finally, it is extremely difficult to undertake an enquiry with respect to late night programs.

5.4.3.2 Roster Recall

As the same names implies, a roster or list of programs is used to facilitate respondents to recall what programs were listened to or watched. Respondents are contacted personally by interviewers. This method has some major limitations. First, the responses are dependent upon memory. Second, depending o*n the status or popularity or otherwise of a particular program, respondents may give their replies regardless of whether they have listened to a program (or seen it). Third, the method is unable to provide information on a continuing basis. Finally, it is not possible to estimate duplication in the audience as respondents are approached for programs within short estimate duplication in the audience as respondents are approached for program within a short time period. It is possible to estimate the number of persons who watch both programs, falling within the same time span on which respondents are being contacted.

5.4.3.3 Diary Method

As the name implies, this method uses a diary for estimating the number of persons listening to or watching different programs. A diary, especially designed for this purpose, is issued to respondents who have agreed to furnish the desired information. Each respondent records his radio listening or television viewing, along with personal data such as age and sex in this diary. If respondents accurately record their radio listening or television viewing, this method would give accurate and complete information, eliminating the errors that may arise due to memory lapse and interviewer bias. Further, it is cheaper than other methods involving personal interviewing and recall. However, in practice, one may find that respondents are not so careful in listing the programs listened to or viewed by them. Besides, there is a lack of continuity in the flow of information as the diary method is unable to provide the estimate of an audience, say, minute-by-minute. Apart from this, some respondents in the panel may stop giving the information sought or move to another address. In such a case, how far the panel will remain representative of the population is a moot question.

5.5.3.4 The Audimeter

As Audimeter is an electronic machine attached to a television set. As soon as the television set is turned on, the Machine records it on the tape. In advanced countries, this method is frequently used. The audimeter ensures a continuous flow of information which is not possible in any of the earlier methods. This is its main advantage. Another advantage of this method is that there is complete objectivity in the information thus collected. Moreover it is possible to have a cumulative estimate of the audience since the audimeter sample will be almost the same from month to month. The method suffers from some limitations as well. First, turning a set on does not necessarily mean that the program in question is being watched. Second, the method cannot indicate as to who is watching a program.

5.4.4 Copy Testing

Another important area in advertising research is copy testing. The word 'copy' is used to denote an entire advertisement, including the message, pictures, colors, etc, regardless of the medium in which the advertisement has appeared. As Shirley Young says: “Copy testing is troublesome for almost everybody”. Most advertisers and agencies have a checkered history of its use and often differ on both what and how to measure. This continued dissatisfaction, with copy testing has led to a never ending search for the next new technique to embrace, "Methods of copy testing can be divided into two categories, viz. before' tests and 'after' tests. The former category includes all those tests that are used in ascertaining the suitability or otherwise of an advertisement before it is finally released. Their purpose is to effect improvements in the copy or advertisement. The latter category includes tests to measure the effectiveness of an advertisement after it has been formally released. Despite this distinction, at times the difference between the two types of method gets blurred. This is because some 'before' methods require that an advertisement should be run one or two media. A number of pre test methods are used for copy testing. In this section, we will discuss the following methods:

- ‘ Consumer jury,
- Portfolio tests,
- Rating scales,
- Physiological methods,
- Inquiries, and
- Laboratory testing.

5.4.4.1 Consumer Jury

In this method, a sizeable number of consumers from (the target audience are shown a set of rough and unfinished advertisements. With respect to these advertisements, they arc asked such questions as: Which copy would you prefer to read? Which one would induce you to buy the product? Which headline is the most interesting? Paired comparisons or ranking may be used by respondents. The assumption in this method is that at least one of the advertisements shown will be liked by them.

5.4.4.2 Portfolio Tests

According to this method, a number of alternative copies that are to be tested are placed in a portfolio. At times, the copies arc placed in dummy copies of magazines or newspapers. Respondents are given the portfolio and asked to go through it. After they have done so they are asked to recall the copies from memory. Such a recall may be cither unaided or aided. The interviewer may facilitate recall by asking about specific advertisements. The interviewer may further ask the respondent to recall the advertisement as much as possible. The extent of recall will indicate the strength of the copy.

5.4.4.3 Rating Scales

This method involves the use of certain standards against which a copy is tested. They copy is rated on the basis of scale values. As a result, a numerical score is obtained. It may be added that weights may be assigned to different factors or items on the basis of which a copy is to be tested, depending on their relative importance or relevance. This method is generally used by professional advertising agencies which are able to 'rate' advertisements without any difficulty. This method has one major advantage as it provides a list of factors against which a copy is to be tested. However, there are certain limitations. First, the problem is how eights are to be assigned to different items. Second, different respondents will rate the items differently. It is difficult to say who is right in his rating. Third, an overall high score of a copy does not necessarily mean a superior copy. This is because that copy might have scored high ratings with respect to several items and low ratings with respect to only a few items.

5.4.4.4 Psychological Tests

This method uses a number of psychological techniques to find out the reactions of respondents to a given advertisement. Techniques such as word association, sentence completion, depth interviewing and storytelling are used by trained psychological to find out what respondent see in a given advertisement and the influence it has on them. As it is extremely difficult to interpret the information obtained on the basis of psychological tests, only trained persons should be appointed to carry out this test. In view of this, only a small sample can be used for such tests.

5.4.4.5 Inquiry Tests

Some advertisements may invite several inquiries from the readers about a given product or service. However, it is questionable whether a large number of inquiries can be regarded as a good yardstick for a successful advertisement. Inquiry tests can take several forms. One way could be to place the offer in different copies in different issues of the same magazine/newspaper. These offers are keyed to a specific advertising copy. If the number appeals more to readers. Another variant could be to give the same offer in different advertising copies that appear in different newspapers or magazines. This assumes that there are only negligible differences among different media. However, this may not be the case. Sometimes, the same offer is made through two pieces of copy. One piece of copy is carried in half the copies of the newspaper or magazine and the second piece of copy is carried in the remaining half. Inquiries received are then linked to the two pieces of copy. Inquiry tests can be developed in the form of controlled experiments to ascertain the impact of an advertisement copy. However, one has to exercise great care in isolating the effect of other factors from that of advertising.

5.4.4.6 Laboratory Testing

This method uses mechanical devices to measure the respondent's psychological responses to a given advertisement. The commonly used tests are the galvanic skin response and the eye movement. As regards the former, a device is used to measure changes in the amount of

perspiration in the hands. This may be taken as a measure of emotional change as a response to an advertisement. However, the test is unable to indicate whether such an emotional change is favorable or unfavorable to an advertisement. In the latter test an eye camera registers the continuous movement of the eye as it reads an advertisement. However, the results obtained from the an eye camera are difficult to interpret. For example, if the eye was fixed on a certain point could it be interpreted that the respondent was interested in the advertisement or that he was confused?

5.4.5 Simulated Sales Tests

These tests expose prospective consumers to different pieces of copy through point- of-purchase displays or direct mail. Thus, one may select two groups of similar stores where two alternative pieces of copy are displayed at the entrance or at some other place in the store. Sales of the product in question are measured both before and after the display of copy in the two groups of store. The copy in those stores which have registered a higher increase in the sale of the product over time is regarded as a better copy. Likewise, comparisons can be made between two pieces of copy using direct mail. While these tests are both more economical and simpler than actual sales tests, one major limitation is that there is no certainty that the advertisement when actually given will have the same result as at the time of the test.

5.4.6 Day-after Recall Tests

These tests are generally undertaken for television commercials. The test involves an on-air exposure of a commercial in a couple of cities. This is followed by a telephonic enquiry of the respondents to find out if they can recall the message. The aggregate recall score that is arrived at is compared with a standard score based on similar studies. If the score given by the commercial is higher than the standard score, it is inferred that the advertisement is useful and should be telecast on a larger television network. The main advantage of this test is that it is performed in a natural setting. Moreover, a proper sample design can be used in this method. In contrast, the major limitation is that it turns out to be a test of the respondent’s ability to remember. This does not necessarily establish that the respondent will behave in a different way as a result of watching the commercial on television. How far can be recall be related to a change in the respondent's attitude and behaviour? This is a pertinent question which is difficult to answer in the context of day- after recall tests.

There are three methods that are frequently used to test an advertisement after its formal release. These are recognition test, recall test and sales test. They are described below.

5.4.6.1 Recognition Tests

These tests are carried out with respect to a printed advertisement and commonly referred to as a readership study. Here, the respondents are asked if they have read a particular issue of a magazine. They are further asked as to what they saw and read. Generally, the respondent is shown a particular page of the magazine and then the following measures of recognition are taken

Seen-Associated - the percentage or readers who read a part of the advertisement which indicates the brand or advertiser.

Read Most - the percentage of readers who read a major part of the advertisement.

Scores are assigned to these three measures and overall scores are determined for all the advertisements contained in a particular issue of the magazine. These scores are then related to the expenditure incurred on the advertisement. In this way: cost ratios can be determined. The recognition method has certain limitations. Some respondents may confuse specific advertisements with similar or identical advertisements seen elsewhere. Respondents may forget having seen an advertisement earlier or falsely claim they have seen it.

5.4.6.2 Recall Tests

In this method respondents are asked to recall specifics of the advertisement. In the foreign countries, there are some advertising agencies that offer a post-testing readership service. To begin with, copies of test magazines are sent to a sample of respondents who are asked to read them in a normal manner. Telephone interviews are held on the following day. Respondents are read out a list of advertisements and asked to identify those they remember and the extent to which they are able to recall. Thus, scores are assigned to the ability of the respondent to remember the name of the product, the underlying message contained in the advertisement and their favorable attitude regarding the advertisement. Recall tests, no doubt, go beyond recognition tests but it is difficult to say that recall scores indicate the desired consumer behaviour. Recall scores may be high and yet there may not be any perceptible change in the consumer behaviour with respect to the product in question.

5.4.6.3 Sales Tests

This method measures the effect of an advertisement on the sale of the product. The assumption is that changes in sales are as a result of the advertisement. However, as there are several factors influencing sales, one has to be extremely careful in establishing a relationship between advertising and sales. It is desirable to isolate the influence of other factors while determining the impact of an advertisement on the sale of the product. Experimental studies can be designed to study the impact of an advertisement on sale.

5.4 Self check questions

1. **What are the techniques used in Psychological Tests?**
2. Which tests are included in Laboratory testing?
3. In which method, respondents are asked to recall specifics of the advertisement?
4. Which method measures the effect of an advertisement on the sale of the product
5. The number of people exposed to a specific advertisement in the media vehicle is called ……..

5.5 SUMMARY

Advertising Research enable the Company to be clear in the objectives of Advertising. Different types of data/Information are needed to finalize the Advertising. Copy testing is the best way for the Advertising Research

5.6 SHORT ANSWER QUESTIONS

1. What is Advertising Research? Why it is needed?
2. Write a note on Copy testing.
3. What are the major issues in media research?
4. Explain media vehicle audience.

5.7 LONG ANSWER QUESTIONS

1. Explain the various methods to measure the size of the audience for any radio and television program.

2. Discuss the importance of advertising in today's competitive scenario.

3. What is copy testing? Discuss the pre test methods which are used in copy testing?

5.8 SUGGESTED READING

- James S. Norris, **Advertising,** Prentice Hall of India Private Limited, New Delhi
- Chunawalla, S. A. and Sethia. K. C., **Advertising Theory and Practice**, Himalaya Publishing.
- Sontakki. C. N., **Advertising**, Kalyani Publishers.

5.9 SELF CHECK QUESTIONS (ANSWER KEY)

5.1 1. Increase in urbanization, expansion of education, increase in per capita income

5.4 1. word association, sentence completion, depth interviewing and storytelling

2. galvanic skin response and the eye movement
3. Recall Tests
4. Sales tests
5. Advertising exposure

CONSUMER BEHAVIOUR AND ADVERTISING

STRUCTURE

6.0 Objectives
6.1 Introduction
6.2 Determinants of Consumer Behaviour
6.3 How Advertising Work
6.4 Consumer Decision Making Process
6.5 Summary
6.6 Short answer Questions
6.7 Long answer questions
6.8 Suggested Readings
6.9 Self check questions (Answer key)

6.0 OBJECTIVES

After reading this chapter, the students should be able to:

- To understand the Advertising and Consumer behaviour,
- To know the factors affecting the advertising,
- To know the consumer buying process,
- To understand the advertising process.

6.1 INTRODUCTION

The goal of adverting is to persuade the consumers to purchase product .If advertising is to succeed; advertisers must understand how consumer think and make decisions about products. Consumers are influenced by social and cultural, personal and psychological factors .Marketers and advertisers assume that people in different social classes behave differently for different reasons. Individual's characteristics strongly influence consumer behaviour. These characteristics can be divided in to demographic and psychographic variables. All marketing starts with the consumer. Consumer may be referred to any one engaged in evaluating, acquiring, using or disposing of goods and services which he expects will satisfy his needs. Buying and consuming is something we all do nearly every day. As consumers, we are continually undertaking simple as well as complex purchases; understanding how these purchase decisions are made and what factors influence them is the focus of consumer behaviour. For most businesses, the key to success is to identify potential customers, appreciate their needs and wants, and then to supply those needs whilst also meeting their own business

objectives. For marketers, understanding how consumers behave is an integral part of correctly identifying their real needs, and also of understanding how the seller and the consumer can link up effectively. Consumers of all types go through complex decision-making processes at some time before they commit themselves to a purchase or make a decision to continue to buy and to consume a product or service. Consumer behaviour refers to how a consumer behaves or acts or reacts in making a purchase of goods and services of his choice in different situations. The term consumer behave can be defined "as the behaviour, that consumers display in searching for .purchasing ,using, evaluating and disposing of products, services and ideas which they expect will satisfy their need". Thus, consumer behaviour means the behaviour of an individual in making purchases keeping in view his available resources (money, time and efforts) or in other words, it shows how individuals make decisions to spend their limited available resources. The study of consumer behaviour is equally important for advertising just like it is important for other activities of marketing and business. Mostly there are several types of appeals used in persuasive advertising i.e. fear appeal, humor appeal and sex appeal.

- **Fear Appeal**- In some situations fear appeal seems reasonable. The fear may be physical fear, fear of social disapprovals, or other fear which may be logically used by the marketers in influencing consumer's attitude or behaviour towards the advertised brand.
- **Humor Appeal**- Many marketers use humorous appeal in their advertisement with the belief that it will draw attention of the audiences and therefore increase the acceptance of their message.
- **Sex** In **Advertising**- The use of sexually attractive models and sexually suggestive themes in advertising has a long history. It is, therefore very difficult to predict the effectiveness of sex appeal in advertising because little is known about specific reactions of such types of sex appeals in promoting products. The effectiveness of sex appeal is difficult to predict. Even then advertisers do continue to use sex appeals in their advertisements, who so? The reason behind it is that such ads have their attention value.

An advertising campaign has to be based on the accurate prediction of consumer behaviour and its impact on the market and product promotion. No businessman is in a position to help his king -the consumer in solving his consumption problems unless he understand him, his buying process and the factors influencing it the phrase "consumer behaviour consumer behaviour is something to do with an individual or a person giving a micro-analysis. On the other hand, consumption behaviour is one that relates to a group of mass of people standing for macro - analysis. The basic determinants of consumer behaviour that controls his internal thought process are his needs, motives, personality, attitudes and perceptions. The consumer is continuously influenced by the environment of family, social class, references groups and his cultural milieu.

6.1 Self check questions

1. What is consumer behaviour?
2. What are the several types of appeals used in persuasive advertising?

6.2 DETERMINANTS OF CONSUMER BEHAVIOUR

Consumer behaviour is analyzed under factors affecting consumer behaviour and the advertising process. The determinants of consumer behavior may be broadly grouped into three areas as- economic, psychological and sociological.

6.2.1 ECONOMIC DETERMINANTS:-

There may be several Economical factors which influence consume behavior

1. **Personal income-** Personal income is the reward his or her economic efforts put in. It is a source of purchasing power. Here personal income is divided into disposable and discretionary income.
2. **Family income-** Every individual has his family where other may or may not contribute toward the total income. It is the size of the family and its requirement and the family income that have bearing on the consumer behaviour.
3. **Expected income-** The extant of current spending by an individual to determine not only by the current income but also by the expected income in future.
4. **State of Liquid Assets-** Liquid assets are these assets which are held in cash or near cash forms. The extent of such assets also has impact on consumer behaviour.
5. **Current Standard of Living-** There is direct relationship between income earned and the extent of spending, an established standard of living enjoyed for several years will not come down easily with the decrease in the income.

6.2.2 SOCIAL DETERMINANTS OF CONSUME BEHAVIOR

There may be several social factors which influence consume behavior

1. **Reference group-** A reference group is an association of persons which is respected and identified which other persons aspire to. An advertising campaign may refer to this group as the basic of consumer behavior. An individual while formulating his behavior refers to the behavior of a group or another person and tries to conform to it. It is our daily experience that the people are influenced by what others buy especially those with whom they compare, or those whom they use as reference group. Every product has a different reference group.
2. **Family-** The family is an important component of society. A person born in a family inherits certain social status and it remains till his adult heat, he may improve his family status through own efforts. The nature, attitude and size of the family life-cycle cannot be under estimated because family needs differ with the different stages of family life cycle. The changing status of woman and the greater importance of woman in society have changed the advertising pattern.
3. **Opinion Leaders-** Whenever a person refers to an individual to formulate his behavior pattern, such a person is referred to as an" opinion leader". Opinion leaders are those members of society who have great influence on the purchasing choices of the people to the product .Sportsmen, Actor. Actresses, Doctors and Influential

members of society are preferred for advertising purposes.

4. **Personal Influence-** The term personal influence refers to any change in an individual attitude or behaviour as a result of interpersonal communication. Advertising has a significant influence on the buying habits of consumers.
5. **Social Class and Caste-** Social class is relatively permanent and homogenous division in a society into which individuals or family share similar values, lifestyles and behavior can be categorized. These categorized, take place into four as- Brahmins- Kshatriyas- Vaishyas and Shudras in India. The consumer behavior of the people belongings to different social classes and castes is being influence by the requirements prevailing. The social class can also be divided according to education, income, age, etc. The member a particular social class has similar wants, desires, attitudes beliefs and values. An advertising campaign takes note of the attitude and motives of each social class with a view of influencing the members of that class.
6. **Culture-** The term culture refers to the composition of human activities. The behaviour of men and woman determine their culture. In some societies, men have more power than woman. The consumer needs are reflected in the cultured percepts or norms that define the values. Buyer's judgments are based on culture, attitudes, values and norms he has assimilated in the course of time.

6.2.3 Psychological Determinants

The mental factors that determine the consumer behaviors are

1. **Motives-** Motives are reasons for action. Motives is a need drive urge-stimuli-driving force making a person to behave this way or that way. Motivation is a state of mind that's directs the consumer toward a specific goal. There may not **be** a single motive to action. Motives change from time to time. Motives delivered by moods are not predictable. The economic condition, age, sex occupation etc influence the motives of people. Advertising too, can motivate people to purchase. Motives may be physiological and psychological, primary and secondary, controllable and uncontrollable or they may have arisen from needs and wants.
2. Personality- Personality is the consistent pattern of responses to the impringes put upon him from internal and external stimuli. Personality to contribute towards consumer behaviour. Personality is the characteristics that account for difference among the people and are predicative of their behaviour. It tells about the kind of consumer behaviour that may be expected from the person. The personality traits are not equal in strength in all individuals. There are basically four techniques in measuring personality-(a) rating method.(b) situational test
   (c) Projective techniques (d) inventory schemes. There are three important personality theories (1) Freudian theory (2) social theory or Neo-Freudian theory and (3) Trait theory. Freudian theory is the oldest theory.
3. **Perception -**The term perception refers to the way in which an individual views himself and the world around him. Perception is the reception of stimuli through the senses and attaching meaning to it. Perception is highly selective. A person sees

what he wants to see and hear what he wants to hear. In case he does not like what he perceives, he distorts and modified it to suit his personal needs. Perceives, he is of two kinds-subliminal perception and cognitive dissonance.

4. **Attitudes-** An attitude is the predisposition of a person to act or to react in a certain manner toward and object or stimulus or a person or a product. The two components of attitudes are cognitive and affective as recognized by the psychologists. The consumer behaviour is greatly influenced by the attitudes that are formed on the basis of the guidelines provided by individual factors.
5. **Learning-** The methods of learning and desire to know may guide advertiser to frame a suitable advertising campaign. Psychologists have put forth two theories of learning-Stimulus response and cognitive response learning refers to the changes in behaviour bright about by practice or experience. Persons attitudes, beliefs, tastes, perception, roles, motives are the result of learning.
6. **Self concept-** An individual behaviour is deeply influenced by his own image as viewed by himself or the manner in which he wants others to see him. A consumer perceives products he has or wants to have from symbolic angles so that they match to his self-concept.

6.2 Self check questions

1. What is self concept?
2. What do you mean by attitude?
3 What is a reference group?

6.3 HOW ADVERTISING WORK

There is a close relationship in between advertising and consumer behaviour. The advertising may influence consumer behaviour positively. The effect may also be negative if the process is not effectively designed. There are Mass communication, involvement, brand and product image and persuasive communication elements which should be used to attract consumers and motivate them to purchase the products. The advertising should be utilized in the light of consumer behaviour, because it is very difficult to change consumer behaviour in a day or very soon.

Mass communication-In this advertising is done for mass market. The advertising plan is formulated in the light of a particular pattern of consumer behaviour. Words, message, strategy and program used to attract consumer. Mass communication media, such as the radio, television, the newspaper, magazine, railway station posters are used to influence consumer. The communication should transmit those messages which can be received by receiver, since the receiver is influenced by socio-psychological factors, the process of communication i.e. sending, encoding, decoding receiving and feedback, should be designed in the light of consumer behaviour. It should be designed to attract the attention of the receiver. The communication should arouse interest, awareness and desire to purchase the product.

Involvement- Advertising can be made successful by the involvement of consumers by exposure, cognition, behaviour and effect. In a dynamic society, the high involvement theory is more effective because consumer behaviour is not too rigid and fix. It goes on changing from time to time and place to place. In the low- involvement or traditional Culture, advertisers have to accept the culture as given. They cannot change behaviour without facing problems.

Brand and Product Image- Brand and product image play a major role in advertising as well as in consumer behaviour. Consumers are influenced by brand and product image. Once a particular image has been developed, it is very difficult to change it very soon. The brand and image however can be modified by effective advertising and by respected consumer behaviour. Selective exposure, selective perception and selective retention of human behaviour are given due Consideration in the formulation of an advertising campaign.

Persuasive Communication- A persuasive communication is designed to inform and persuade consumers to Purchase a product. The fear appeal, the humour appeal, source credibility, conclusion Drawing appeal, etc. are used for persuasion purposes. The learning theories are also used when drawing up advertising plans. The forgetting, the decay of advertising effects and sleeper effects are considered to influence consumers. The effects of repetition should be borne in mind when formulating a particular strategy of advertising.

What is consumer behaviour and how do consumers make decisions? These questions are at the core of much of marketing examination over the past 60 or 70 years. As marketers manipulate the various principles of marketing, so do the consumers they seek to reach-choosing which products and services to **buy,** and which not to buy, choosing which brands to use, and which brands to ignore.

6.4 CONSUMER DECISION MAKING PROCESS

For the companies operating in the highly competitive industry, in order to gain competitive advantage one of the most important conditions is to determine and then manipulate on factors influencing consumer behavior. For satisfaction of needs or wants consumer behavior includes selection, purchase and use of goods or services.

The Six stages for decision making process are-

1. **Problem Recognition {awareness of need)** Need recognition arises when the consumer feels that there is a gap between his or her current situation and desired condition. This must be caused by internal stimuli, such as strive, thirst or by external stimuli, such as advertising, product packaging etc.
2. Information Search
   - Internal search, memory.
   - External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping: public sources etc. A successful information search leaves a buyer with possible alternatives, the evoked set.

Hungry, want to go out and eat, evoked set is

- Chinese food
- Indian food
- Burger king

3. **Evaluation of Alternatives** Need to establish criteria for evaluation, features the buyer wants or does not want. Rank/weight alternatives or resume search. May decide that you want to eat something spicy, Indian gets highest rank etc.
   If not satisfied with your choices then return to the search phase. Can you think of another restaurant? Look in the yellow pages etc. Information from different sources may be treated differently. Marketers try to influence by "framing" alternatives.

4. **Purchase Decision** Choose buying alternative, includes product, package, store, method of purchase etc.
5. **Purchase** May differ from decision, time lapse between 4 **&** 5, product availability.
6. **Post-Purchase Evaluation-outcome** Satisfaction or Dissatisfaction. Cognitive Dissonance, have you made the right decision. This can be reduced by warranties, after sales communication etc. After eating an Indian meal, may think that really you wanted a Chinese meal instead.

6.5 SUMMARY

The chapter discussed the Consumer behaviour and its relationship with advertising. There are number of factors which have affect on both consumer behaviour and advertising. Advertiser must take care of consumer behaviour at the time of advertising.

6.6 SHORT ANSWER QUESTIONS

1. Explain the **Psychological Determinants affecting consumer behaviour**
2. **Explain social class, caste and culture**
3. **Who are opinion leaders?**
4. **What is fear and humor appeal?**

6.7 LONG ANSWER QUESTIONS

1. Explain the consumer decision making process.
2. Explain the various factors affecting consumer behaviour.

6.8 SUGGESTED READINGS

- James S. Norris, **Advertising**, Prentice Hall of India Private Limited, New Delhi
- Chunawalla. S. A. and Sethia. K. C., **Advertising Theory and Practice,** Himalaya Publishing.
- Sontakki. C. N., **Advertising,** Kalyani Publishers
- Jobber.David, Geoff Lancaster, "Selling and Sales Management", Pearson

Education.

6.9 SELF CHECK QUESTIONS (ANSWER KEY)

6.1 1. Consumer behaviour means the behaviour of an individual in making purchases keeping in view his available resources

2 Fear, humor and sex appeal

6.2 1. his own image as viewed by himself or manner in which he wants others to see him

2 the predisposition of a person to act or to react in a certain manner toward an object

3 an association of persons which serve as a point of reference for individuals to assess and shape their own identity and behavior

LESSON NO. 7 **AUTHOR: MANVINDER TONDON**

MEDIA PLANNING, MERITS AND DEMERITS OF VARIOUS MEDIA TYPES, EMERGING MEDIA

STRUCTURE

7. Objectives
7.1 Introduction
7.2 Media Planning
7.3 Steps in Media Planning
7.4 Significance of Media Planning
7.5 Types of Media
7.6 Advertising Media scheduling
7.7 Pros and Cons of Media
7.8 Emerging Media
7.9 Keywords
7.10 Short Question Answer
7.11 Long Question Answer
7.12 Suggested Readings
7.13 Self-check Question (Answer key)

1. OBJECTIVES

After reading this chapter, you should be able to:

- Define media
- List the objectives of media
- Types of media
- Merits and demerits of media
- Emergence of media

7.1 INTRODUCTION

In general, "media'' refers to various means of communication. For example, television, radio, and the newspaper are different types of media. The term can also be used as a collective noun for the press or news reporting agencies. In the computer world, "media" is also used as a collective noun, but refers to different types of data storage options.

Computer media can be hard drives, removable drives (such as Zip disks), CD-ROM or CD-R discs, DVDs, flash memory, USB drives, and yes, floppy disks. For example, if you want to bring your pictures from your digital camera into a photo processing store, they might ask you what kind of media your pictures are stored on.

7.2 MEDIA PLANNING

The professional Media Planner ensures that the advertising promotion of products and services are visible and communicate with as much of the target audience as it can reach with the available media budget. His or her responsibilities are as far reaching as the forms of marketing communication and promotions can go. A day in the life of a media planner puts the person in frenzy. Legwork, paper work, and meetings can leave the media planner with no time to organize thoughts and ideas. Putting them into action could be worse. A media planning guide is necessary.

The media planning guide is a marketing media reference that can provide the assistance the media planner or media buyer needs for smooth client and management. Normally media planners and buyers work on several accounts. The media planning job may be combined with media buying. With the marketing media reference presentation of plans and media costs to clients can be as easy as counting one two three. It thus improves competence and skills as expected of a highly trained media planner.

The media plan guide makes media rates and data easily retrievable. It is right at your fingertips. Thus, saving time and eliminating needless delegation. The important time then is used on significant concerns and answering important questions. Time and effort can be better allocated to more important matters.

Relevant knowledge and advice regarding all market trends and facts about advertising media can be instantly browsed with a marketing media reference. The media planner affords all the valuable facts on all major media, local and national in one sitting. Looking over does not have to be done separately. It is all packed together in one compressed set.

You just must listen to the media techniques and solutions provided to make the impressive debut with a new client or prospective customer. The guide will advise and suggest on how to make your ideas and concepts apply to work. These are easy steps to make things easier and within reach. The media planner learns in all kinds of situations. It makes your day-to-day learning into an earning qualification that could propel you to heights.

Learning does not stop the moment a media planner gets out from school. There are hard facts that only real work situation can teach. There are attending accouterments that the job entails for fast and easy and accurate work done. The media plan guide for the media planner has just the right attitude to get the job done the right way.

Media planners and media buyers would find the marketing media reference an excellent source for information about media rates and data. It thus gives the planner just the exact kind of professionalism needed to foster a smooth relationship with the clients. There is no fumbling around with things at meetings for out of the blue questions. Instantly the right answers and solutions can be found with this marketing media reference.

The media planner can give your work a winning edge. Through the range of

services, the compact media planning and buying reference helps you be never at a loss for words and advertising insights. Productivity is at its maximum. Profit makes the world go round and round.

To help you do your job better and more efficiently, the Thumbnail Media Planner will provide you with quick advertising rates, media costs, media audience information, television rates, online advertising costs, for both traditional and nontraditional media. This includes television advertising, radio advertising, magazine advertising, newspaper advertising, online advertising, direct mail, and outdoor advertising.

MEDIA PLANNER

Media Planner is a job title in an advertising agency or media planning and buying agency, responsible for selecting media for advertisement placement on behalf of their clients. The main aim of a Media Planner is to assist their client in achieving business objectives through their advertising budgets by recommending the best possible use of various media platforms available to advertisers. Their roles may include analyzing target audiences, keeping abreast of media developments, reading market trends, and understanding motivations of consumers (often including psychology and neuroscience).

Traditionally, the role of the media planner was quite close to that of the Media Buyer, the obvious distinction being that the planner would advise a plan for advertising and the buyer would negotiate with the Media proprietor on things such as rates, copy deadlines, placement, merchandising, etc. The role of the modern media planner is wider reaching however. Today many agencies are actually eschewing the job title of 'media planner' in favor of titles such as communications planner, brand planner or strategist. This reflects the shift away from 'traditional' media planning to a more holistic approach, with the planner now having to consider (as well as standard above-the-line channels such as TV, print, radio and outdoor) PR, below-the-line channels, in-store, digital media, product placement and other emerging communications channels all for the purpose of ensuring the client s advertising budget is well spent as well as adhering to the overall marketing strategy devised by marketing consultants or the client themselves. Their expanded job scope has thus made greater demands of their time, placing them in immensely pressured situations matched by the states faced by their creative (copywriters and art directors) counterparts.

Though many media planners are housed within ad firms, Initiative Worldwide, Carat, ZenithOptimedia, Starcom, Mindshare and OMD are examples of stand-alone global media planning agencies for general consumer brands. As media opportunities grow increasingly fragmented, greater degrees of specificity and specialization have become expected by advertisers. Specialization within individual vertical industries has become the norm. For example, Communications Media Inc. is known for media planning for the pharmaceutical industry, and would therefore be versed in the complex legality of advertising within that industry. Criterion Global is an international media buyer with expertise in lead-generation media buying, customizing

multi-lingual and multi-market media strategy to suit the return-on-investment objectives of travel, real estate, higher education, and retail brands. Strategic Media, in Washington DC, US specializes in political campaign media buying, which requires special expertise due to legal restrictions on political advertising expenditure and other campaign finance cash-flow regulations.

Self-check Question:

A. What do you understand by media?
B. Define media planning?
C. Explain the significance of media planner?

7.3 STEPS IN MEDIA PLANNING

1. DECIDING ON TARGET MARKETS

Every media plan begins with target audience. The target audience can be classified in terms of age, sex, income, education, occupation, and other variables. The audience can also be classified as children, teenagers, young adults, office goers, newly married couples, parents, grandparents, etc.

The classification of the target audience helps the media planner to understand the media consumption habits, and accordingly choose the most appropriate method or media- mix The media planner can also select the most appropriate programme (in case of radio and TV) to insert advertisement.

Matching Media and Market

Advertisers must always attempt to match the profile of the target market with the demographic characteristics of a given medium's audience. Let us consider an example of cigarette advertising. The target market for this is men in the age group of 25 to 60 years. The advertiser would consider placing ads in magazines having a predominantly male readership. Advertising in magazines having a predominantly female readership would be mostly wasteful for this product. It may be true that rarely does any magazine have a 100 percent male readership. Even so, when selecting a predominantly men's magazine, the advertiser would minimize wasteful expenditure, Some media, such as general interest consumer magazines and newspapers, network radio and television offer to an advertiser the means of transmitting ad messages to a cross-section of the consumer market. Against this, some other media, such as spot radio and television, special interest magazines, business publications, and some business newspapers offer the means of reaching selective group of audience. The selectivity offered by some media is useful for advertisers, for it enables them to reach a distinct target market with minimum waste. In fact, a great deal of information on the media about their demographic characteristics is provided by the media themselves.

2. DECIDING ON MEDIA OBJECTIVES

The media planner has to decide on the media objectives. Media objectives often are stated in terms of reach, frequency, gross rating points and continuity.

Media Objectives

You can contribute most to the media process in the definition of objectives (what you want the plan to accomplish). Before media planning can start, companies have to define the marketing objectives of the product/ idea proposed to be advertised. For example, if a professional camera manufacturer decides to launch an automatic camera to expand his market, his marketing objective would be to reach those segments of the population who are photo enthusiasts but do not want to be hassled by the intricacies of operation of professional cameras, the fun-loving people who want to capture moments of joy and togetherness. The manufacturer may also target the existing professional camera users to consider a replacement in order to have the pleasure of an automatic camera, which obviously will be faster, having mastered the manual one. The marketing objective, hence, would be to extend distribution into new geographic markets or income groups as also the current users of cameras

The following could be the media objectives:

1. To reach photo enthusiasts of that age and income group who are the chief purchasers.
2. To concentrate the greatest weight in urban areas where the target audience would normally be found and where new ideas gain a quicker response.
3. To provide advertising support at a consistent level except when it needs extra weight during announcements and the holiday season, when such target buyers are planning to visit exotic places or to meet their kith and kin.
4. To select those media, which will help strengthen the creative strategy and help demonstrate convenience, ease of shooting and, of course, excellent results. The "Hot Shot" camera with the ‘Khatak’ sound became an instant success with the photo enthusiasts in the late eighties in India.
5. To reach target buyers through those media to gain greater frequency and lesser cost per opportunity

3. MEDIA EVALUATION

After the objectives are defined there is a need to evaluate each media in order to reach a conclusion about the type of media that will be most effective for the accomplishment of the objectives.

The objects of the evaluation are:

1. To see which media are feasible.
2. To pick the main medium.
3. To prepare for the decision on how it should be used.
4. To see whether there are suitable supporting media if required.

Creative Suitability

There may be obvious reasons why a particular medium is especially suitable for the campaign or another is unsuitable, a coupon is to be included or the absence of color is critical. Often the preference of the creative group is not backed up by concrete evidence but they have strong views nevertheless about the media to use and

those not to use.

The agency is not in the business of reaching consumers with exposures of advertisements (which tend to be the media department's natural criterion}, but in the business of selling the product. So, if the creative choice looks at all reasonable in media terms, it is usually sensible for the planning to accept it.

Sometimes the creative choice is unreasonable and may have been reached without full consideration of the alternatives.

An idea

Sometimes a media idea, or better an idea which involves media and creative content, is 'obviously' right or simply a novelty, which is expected to attract attention and so work. A press advertisement in the shape of the product, using publications that have never carried this type of advertising, a radio commercial announcing 'officially' there is now no shortage of the product, a TV commercial that starts with silence and black screen, a poster that looks like a shop window and so on. Sometimes a change is as good as an increased budget.

Proven Effectiveness

When there is evidence that a particular medium is the most efficient, the choice is obvious. The evidence may come from the tests on our own product or from a study of competitor's activities.

The advertiser often insists on using the same medium as before, even without testing its effectiveness. The best predictor of an advertising schedule is the schedule for the previous year. This is not always laziness. It is partly because the media scene is not very different from year to year: media change is dictated by a major shift in the market place, a new medium, a new definition of the target, or a new advertising idea. Advertisers resist change because it involves more risk than to continue with a proven, viable strategy

Availability and Timing

The type of product or copy claim may prevent the use of a medium- this is most likely to rule out TV, on which, for example cigarettes are not advertised. The flexibility required by the advertiser, for example being able to cancel or change advertising at a few days' notice, may also rule out a medium-for example it may make color press impossible.

Competition

"We can't come off the box, that's where our competitors are."

'Look, there's no advertising for this product in women's magazines: let's dominate
there.'

There may be two policies- match the competition or avoid it- the first is more common in media choice. This may be because the main purpose of the advertising is defensive- to reassure existing buyers and reassure existing buyers and diffuse competitors' attacks. It may also be a fear of leaving him to dominate a medium. Or

the medium normally chosen is simply the most suitable for that product group. Or the consumer and the trade have come to expect the advertising to be in that medium and look for it there, so it works best there; on the same principle, shops often do better together in the High Street than scattered over the town.

These arguments apply to large advertisers: McDougalls will not leave spillers to be the only large flour manufacturer on TV, nor Cadburys leave TV to Mars. But for the small budgets it could be inefficient to hit competition at knee-level. A small advertiser might do better to dominate a less used medium

4. CHOOSING AMONG MAJOR MEDIA TYPES:

The media planner has to know the capacity of the mayor media types to deliver reach, frequency, and impact. The major advertising media along with their costs, advantages, and limitations are to be well understood. Every media plan requires that specific media types be selected - Doordarshan, Direct mail, satellite TV, newspapers, magazines, etc. Media planners must consider several variables before choosing among major types:

Target-audience media habits

This is the most important factor. Housewives watch more of television, whereas, working women go for magazines. Again, television programmes have different viewers. For instance, "world this week" is viewed by teenagers and young adults. Therefore, it would be advisable to advertise during "World this week" such products which are of interest to teenagers and young adults. Radio and television are the most effective media for reaching teenagers.

Products

Products that require demonstration can suit for television. For example, the demonstration of the use of a vacuum cleaner by Eureka Forbes. Financial advertising such as new issue of shares is good in newspapers. Women’s dresses are best shown in color magazines, and Polaroid cameras a best demonstrated on television. Media types have different potentials for demonstration, visualization, explanation, believability, and color.

Again, there are media restrictions on certain products. For instance, alcoholic drinks and cigarettes cannot be advertised in press as well as on DD and AIR, hence these two options are totally ruled out.

Message

The type of message dictates the type of media. For example, an ad that features technical information is best suited for specific magazines. Again, an ad from retailer announcing major sale on discount requires more of local newspapers.

Cost Factor

Television is very expensive, whereas, radio is very economical. However, cost is not the only factor, even if it is calculated on the basis of cost per- person reached. The impact of the media is to be taken into account.

5. SELECTING SPECIFIC MEDIA VEHICLES

Once a decision is made on media types, specific media vehicles within each medium must be chosen. For instance, the media planner may take a decision to select only magazines. The question now appears in which magazines. There are several classes of magazines- General interest like Reader's digest, Women Interest magazines like Femina, Savvy, Elle, Business interest magazines like Business India, Business Today.

7.4 SIGNIFICANCE OF MEDIA PLANNING

Planning, no matter what you're planning for, is usually pretty important, A lot goes into making plans for various things, and it's important that people who are interested in media planning to be aware of what they need to do. Especially if they have a smaller business, they have to make sure that they do everything they can to plan well. it's not easy, and when you run a small business, you often don't have access to all the resources that you would have if you had a larger company that you didn't have to fight for quite so often. Small businesses don't usually make a great deal of money, especially when they're first starting out, so proper planning is essential to help ensure that the money that is made is maximized and that individuals who own and operate these small businesses are doing the best that they can to provide for themselves and their employees.

Media planning the right way is one of the most essential ways to do this and help the business grow and succeed. You need it to get noticed, but you don't want it to get the wrong kind of attention. Instead, you want to attract customers that you know will want and need what you have and that will keep coming back. These are the kinds of loyal customers that proper media planning can attract, but only if it's something that's done and done well.

Poor planning and poor execution is something that must be avoided if success is to be achieved, and addressing the issue early on is a vital link in making the media planning the best and most effective for the business in question. Businesses who don’t do this both big and small may end up regretting it and may find that their profits aren’t what they had hoped.

7.5 TYPES OF MEDIA

In terms of overall advertising expenditures, media advertising is still dominated by Press and television, which are of comparable size (by value of ‘sales'). Posters and radio follow some way behind, with cinema representing a very specialist medium.

Press

In the United Kingdom, spending is dominated by the national and regional newspapers, the latter taking almost all the classified advertising revenue. The magazines and trade or technical journal markets are about the same size as each other, but are less than half that of the newspaper sectors.

- **National Newspapers** These are still traditionally categorized, from the media buyer's viewpoint, on the basis of class; even though this is of declining importance to many advertisers. 'Quality' newspapers for example, tend to have a readership profile of in

excess of 80 per cent of ABC1 readers, though it is more difficult to segment readerships by age categories. They are obviously best matched to national advertisers who are happy with black and white advertisements, although color is now available - and high-quality color is available in some supplements. National newspapers in general, are the quality Press in particular, are supposed to carry more 'weight' with their readers (since they are deliberately read, not treated just as 'background'); so that an advertisement placed in one is taken more seriously than a comparable one in a regional newspaper, although it may be more transitory (since it is not kept for reference as some local weeklies may be).

- **Regional Newspapers** These may be dailies, which look and perform much like the nationals, or weeklies, which are rather more specialized, although they dominate the market for classified advertising. Indeed, there is usually much more advertising competing for the reader's attention, and the weekly newspaper now largely the province of the 'free-sheet' - which is typically delivered free to all homes in a given area - obtaining all their revenue from the very high proportion of advertising which they carry, and accordingly having the least 'weight' of all.

  Advertisements in newspapers, referred to as ‘insertions', are usually specified as so many centimetres across so many columns. In these days of metrication, a multiple of 3 cm is used as the standard measure, instead of the previously traditional inch. Thus, a 30 cm double' is an advertisement that is 30 cm long, down the page, and across two columns of type; where the width of columns varies from paper to paper - an important consideration when you are having the printing 'blocks' made. The position is also often specified; so that, for example, an advertiser of a unit trust will probably pay extra to make certain that the insertion is next to the financial pages.

- **Magazines** These offer a more selective audience (which is more ‘involved,’ with the editorial content at least). Magazines are traditionally categorized into general interest, special interest, and trade or technical. The advertiser will, therefore, be able to select those which match the specific profile demanded by the advertising strategy. The weight, or ‘authority,’ of magazines is correspondingly high, and they may be kept for a considerable time for use as reference - and passed to other readers (so that ‘readership' figures may be much higher than 'circulation' figures). They can offer excellent color printing; but, again, the clutter of many competing advertisements may reduce the impact of the advertiser’s message.
- **Trade and Technical** In the trade and professional fields there are now a significant number of ‘controlled circulation' magazines. These are like the 'free Press', in that they are delivered free to the recipients; but, at least in theory, those recipients should have been carefully screened to ensure that they are of value to the advertisers - and the circulation can, if properly controlled, represent a wide cross-section of the buyers, and influencers, in the advertiser’s target audience. The rates for positioning are usually more varied than for newspapers, with premiums being paid for facing editorial matter and, of course, for color.

- Television **This is normally the most expensive medium, and as such is generally only open to the major advertisers, although some regional contractors**

offer more affordable packages to their local advertisers. It offers by far the widest coverage, particularly at peak hours (roughly 7.00—10.30 p.m.) and especially of family audiences. Offering sight, sound, movement and colour, it has the greatest impact, especially for those products or services where a 'demonstration' is essential; since it combines the virtues of both the 'story-teller' and the 'demonstrator'. However, to be effective these messages must be kept simple - and have the impact to overcome the surrounding distractions of family life; especially the attraction of the remote control - which has caused more problems for advertisers than any other development.

The medium is relatively unselective in its audiences, and offers relatively poor coverage of the upper class and younger age groups, but as it is regionally based it can be used for regional trials or promotions (including test markets).

The price structures can be horrendously complicated, with the 'rate card' (the price list) offering different prices for different times throughout the day; and this is further complicated by a wide range of special promotional packages, and individual negotiations. It is truly the province of the specialist media buyer.

- **Satellite Television** - This has long been supposed to be the medium of the future, just as cable television was similarly supposed to represent the future a decade or so ago. This promise has been largely fulfilled in the USA, and is now an important feature in other countries, though terrestrial 'Freeview' broadcasting is now - in turn - posing its own challenge.

- **Posters**

  This is something of a specialist medium, which is generally used r. support of campaigns using other media. On the other hand, some advertisers, particularly those in brewing and tobacco, have successfully made significant use of the medium; although, to achieve this, they have developed the requisite expertise to make efficient use of its peculiarities.

  The main roadside posters are described in terms of how the poster is physically posted on to them (pasted on, one sheet at a time, by a bill-poster); as 16 sheet (the main, 10' x **6'8^{H}** size in vertical format) and 48 sheet (10' x 20', in horizontal/ landscape format). Those smaller ones, seen in pedestrian areas, are typically four sheets (5' x 3'4"). The best sites are typically reserved for the long-term clients, mainly the brewers and tobacco companies (hence one reason for their success in use of the medium), so that new users may find this a relatively unattractive medium.

  This industry is also known as Out of Home Media. However, this category is not limited to posters and billboards. It may involve the use of media space in airports, malls, convenience stores, etc., and it could even tie into guerilla marketing, a nontraditional approach to advertising that may involve grassroots tactics (e.g., posting branded stickers or static clings to buildings, restrooms, and other surfaces in metropolitan areas**).**

  In Malaysia there are numerous sizes from 10'x40', 20'x60', 20'x80' to 40'x60'. In both formats. Landscape and portrait. Current Outdoor Media Owners include Seni Jaya and Big Tree.

- Radio

  The use of radio has increased greatly in recent years, with the granting of many more licenses. It typically generates specific audiences at different times of the day; for example, adults at breakfast, housewives thereafter, and motorists during rush hours. It can be a very cost-effective way of reaching these audiences (especially as production costs can also be much cheaper), although the types of messages conveyed will be limited by the lack of any visual elements, and may have a 'lightweight' image.
- Cinema

  Although the numbers in the national audience are now small, this may be the most effective medium for extending coverage to the younger age groups, since the core audience is aged 15-24.
- Internet/Web Advertising

  This is a rapidly growing force in marketing. It is very varied in form, hut much of it still follows the example of press advertising, but the most effective usage - now adopted by the 'search engines' - is interactive. Indeed, in its own field, Wikipedia demonstrates how effective such an approach can become. As per the current market trends Ad agencies are using a new mixed method called media ripples to gain a higher brand recall among the target audience
- Mobile Advertising

  Although the personal mobile phone is becoming very attractive as an important advertising media to the network operators, it is relatively unproven and therefore remains in the media buyers' sidelines.
- Audience Research

  Finding out exactly the audience for a magazine or newspaper, or who watches at a given time on television, is a specialized form of market research, which is often conducted on behalf of the media owners.

The Press figures are slightly complicated by the fact that there are two measures; that of 'readership[1], which represents the total number of readers of a publication, no matter where they read it, and 'circulation, the number of copies actually sold, which is mostly independently validated.

- Advertising-free Media

Advertising-free media refers to media outlets whose output is not funded or subsidised by the sale of advertising space. It includes in its scope mass media entities such as websites, television and radio networks, and magazines.

The public broadcasters of a number of countries air without commercials. Perhaps the best known example of this is the United Kingdom's public broadcaster, the BBC, whose domestic networks do not carry commercials. Instead, the BBC, in common with most other public broadcasters in Europe, is funded by a television licence fee levied on the owners of all television sets.

A 2006 report by the Senate of Canada suggested that the country's public broadcaster, the Canadian Broadcasting Corporation, be funded sufficiently by the federal government so that it could air without any advertising.

7.6 Advertising Media Scheduling

Scheduling refers to the pattern in which advertising is timed. It is represented as plots on a yearly flowchart that indicates the pattern of times advertising should appear so that it coincides with the most favorable selling periods. The classic scheduling models are Continuity, Flighting and Pulsing.

Continuity

Primarily for non-seasonal products yet sometimes for seasonal products, advertising runs steadily but sometimes not so steady and varies little over the campaign period. There may be short gaps at regular intervals when no advertising is done but there can also be long gaps. For instance, one ad every week for 52 weeks. This pattern of advertising is prevalent in service and packaged goods that require continuous reinforcement on the audience for top of mind recollection at point of purchase.

Advantages

- Works as a reminder
- Covers the entire purchase cycle
- Cost efficiencies in the form of large media discounts
- Positioning advantages within media

Program or plan that identifies the media channels used in an advertising campaign, and specifies insertion or broadcast dates, positions, and duration of the messages.

Fighting (or 'bursting')

Commonly employed in media scheduling for the seasonal product categories, flighting strategy involves intermittent and irregular periods of advertising alternating with shorter periods of no advertising at all. For instance, all of 2000 Target Rating Points may be delivered in a single month, 'going dark' for the rest of the year. Halloween costumes are rarely purchased all year except during the months of September and October.

Advantages

- Advertisers buy much heavier weight than competitors for a relatively shorter period of time
- Little waste since advertising is concentrated during the best purchasing cycle period
- Series of commercials appear as a unified campaign on different media vehicles.

Pulsing

Pulsing strategy combines flighting and continuous scheduling by using a low level of advertising all year round with provision for heavy advertising during peak selling periods. Product categories that are sold year round but experience a surge in sales at intermittent periods are good examples. For instance, deodorant sprays are sold heavily during the summer months.

Advantages

- Covers different market situations

All the advantages of continuity and fighting are possible.

Self-check Question:

A. What do you understand by advertising free media?

B. What is advertising media scheduling?

C. Explain pulsing.

7.7 PROS AND CONS OF MEDIA

When trying to select a medium that is right for your advertising message, it's helpful to know some of the advantages and disadvantages of the various forms of media to assist you with your decision.

1. Newspapers

Advantages

- Your ad has size and share, and can be as large as necessary to communicate as much of a story as you care to tell.
- The distribution of your message can be limited to your geographic area.
- Split-run tests are available to test your copy and your offer.
- Free help is usually available to create and produce your ad.
- Fast closings. The ad you decide to run today can be in your customer's hands two days from now.

Disadvantages

- Clutter. Your ad has to compete for attention against large ads run by supermarkets and department stores.
- Poor photo reproduction limits creativity.
- A price-oriented medium. Most ads are for sales.
- Short shelf life. The day after a newspaper appears, it's history.
- Waste circulation. You're paying to send your message to a lot of people who will probably never be in the market to buy from you.
- A highly visible medium. Your competitors can quickly react to your prices.

2. Magazines

Advantages

- High reader involvement means more attention will be paid to your advertisement.
- Less waste circulation. You can place your ads in magazines read primarily by buyers of your product or service.
- The smaller the page (generally eight and half by eleven inches) permits even small ads to stand out.

Disadvantages

- Long lead times (generally 90 days) mean you have to make plans a long time in advance.
- The cost for space is higher in addition to higher creative costs.

3. Yellow Pages

Advantages

- Everyone uses the yellow pages.
- Ads are reasonably inexpensive.
- You can easily track your responses.

Disadvantages

- All of your competitors are listed so you run the ad as a defensive measure.
- Ads are not very creative since they follow certain formats.

4. Radio

Advantages

- A universal medium. Can be enjoyed at home, at work, and while driving. Most people listen to the radio at one time or another during the day.
- Permits you to target your advertising dollars to the market most likely to respond to your offer.
- Permits you to create a personality for your business using only sounds and voices.
- Free creative help is usually available.
- Rates can generally be negotiated.
- Least inflated medium. During the past ten years, radio rates have gone up less than other media.

Disadvantages

- Because radio listeners are spread over many stations, to totally saturate your market you must advertise simultaneously on many stations.
- Listeners cannot refer to your ads to go over important points.
- Ads are an interruption to the entertainment. Because of this, radio ads must be repeated to break through the listener's "tune out" factor.
- Radio is a background medium. Most listeners are doing something else while listening, which means your ad has to work hard to be listened to and understood.
- Advertising costs are based on ratings which are approximations based on diaries kept in a relatively small fraction of a region's homes.

5. Television

Advantages

- Permits you to reach great numbers of people on a national or regional level.
- Independent stations and cable offer new opportunities to pinpoint local audiences.
- Very much an image-building medium.

Disadvantages

- Ads on network affiliates are concentrated in local news broadcasts and on station breaks.
- Creative and production costs can quickly mount up.
- Lead time can result in items being sold out before ad runs.
- Most ads are ten or thirty seconds long, which limits the amount of information you can communicate.

6. Direct Mail

Advantages

- Your advertising message is targeted to those most likely to buy your product or service.
- Your message can be as long as necessary to fully tell your story.
- You have total control over all elements of creation and production.
- A "silent" medium. Your message is hidden from your competitors until it's too late for them to react.

Disadvantages

- Long lead times required for creative printing and mailing.
- Requires coordinating the services of many people: artists, photographers, printers, etc.
- Each year over 20% of the population moves, meaning you must work hard to keep your mail list up to date.
- Likewise, a certain percentage of the names on a purchased mailing list is likely to be no longer useful

7. Telemarketing

Advantages

- You can easily answer questions about your product/service.
- It's easy to prospect and find the right person to talk to.
- Cost effective compared to direct sales.
- Highly measurable results.
- You can get a lot of information if your script is properly structured. Disadvantages
- Many business use telemarketing.
- Professionals should draft the script and perform the telemarketing in order for it to be effective.
- Can be extremely expensive.
- Most appropriate for high-ticket retail items or professional services.

8. Specialty Advertising (balloons, sandwich boards, key charms, etc.)

Advantages

- Can be attention grabbers if they are done well.
- Can give top-of-mind awareness.
- Gets your name in front of people.

Disadvantages

- Difficult to target your market.
- Can be an inappropriate medium for some businesses.
- Difficult to find items that are appropriate for certain businesses.

7.8 EMERGING MEDIA

Internet access

To access the Internet, a user requires some basic equipment: a computer, a modem, a telephone line, appropriate software and an Internet Service Provider (ISP) which provides an account for the user on one of its computers which is connected to

the Internet. Small ISPs themselves will generally obtain their Internet access from larger ISPs who obtain their access directly from an Internet access wholesaler like Telstra or Optus.

New technologies of electronic communication

The Internet has spawned a number of new technologies of electronic communication including the World Wide Web (WWW), electronic mail (email), newsgroups, mailing lists, Internet Relay Chat (IRC), live or prerecorded audio and live or prerecorded video. Each of these new technologies, which can be used to publish content, is described in more detail below.

The World Wide Web

From, one text-only web site in 1991, the web has experienced exponential growth and now numbers millions of multimedia web sites which comprise hundreds of millions of virtual pages. Thus any Internet user can create and publish their own web pages on any topic to those who have Internet access worldwide and who choose to view them. This effectively duplicates the function of a newspaper but on a global scale. In fact, many print- based national newspapers also now have online web editions.

Electronic Mail

Electronic mail enables Internet users to send more or less private messages to other individual Internet users or groups of such users. Although the sender of an email may usually be identified by the originating email address, "anonymous remailer" computers have been set up to strip the sender's email address so that it is not passed on to the recipient of the email. The relatively recent phenomenon of "free email accounts" has also increased the ability of Internet users to hide their identity because such services allow users from anywhere in the world to register without knowing who they are or where they are located.

Newsgroups

Some 15,000+ newsgroups enable Internet users to send and receive messages in topical forums in which other interested Internet users also participate. Unlike mailing lists you do not automatically receive any messages. Instead, you have the option of connecting to a news server and browsing the headers of messages (detailing the name of the sender and the subject of each message) in a particular topical forum. You can then choose to retrieve individual messages to read or not. There are also sites on the Internet which archive newsgroup messages and provide a search facility to help locate messages of interest.

Mailing lists

List servers enable Internet users to subscribe to a mailing list on a particular topic using email. Each time a particular user sends an email to the list server, the list server duplicates it and sends it as email to every other Internet user who has subscribed to that list. There are thousands of mailing lists on a wide range of topics.

Internet Relay Chat

Internet Relay Chat (IRC) enables direct communication between two or more Internet users in real time and may be used for the exchange of content including low resolution video.

Live Audio or Video

The average Internet user can listen to or view live and prerecorded audio or video using freely available software. The more sophisticated Internet user can not only be the recipient of such content; but, again using freely available software, also be the creator of such content thereby effectively duplicating the function of a radio or television station.

Self-check Question:

A. What are the advantages of using yellow paper as advertising media?
B. Note down the disadvantages of telemarketing when we use it as advertising media?
C. What do you understand by internet relay chat?

7.9 Keywords: Media planning, Media evaluation, Pulsing, Bursting

7.10 Short Question Answer

1. **Difference between radio and television?**
2. **Explain any four types of media?**
3. **Explain the merit and demerit of magazines?**
4. **Explain why media planning is important for organisations?**

7.11 Long Question Answer

1. What are the Merits and Demerits of Different Media?
2. Which Media is best among all the Advertising Medias?
3. Explain the process of media planning?
4. What are the emerging medias in advertisement industry?

7.12 SUGGESTED READINGS

- James S. Norris, **Advertising,** Prentice Hall of India Private Limited, New Delhi
- Chunawalla, S. A. and Sethia. K. C., **Advertising Theory and Practice,** Himalaya Publishing.
- Sontakki. C. N., **Advertising,** Kalyani Publishers
- Jobber, David, Geoff Lancaster, **Selling and Sales Management,** Pearson Education.

7.13 Self-check Questions Answer-key

7.2

A. In general, "media'' refers to various means of communication. For example, television, radio, and the newspaper are different types of media. The term can

also be used as a collective noun for the press or news reporting agencies. In the computer world, "media" is also used as a collective noun, but refers to different types of data storage options.

B. The media planning guide is a marketing media reference that can provide the assistance the media planner or media buyer needs for smooth client and management.

C. Media Planner is a job title in an advertising agency or media planning and buying agency, responsible for selecting media for advertisement placement on behalf of their clients. The main aim of a Media Planner is to assist their client in achieving business objectives through their advertising budgets by recommending the best possible use of various media platforms available to advertisers.

7.6

A. Advertising-free media refers to media outlets whose output is not funded or subsidised by the sale of advertising space. It includes in its scope mass media entities such as websites, television and radio networks, and magazines.

B. Scheduling refers to the pattern in which advertising is timed. It is represented as plots on a yearly flowchart that indicates the pattern of times advertising should appear so that it coincides with the most favorable selling periods.

C. Pulsing strategy combines flighting and continuous scheduling by using a low level of advertising all year round with provision for heavy advertising during peak selling periods.

7.8

A. Advantages

- Everyone uses the yellow pages.
- Ads are reasonably inexpensive.
- You can easily track your responses.

B. Disadvantages

- Many business use telemarketing.
- Professionals should draft the script and perform the telemarketing in order for it to be effective.
- Can be extremely expensive.
- Most appropriate for high-ticket retail items or professional services.

C. Internet Relay Chat (IRC) enables direct communication between two or more Internet users in real time and may be used for the exchange of content including low resolution video.

MBA-DESecond year **ASM 304**
SEMESTER-III **Advertising and Sales management**

LESSON NO. 8 **AUTHOR: MANVINDER TONDON**

ROLE OF ADVERTISING AGENCIES, ADVERTISING - COPY TESTING

STRUCTURE

2. Objectives
- 8.1 Definition
- 8.2 Nature of Advertising
- 8.3 Scope & Importance of Advertising
- 8.4 Process of Advertising
- 8.5 Advantages & Disadvantages
- 8.6 Advertising Agencies
- 8.7 Role of Advertising Agency
- 8.8 Copy Testing
- 8.9 Keywords
- 8.10 Short Question Answer
- 8.11 Long Question Answer
- 8.12 References
- 8.13 Self-check Question (Answer key)

1. OBJECTIVES

The following may be good reasons why a business is advertising:

- To create awareness, customer interest or desire
- To boost sales (moving the demand curve to the right)
- To build brand loyalty (or to maintain it at the existing level)
- To launch a new product
- To change customer attitudes - perhaps trying to move a product more "upmarket" or to dispel some widely held perceptions about the product
- To support the activities of the distribution channel (e.g., supporting a "pull" strategy)
- To build the company or brand image
- To reminds and reassure customers
- To offset competitor advertising - businesses may defend market share by responding to competitors' campaigns with their own advertising
- To boost public standing: companies can boost their public standing with advertisements that link them with generally approved campaigns such as care for the environment
- To support the sales force - advertising can make the job of the sales force easier and more effective by attracting leads from potential customers and perhaps motivate them by boosting the profile of the business

Look through any magazine and select a sample of adverts. Which of the above

reasons do you think are behind the adverts you choose? Don't forget that some adverts aim to achieve multiple objectives.

8.1 ADVERTISING DEFINED

Any paid form of non-personal communication about an organization or its products that transmitted to a target audience through a mass/broadcast medium.

The Institute of Practitioners in Advertising (IPA), the body which represents advertising agencies, defines advertising as:

"The means of providing the most persuasive possible selling message to the right prospects at the lowest possible cost",

Kotler and Armstrong provide an alternative definition:

"Advertising is any paid form of non-personal presentation and promotion of ideas, goods and services through mass media such as newspapers, magazines, television or radio by an identified sponsor

8.2 NATURE OF ADVERTISING

We should consider the following issues while thinking about advertising.

Does the product possess unique, important features to focus

- Are the hidden qualities important to the buyers
- Is the general demand trend for the product adequate
- Is the market potential for the product adequate
- Is the competitive environment favorable
- Is the organization able and willing to spend the required money to launch an advertising campaign

8.3 SCOPE AND IMPORTANCE OF ADVERTISING

Advertisements are important for:

- standardized products
- products aimed at large markets
- products that have easily communicated features
- products low in price
- products sold through independent channel members and/or are new.

Broadcast Ad spending is at an all-time high due to heavy competition in the:

- Computer industry
- Telecommunications Industry
- Auto Industry

Whenever severe competition between marketers, introducing new products etc. Even with evolution of direct marketing, and interactive media.

Self-check Question

A. Define Advertising.
B. Explain the nature of Advertising.
C. What is the Scope of Advertising?

8.4 PROCESS OF ADVERTISING

The process of advertising consists of the following steps:

1. Identify and Analyze the Advertising Target.

While measurement of mediating factors might make more sense than measuring sales, there is plenty of evidence to suggest that advertising has a measurable impact on sales. A large body of research has used distributed lag models of advertising effect to show the short- and long-term effects of advertising on sales.

Advertising objectives most often are defined as sales objectives, but often also include others, such as audience awareness, beliefs and understanding, attitudes, purchase intentions, etc. These objectives are best set following research which establishes the "baseline" (pre-campaign) levels.

The group of people for which the advertisement is aimed at, may direct advertisement at only a portion of the target market.

Research and analyze advertising targets to establish an information base for an advertisement. Generally, increase advertisers* knowledge about their target—the more effective the campaign.

2. Defining Objectives.

- What the firm hopes to accomplish from the advertisement, should be clear, precise, and measurable, W can help measure the success at the end of the campaign. Use a benchmark.
- At what stage are the target market in the product adoption stage.
- What are the goals of the advertisement...to increase purchases, to generate traffic in the retail store etc.
- Demand oriented objectives vs. image-oriented objectives
- Increase product/brand awareness
- Change consumer attitudes...i.e., repositioning the product.
- Increase customer knowledge of product features

3. **Determine the Advertising Appropriation**

Total amount of money that a marketer allocates for advertising in a specific period.

- Objective and Task Approach determine the objectives, then list the tasks needed to achieve the objectives.
- Percent of Sales Approach Sales create marketing?! What happens when the products sales are declining.
- Competition Matching Approach Other companies have different advertising objectives.
- Arbitrary Approach determined by high level executives, Delaware MBA Program.

4. **Creating an Advertising Message**

The advertising message should always consist

- a function of the product s features, uses, and benefits.
- Must be aware of the characteristics of target market, different message to different target market.
- Dependent on objective of the campaign.
- Can use a Spokesperson.

Components of the advert:

- Headline
- Illustrations
- SubHeadline
- BodyCopy
- Signature

Copy verbal portion of the advert. Includes all aspects except the illustrations. Attempts to move the reader through:

1. Awareness
2. Interest
3. Desire
4. Action

Headline—should attract readers attention, make readers want to read the copy.

5. Developing a Media Plan

Sets forth the exact media vehicles to be used and dates and times of ads. Effectiveness of plan determines how many people in the advertiser's target will be exposed to the message. Need to select the media to be used and dates and times ads appear.

Primary goal—reach the highest # of people (within the advertiser's target) per $ spent. Achieve the appropriate message reach and frequency for the target audience while staying within the budget.

6. Decide which Advertising Media to Use

There are a variety of advertising media from which to choose. A campaign may use one or more of the media alternatives. The key factors in choosing the right media include:

(a) **Reach** - what proportion of the target customers will be exposed to the advertising?

(b) **Frequency** - how many times will the target customer be exposed to the advertising message?

(c) **Media Impact** - where, if the target customer sees the message - will it have most impact? For example, does an advert promoting holidays for elderly people have more impact on Television (if so, when and which channels) or in a national newspaper or perhaps a magazine focused on this segment of the population?

Another key decision in relation to advertising media relates to the timing of the campaign. Some products are particularly suited to seasonal campaigns on

television (e.g., Christmas hampers) whereas for other products, a regular advertising campaign throughout the year in media such as newspapers and specialist magazines (e.g., cottage holidays in the Lake District) are more appropriate.

7. Media Choices

The following media choices are available with us:

1. Newspapers
2. Television
3. Direct mail
4. Radio
5. Magazines
6. Outdoor
7. Point-of-purchase

8. Executing the Advertisement

Requires extensive planning and coordination. Advertising agencies, production costs, research organizations, media firms, printers, photographers, and commercial artists etc. Detailed schedules are needed to insure everything is accomplished on time.

9. Evaluating the effectiveness of the campaign

Here we measure the achievement of the objectives, assessing the effectiveness of the copy etc., and the media. A typical consumer is bombarded with about 300 advertising messages/day, 109,500 per year. 80% of people cannot remember a typical ad one day after seeing it. That means we need to create creative ads.

- Proper pretests should be done before the advertisement is formally launched, use a consumer jury.
- During the campaign, "inquiries"-coupons numbered.
- Post tests should be conducted after the campaign, use consumer surveys to measure the change in communication objectives, change in sales or market share.
- Use recognition tests to determine the degree to which consumers recognize advertisements.
- Recall evaluation, consumers are asked what they have seen lately. These recall tests are done aided or unaided.

8.5 ADVANTAGES

- Flexibility allows you to focus on a small, precisely defined segment (School newspapers) or a mass market (baseball show = Males, 35-50).
- Cost efficient-reach a large number at a low cost per person, allows the message to be repeated, and can improve public image.
- Allows for repeating the message-lets the buyer receive and compare the messages of various competitors.
- Very expressive, allows for dramatization.

- Also used to build a long term image of a product.
- Trigger quick sales, Sears advertising a weekend sale.

8.5 DISADVANTAGES

- High cost is involved in the process of advertising.
- Rarely provides quick feedback, or necessarily any feedback
- Less persuasive than personal selling
- Audience does not pay attention
- Indirect feedback (without interactivity)

8.6 ADVERTISING AGENCY

An advertising agency, (abbreviated to 'ad agency,') is a team of experts appointed by a client to plan, produce, and place advertising campaigns in the media.

Evolution & History of Advertising Agency

Volney B Palmer in Philadelphia started the first Ad agency as a space broker in 1841. He acted as a simple agent, selling space for his client newspaper on a commission basis. He made no effort to help the advertiser prepare copy, design a layout, and provide the many specialized services now performed by a modern agency.

It was only by the beginning of this century that the agency started to prepare advertisements and deliver them through the advertisements media. Lord and Thomas was probably the first agency in the USA, with a reputation for creative work in advertising. It hired copywriters, who did a marvelous job. One of the famous advertisement deliveries of this agency was for a new washing machine. Other agencies also started adopting the new services; and soon many advertisement agencies had established departments for copywriting, artwork, layout design, media selection, etc.

Over the next several decades, the advertisement agency improved the quality of its services, besides offering additional new services at extra charge. Agency growth has never looked back since then It has grown in size and influence through the years, demonstrating an ability to create effective advertising. Towards the end of the first half of this century, there were several large agencies offering a full range of advertising services. They produced effective advertisements by taking into account consumer psychology and human needs and wants. Creative advertising appeals effectively influenced consumers to buy the advertised products and services. In fact, advertising at this stage, became a part of the overall marketing mix, furthering the sales and marketing strategy.

An advertising agency is shortened as ad agency. Ad agency is a team of experts appointed by clients to plan, produce, and place advertising campaigns in the media

They are called agencies, because literally they are agents of the media who pay them the commission, and the media thus becomes the principal. Media pays

commission to only accredited agencies (INS accreditation), The agency works for the client, but draws its sustenance from the media (nearly 75 p.c.).

The Working of Ad Agencies

To begin with, the agencies started as one-man agents who booked space in the media. Even today, in our country, there are so many one-man agents who book space in the media. Soon the space booking was handed over to the contact-man, and creative wordsmiths adept at sloganising undertook the actual construction of the ad.

In the course of years, the ad agency became service-oriented, and was able to offer every possible service including marketing, market research (MR), and public relations (PR).

Ad agencies have evolved over a period of time. These days we have mostly studio-based agencies, some industrial and specialized agencies, and hot-shops who only plan creative campaign by engaging the services of freelancers.

In India, advertising business is worth Rs. 8,000 crores. There were only 62 advertising agencies in 1958, which increased to 168 in 1978, more than 2.5 times the numbers in 1958. There are more than 500 ad agencies today. The oldest and largest advertisement agency in India is Hindustan Thompson Associates Ltd. The second largest advertisement agency is Lintas.

Mumbai is considered to be the Mecca of Indian advertising. These days agencies are also being set up at Bangalore, Madras, Hyderabad, Ahmedabad and Delhi. In India the ad agencies are sole proprietary concern, partnership, or private limited companies.

It is better to operate agencies on professional lines, rather than as a family. It is good to install MBO (Management By Objectives). An agency must necessarily plough back at least 75 % of its profits into business.

The advertising agencies are shifting from the creative mode to the marketing mode. Today the onus is on the agency to supply the client with data on his industry; the days of the clients briefing the industry are almost over. The agencies are expected to maintain database. There is a leaning towards software for optimizing media usage, and computerization of studio functions.

In India, the legal structure of ad agencies is that of a small proprietary concern or a big partnership. Sometimes, they are private limited companies, either big or small.

Indian advertising is a fragmented business. There are over 733 agencies accredited to INS. The top 25 account for 50% of all billings. In addition, there are many accredited agencies.

It is the top 25 agencies, most of which are headquartered in Mumbai, that set the pace and define the shape of the industry. Agencies like HTA, Lintas, Clarion and O & M have shaped the entire advertising industry in the country. Many Indians firms are coming up, by importing Western ad techniques.

Many agencies die a premature death. Most people do not appreciate that an agency - like any other business - must be properly managed. It is simply not enough just to have great idea. In recent years, there has been a healthy trend towards sound management practices, especially financial planning, and control.

This is a highly paid profession. It is a conspicuous high wage island. People operate on high profile. Their life-styles are opulent because of high expense accounts of Entertaining clients. They got their elitist brand due to this reason. But high salaries and freedom are necessary to attract talents.

Women have been an integral part of this profession. We have examples of Rhoda Meha; (OBM, Media Director), Nargis Wadia (Interpub, MD), Usha Katrak (ASP for many years), Tara Sinha (Tara Sinha Associates Delhi; Formerly, Clarion).

People Working in an Agency

Accounts Executive: It is a key career option in advertising agency. He is called an Account Director when he is a member of the Board. He is a link between a client and his staff. The marketing or advertising department of the client briefs him. He communicates this to the agency people.

He reaches out to different clients for seeking new business. Even clients who want an agency' to work for them contact the accounts executive. This business development work makes it virtually a marketing manager of the agency. Do right-brained people make better account directors?

The faculties of logic and reason are supposed to reside in the left-brained people.

While intuition and creativity are believed to be in the right. So far, accounts director was considered suitable if logical and systematic, i.e., left-brained. But if he has to motivate a team, he should be inspiring and creative too, i.e., right-brained.

Copywriters: They are the wordsmiths who do the wording of an advertisement. They are bright and talented. They have a flair for language. They contribute to the theme of an advertisement. Creation of successful copies for different clients establishes them in this field.

Visualisers: These are artists who put on paper what has been thought out by the Copywriter. They in fact design the ad.

Creative Director: He co-ordinates the copywriting and designing. He is a senior professional who is seasoned in an existing advertising agency set-up to take on this mantle.

Production Department: Persons of diverse talents like printing technology, DTP, photography, typography etc. are involved here.

Media Planner: He has to allocate the advertising budget amongst media. He has to select the appropriate media. He decides about the frequency, size, and position of an advertisement. He decides about its publication date. He receives the tear-off copies from theIndian advertising is a fragmented business. There are over 733 agencies accredited to INS. The top 25 account for 50% of all billings. In addition, there are many accredited agencies.It is the top 25 agencies, most of which are headquartered in Mumbai, that set the pace and define the shape of the industry. Agencies like HTA, Lintas, Clarion and O & M have shaped the entire advertising industry in the country. Many Indians firms are coming up, by importing Western ad techniques.

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People Working in an Agency

Marketing Research: Modern agencies are integrated set-ups. They provide a range of marketing senders. Research data become very useful as input to the creative process.

The Media

Most of the media today sustain on advertising revenue. They sell space or time. While selling space or time, they have to convince the client about the reach of their media vehicle, the composition break-up of their readers and the pricing of their space/time selling. They monitor the market, survey their readers, and highlight their readers' demographic and geographic characteristics. They also maintain relationship with the media department of advertising agencies who buy space/time on behalf of clients.

Ancillary Services

These are needed to produce/create advertisement. A whole range of services like studio service, photographic service, printing service, gift item producers etc. fall into this category.

Freelancers

These are professionals who work independently and have a successful track record. They are copywriters, jingle singers, radio announcers, artists, visualizers, technical writers etc.

Every business entity, irrespective of its size, ownership, and kind of business, does take the help of advertising - the push that makes things happen. Advertising is a function of marketing, and pushes the product in the market for bigger sales. The different kinds of advertising have been discussed in the introductory chapter. Here, we shall be concerned with the study of the organization that plan-, produces and places advertising campaigns in the media and the internal organization of the advertising department. When a firm has decided upon an advertising programme as part of its overall promotion mix, it needs to have a system and an organization to implement it for the attainment of the desired objective. Firms do have an advertising and publicity department to manage the advertising function. In some small firms, there may not be a separate department in the name of advertising, but the function is either looked after by the marketing manager or the chief executive. The company's advertising department usually relies on outside experts, often the advertising agency

which prepares the advertisement messages, selects appropriate media, and arranges to release them. The advertising department of a company has only a limited creative function, primarily a supervisory one. This department is merely a liaison point in the company for the agency, though it is responsible for the advertisement budget, and supervises the performance of the agency.

An advertising manager has to co-ordinate with the marketing and sales function, so that the advertising efforts may be fully integrated with the firm's marketing and sales strategy. He has also to perform the managerial task of formulating advertising strategy and planning advertising through the advertising agency. The agency often assists the advertising manager in programme formulation.

Very importantly let us look at the function of a very important person in the organization - the advertising manager. We shall also look at the various ways the he could run the agency and the organization structure of an ad agency.

The Advertising Manager

The advertising manager usually works under the marketing manager for effective advertising. However, in some organizations, he may function directly under the higher management. Whatever may be the hierarchical levels, the advertising programmes should be in conformity with -total marl planning. Product managers and brand managers have also to co-ordinate with the advertising department for appropriate advertising efforts, so that a particular product of brand may receive adequate promotional support. The hiring of an advertising agency is a function of the advertising manager. If the agency has to be changed, the advertising manager to that effect makes the recommendation to the higher management.

Organization Structure of Advertising Department

All major advertisers maintain an advertising department. The structure of the department however may vary from one organization to another, as each one tries to develop a form, which is most suited to one’s requirements. The principal forms of organizational structure are based on (i) sub functions of advertising, such as copywriting or artworks (ii) communication media (iii) geographical spread (iv) product and (v) end users.

Irrespective of the specific form, the advertising department has to perform several functions. Principal among these are setting advertising goals, plans and budget, selecting the outside ad agency, maintaining contacts, providing support to the marketing staff and monitor the functioning of the ad agency. Selecting the ad agency is one of the important tasks of the advertising department. Several criteria, including experience, size, track record and the quality of the personnel, are considered in the selection process.

As you know, there are different categories of advertisers. Depending upon their functions, each organization develops its own structure, of which advertising department is a part. What is important in this connection is to analyze the functions an advertisement department is expected to perform.

Reporting Structure

The advertising manager has to report to somebody who is higher up in the organizational structure. To whom the advertising manager would depend upon how much importance advertising is given to the total operations of the firm. There are several alternatives. These are :

- Report to the Chief Executive (Chairman/MD.)
- Report to the Director (Marketing)
- Report to the divisional head if the firm is a multi-division firm and responsibility is delegated at the division level.

Centralization or Decentralization

Sou Id advertising be done on a centralized basis or should the responsibility be delegated to lower levels - say product or geographical divisions? Centralized Advertising Activity has been defined as that which - is located at or directed by headquarters, reporting to corporate sales or marketing head or in top management.

In operation it gets the necessary product, market, and budget information from the divisions and then controls the execution of the various programmes by:

1. Providing the needed information and guidance to the advertising agency and other services;
2. Then reviewing and approving the completed work before getting division approval

A Decentralized Advertising Activity is operated and controlled by individual units located in each major division, usually reporting to a division head cr to a division marketing or sales head. The division advertising, sales and marketing people and control both the 'what' and 'how' of the advertising job, getting only advice and counsel plus miscellaneous services from a central advertising function. In practice, however, it has been found that most companies follow the centralized pattern of advertising organization. There are at least two important reasons for it.

1. It is difficult to transfer the tasks of preparation and execution of creative advertising from to the many without loss of efficiency to a great extent.
2. Most companies entrust their advertising work to outside agencies and it is more convenient with them in a centralized way.

Interface with other Departments

Advertising and, therefore the people, manning the advertising department, do not function in a vacuum. Advertising is a tool of marketing. It is done to achieve a specified short-term or long-term goal. The advertising staff, therefore, must actively interact with other departments most importantly, marketing and sales. The interaction has to be intensive to draw up a coordinated plan, of which advertising is a part. In fact, not only the advertising department, but also the outside advertising agency it may have employed, would have to be actively associated with the formulation of the marketing plan.

In companies, which realize the importance of advertising in its proper perspective, the advertising department gets useful inputs from sales, product, and brand managers; from Marketing heads, General managers, and top management and also from many others in the engineering and manufacturing departments who

provide valuable advice in respect of appeals to be focused and also other advertising matters

Self-check Question

A. What do you understand by Advertising Agency?
B. Define freelancers.
C. What do you understand by copywriters?

8.7 ROLES OF ADVERTISING AGENCY

Accounts Executive or Director: Key Executive of Agency

The agency's key executive is Accounts Executive (he is accounts director when he is a member of the Board in case of a limited agency). Account in advertising parlance means a client. Thus, Hindustan Lever is an account for Lintas, or ITC is an account for Lintas. This accounts executive is a link between the agency and client.

Roles of Accounts Executives

He understands what the client wants. He has to get this done through his agency. The marketing or sales or advertising department of the client briefs him. He communicates this to the agency people. He is also called client service executive.

Account Planning or Client Servicing

An ad agency’s primary role is to create advertising, and account-planning role

1. Planning the objectives of the advertising: Here he makes use of skills of analysis, synthesis, logic, and insight.
2. Selecting and evaluating research feedback on the basis of which the team makes judgments and takes decisions.
3. Making the objective and the feedback relevant and stimulating to the rest of the team particularly the creative.

An account planner may not head the account team mayor. But the above function should be attended to. It is better to invest a separate person with the composite responsibility. The positive use of research is establishing a dialogue between the creative team and the consumer is a valuable contribution that' a planner can make.

The importance of account management in client-agency relationship is on the decline. Successful account managers are true experts on their client's brand and competitions, and have a clear point of view. Clients talk to them, and use then as sounding boards. The client seeks their advice.

They are also used as surrogate brand managers, especially for getting things done. Account managers lacking expertise face the threat of extinction.

Planning in agencies conforms to brand responses - the desired responses that a brand's advertising should generate. But when we advertise, apart from brand responses we also generate advertising responses, - effects on our target audience like amusement, education, entertainment moving effect etc. Many times, these advertising responses are an essential part of what the brand is offering the consumer.

Failure to see advertising responses makes our planning remote and ineffective.

Modern day's agencies have two major sec Agency

1. Creative Side
2. Production Side

The two sides are supplementary to each other. Now the **creative section** has a team of bright, talented copywriters who do the wording of an advertisement. **Copywriters** contribute to the theme of an advertisement, like a college girl asking another the secret of her flawless complexion, and as an answer coming to know that it is Ciearasil Cream. Now this is called copy platform. These copywriters report to their head, who may be called **Copy Chief or Chief Copywriter.**

8.8 COPY TESTING

Copy testing is a comprehensive, advertising pretesting system to predict the effectiveness of rough to finished commercials & advertisements.

No one knows how consumers will respond to a given ad. Without research, it's just a guessing game." Copy Testing helps take the guesswork out of advertising. It's a safeguard- to make sure you are getting your money's worth. Copy Test gives you the diagnostic insight to improve your advertising from year to year. Better advertising, in turn, helps build brand equity and boost long-term profitability.

What Types of Advertising Can Be Tested?

- Television Advertisements
  - — Television storyboards
  - — Television anima tics & photomatics
  - — Television commercials
- Radio Advertisements
  - — Radio scripts
  - — Radio commercials
- Print advertising
  - — Newspaper and magazine advertising concepts
  - — Newspaper and magazine advertisements
- Internet advertisements
  - — Banner advertisements
  - — Interstitial advertisements
  - — Rich Media advertisements
  - — Unicast advertisements
- Outdoor advertisements

To check out the effectiveness of any ad we have to keep a tab on:

1. **Vehicle Distribution** This is a count of physical units through which advertising is Distributed. It is a pure media effect. Measurement techniques include newspaper and magazine circulation studies, TV and radio tuning studies, online-media page requests, billboard locations.

2. **Vehicle Exposure** This is a count of the people exposed to the media vehicle whose eyes or ears are open. It too is a pure media effect. Measurement techniques include radio and TV people ratings, magazine-readership studies, online media page-view counts, billboard traffic counts, etc.
3. **Advertising Exposure** This is a count of the people exposed to the media vehicle who are also exposed to its advertising. It is the highest level of measurement that is still a mostly pure media effect. Measurement techniques include radio and TV commercial-audience ratings, print ad page-exposure studies, online ad-view counts, billboard-traffic counts, etc.
4. **Advertising Attentiveness** This is the degree to which those exposed to the advertising are focused on it. It is the first measurement level at which the effects of the medium are significantly confounded with the effects of the creative. Measurements include dedicated attentiveness studies, recall or campaign tracking studies, brainwave research, etc.
5. **Advertising Communication** This is a measure of the information retained by the consumer after exposure to the message. Measurement techniques include advertising and brand awareness tracking, copy testing/recall, advertising recall studies, etc.
6. **Advertising Persuasion** This is a measure of the shift in intentions produced by Advertising Communication. Here we are interested in the medium's ability to frame the message in ways that make it more credible, more relevant, and hence more persuasive. Measurement techniques include advertising tracking, copy testing, intent to purchase, willingness to consider, etc.

   Advertising Response This refers to measures of consumer response short of sales. Examples include visiting a showroom, calling a toll-free number, clicking on an online ad, requesting a brochure, etc. In direct mail and interactive media, such responses can be measured directly. Measurement techniques include click-through, post-click-through Interaction, lead generation, telephone and mail response, coupon redemption, etc.
7. **Sales Response** This is purchase of the advertised product or service in response to the advertising. Of all the measures listed, it is the most relevant to the advertiser, but the leastlOdependent on advertising and media effects. In addition to sales, useful measures include profits, Return on Investment (ROI) and Consumer Lifetime Value (CLV) - an estimate of the future profitability of a newly- acquired customer. Measurement techniques include sales tracking, test markets, single-source panel research, and marketing mix modeling.

The ARF Media Model provides advertisers, the media, ad agencies, and research Companies a useful framework to address the research complexities and issues involved in the measurement of advertising effectiveness.

8.9 Keywords: Advertising Agency, Freelancer, Advertising Exposure, Copywriter, Reporting Structure.

8.10 Short Question Answer

1. Define advertisement and its scope.
2. Explain advantages of advertisement.
3. Note down the demerits of using advertising for mass communication.
4. What do you understand by advertising exposure?

8.11 Long Question Answer

1. What is Copy testing and what are its methods?
2. What is the role of Advertising Agency?
3. Explain the Process of advertising.
4. Explain in brief:

a) Advertising attentiveness
b) Advertising communication
c) Advertising persuasion

8.12 REFERENCES

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- Jobber David, Geoff Lancaster, **Selling and Sales Management,** Pearson Education.

8.13 Self-check Question (Answer key)

8.3

A. Any paid form of non-personal communication about an organization or its products that transmitted to a target audience through a mass/broadcast medium.

B. We should consider the following issues while thinking about advertising.
Does the product possess unique, important features to focus

- Are the hidden qualities important to the buyers
- Is the general demand trend for the product adequate
- Is the market potential for the product adequate
- Is the competitive environment favorable

C. Advertisements are important for:

- standardized products
- products aimed at large markets
- products that have easily communicated features
- products low in price
- products sold through independent channel members and/or are new

Broadcast Ad spending is at an all-time high due to heavy competition in the:

- Computer industry
- Telecommunications Industry

- Auto Industry

8.6

A. An advertising agency, (abbreviated to 'ad agency,') is a team of experts appointed by a client to plan, produce, and place advertising campaigns in the media.

B. These are professionals who work independently and have a successful track record. They are copywriters, jingle singers, radio announcers, artists, visualizers, technical writers etc.

C. They are the wordsmiths who do the wording of an advertisement. They are bright and talented. They have a flair for language. They contribute to the theme of an advertisement. Creation of successful copies for different clients establishes them in this field.

LESSON NO. 9 **AUTHOR: SATINDER KUMAR**

ADVERTISING BUDGET

STRUCTURE

9. Objectives
9.1 Introduction
9.2 Advertising Appropriations and Advertising Budget
9.3 Advertising Budget Process
9.4 Factors Bearing on Budget Size
9.5 Methods for Advertising Appropriation
  9.5.1 Percentage of Sales
  9.5.2 Objective and Task
  9.5.3 Competitive Party
  9.5.4 Affordable Approach
  9.5.5 Unit of Sales
9.6 Summary
9.7 Keywords
9.8 Short Question Answer
9.9 Long Question Answer
9.10 Suggested Readings

9.11 Self-check Question (Answer Key)

9.0 OBJECTIVES

After reading this chapter, the students should be able to:

- To understand the Advertising Budget
- To know the factors affecting the Budget
- To know how to prepare budget for advertising

9.1 INTRODUCTION

Advertising is a form of promotion, and, as one of the four pillars of marketing (along with product, place, and price), promotion encompasses the variety of techniques an advertiser uses to communicate with current and potential consumers. The type of promotional effort employed by the firm depends on several things. Advertising is an important marketing input for the achievement of marketing objectives such as increase in sales, profit, market share and so forth. Once the decision to advertise has been taken, one of the first problems is that of determining the advertising expenditure. A successful advertising management is a matter of setting goals, planning the operations, and putting plans into operation ending with

controlling the activities. The major instrument of performing these crucial functions is the advertising budget. The budget is an expression of the expenditure plan. It is estimated to meet the financial requirements of advertising plans so that advertising objectives with planned strategies may be realized within a given time frame. The advertising budget is a plan of expenditure to be incurred on the advertising campaign. An effective advertising campaign may help in achieving sales in the manner as an investment made in capital assets, which can be instrumental in more goods, being product and sold. As in most advertising decision, deciding how much to spend is largely a matter of judgment. Lacking precise measurement of advertising contribution to sales and profits, decision makers cannot rely on some simple formula for setting the budget. Instead, they must take many factors into consideration and arrive at a figure that seems to best hit that combination of circumstances. Advertising budget can differ not only in amount but also in composition. Industrial firms generally invest a larger proportion of their budget in personal selling than in advertising, while the reverse is true of most producers of consumer goods.

Budget for advertising involves the allocation of a portion of the total marketing resources to the advertising function in a firm. In principle, the size of the budget allocation should be based on the potential contribution that advertising can make to the attainment of the company operating objectives. How much should a firm have spent on advertising? To determine this, a marketing manager must have estimates of the effects of communication allocations.

The size of the advertising budget can have an impact upon the composition of the advertising mix. In general, a limited promotion budget may impel the management to use types of promotion that would not be employed otherwise, even though they are less effective than the others. Industrial firms generally invest a larger proportion of their budgets in personal selling than in advertising, while the reverse is true of most producers of consumer goods. Organizations with small budgets may be forced to use types of advertising that are less effective than others. Some marketers find it necessary to restrict their efforts primarily to personal selling and publicity. There are organizations with small promotion budget which take the opposite course of action. They concentrate on advertising and sales promotion, and neglect other methods. Some marketers advertise in expensive ways (through classified advertisement in newspapers and magazines) and spend virtually nothing on personal selling.

9.2 ADVERTISING APPROPRIATIONS AND ADVERTISING BUDGET

Advertising appropriation refers to the total sum of money allocated by top management to advertising during a specified time. Advertising budget is plan that sets limits on the advertising expenditures, states how expenditures will be allocated and controls the disbursement of advertising over a designated period, normally a year. Advertising appropriation is the total amount granted on finalized by the top management for advertising. On other hand" advertising budget is one that is divided

into amounts set aside for specific functions or activities. These separate figures together, make up an advertising appropriation. The amount of advertising appropriation is influenced by the nature and number of items included in the advertising budget.

9.3 ADVERTISING BUDGET PROCESS

There are a number of steps in advertising budget process.

1. Budget Preparation

Budget preparation is a matter of time and brain on the part of advertising department. The total expenditure on advertising is estimated on the basis of the information of markets, product, pricing, message, and media. Mostly, advertising budget is planned and designed by the advertising manager with the help of his staff and advertising agency personnel. The allocation of appropriation to different advertising activities is mode on the basis of the contribution to advertising and attitude of the management. Advertising budgets are prepared for each market segment, time, and geographic area.

2. Presentation

Prepared budget is presented by advertising manager to the marketing manager or top management who decides the rationale and the contribution of the budget components. We can say budget presentation is like a sales job. The advertising manager may be consulted before finalizing the budget. The budget is modified in the light of sales forecast, sales opportunities, and the role of advertising in capturing the market share.

3. Implementation

Execution and implementation of the budget is done through routine activities. Once the budget has been accepted, the financial amount is issued to advertising manager and he is responsible for its judicious spending. The cost of advertising, production, purchase of advertising time and space and other functions are considered.

4. Budget Control

Control function is mainly a matter of finding whether the advertising expenditure match with the schedules set down in the advertising budget. The advertising budget should not be less than the advertising expenditure. The budgeted expenditure on advertising should be used only for advertising purpose and not for other purposes. It involves knowing whether the company is at expected level in relation to the advertising plan. Last but not the least; management control is an occasional review of advertising effort in of results.

Self-check Question:

A. Define advertising appropriation.
B. Explain advertising budget.

C. What do you understand by budget preparation?

9.4 FACTORS BEARING ON BUDGET SIZE

There is no magic formula to arrive at the right amount of advertising expenditure to be defrayed. There are many factors which must be considered by the advertising manager:

- **Advertising frequency:** The number of repetitions that need to be made to put across the brand message to consumers has an important impact on the advertising budget.
- **Objectives to be attained:** There may be several objectives for advertising eg. to enter in new market, to introduce a new product, to increase the sales and many more for advertising performance. Higher the priority given to a goal or a set of goals more will be the willingness to spend the funds in achieving them.
- **Size and extent of the market:** The size of the budget is a function of how many people are to be reached, its cost more to reach large, widely dispersed, national market than small it is the question of reaching a target audience through different media and media vehicles. However, the market for consumer durable and broad spectrum, the advertising house will have to come out with a big budget.
- **Product class:** Talking of only consumer goods, these may be classified into three categories-convenient, shopping and specialty. Depending upon the class of product the budget will be changed, e.g., the fashion goods require less advertising as the buyers can judge. The qualities of these products themselves in person while the hop from shop to shop when a product /brand offers a unique benefit that the buyer can reading perceive when using it, the amount of advertising needed tends to be less than when so such clear differentiation exists.
- **Stage in product life cycle:** Every product has its life cycle consisting of four stages Introduction-Growth-Maturity and Decline. There will be more budget required for advertising at introduction stages. This amount changed with the passage of products passes through different stages.
- **Profit margin and volume:** Profit margin per unit and volume of sales are inseparable consideration. If the margin is substantial there is considerable leeway in establishing the size of the budget. For cosmetics, health and beauty aids, the margin available for advertising, promotion and profit is typically 40 to 50 percent of the retail price.
- **Competitive spending:** A comparison of brand share of total sales in a product category and brand shares of total advertising in that category generally reveals a high correlation. In other words, a brand's share of sales is likely to be close to its share of advertising. Share of sales is related to the share of mind that results from share of advertising. This relationship may be a self-explaining concept the greater the sales, the more we spend on advertising.

- **Funds availability:** An absolute limit is fixed on the advertising budget by what a company can afford irrespective of its age and size. The company has got to be satisfied with less ambitious workable size of the budget as forced by the financial stringency the company condition put. Finance is a major key factor or principal budget factor that dictates the size of the advertising budget.
- **Age of the company:** A company which is known to consumer will have certainly an advantage in introducing a new product. On the other hand, a new company that has not introduced itself we sweat in introducing its products and spends more on advertising.
- **The size of the company:** It goes without saying that a bigger company with huge financial recourses within its easy reach, will have liberal advertising budget. A big company gets best advertising result with moderate of spending than a small company.

- **Product substitutability:** Brands in the commodity class require heavy advertising to establish a different image. For example, cigarettes, beer, soft drinks. Also, advertising is important when the brand can offer unique physical benefits or features.
- **Economic condition:** The economic activities are not same. During the sure economic conditions, majority, of companies cut back the advertising budget and during the period of boom condition, they increase the advertising budget beyond limits. It is the demand and supply situations that decide the size of advertising budget and actual spending.

9.5 METHODS FOR ESTABLISHING ADVERTISING APPROPRIATION

There are several methods for determining the advertising appropriation and advertising budget.

9.5.1 Percentage of sales

Although its use has declined in recent years, yet it is the most widely accepted method use for appropriation purpose. There are several variations in the actual application of this method. The percentage may be based on last year sales on the estimated sales for the coming period or the combination of these two. A pre-determined percentage of sales value is earmarked for advertising purpose. The percentage remains constant. The percentage of sales allocation procedure involve the multiply of a pre-determined percentage by the value of sales.

Advertising Allocation= % × Rs. Sales

This percentage of sales method has its own sets of merits and demerits worth considering. The calculation of the amount of advertising for a period is not posing any mathematical complexities. This is a simple workable and relatively safe way of handling the problem of setting the advertising budge. This method is consistent with the standard accounting practice and is acceptable to the tax authority. In this method the budget varies with what the firm can afford based on its sales.

This method considers advertising as the result of sales though it is the cause of sales. Advertising is the cause of increasing sales than the result. In this method funds made available will vary in proportion to sales, there is a limited scope for long term planning of advertising. This method does not respond to changing market conditions or the phase of business cycles. This method works well so for as short run period is concerned. It ignores the basic question: "what is the real nature of the advertising job to done". It is not necessarily geared to the needs of the total marketing programmed.

9.5.2 Objective and Task

In this method the focus is on the specific objectives to be achieved and on the role to be played by advertising. It is the most popular method because it directs the attentions to the objectives to be attained and achieved by the marketing programmed, the work that the advertising department is to be done in attaining such objectives. This method is goal oriented. In this method the company}' first decides the objective to be attained in marketing and advertising, then company will decide objective and cost. This method basically refers to the cost of achieving the objective by applying the appropriate task. The objectives of the marketing and advertising are decided after taking into consideration the internal and external environment and costs of achieving the objectives are estimated.

This method makes the management to build the budget in terms of objectives to be attained and tasks to be fulfilled in the light of the objectives. The budget is prepared after through evaluations of the internal and external environment. This method is flexible that can be used by one company and all. The main problem regarding this method it is not easy to finalize the cost of fulfilling an objective. Whatever the objective has been decided to attain may not be suitable for company in future due to external environment. This method is more difficult to implement also. Sometime the decided objectives may not be translated into task and due to which cost may not be estimated.

9.4.1 Competitive Party

Many time companies before preparing the budget evaluate the budget of its competitors. The producer tries to manage parity with the competitors. So, he prepares such types of budgets as would be equal to the budget of competitors. In this method, the company must get the relevant, up to date and authentic information about the competitor's appropriation in terms of sales, figures, ratios, and percentages of advertisings cost and sales. This method is accepted as rational because in this approach the budget is decided in the same market conditions, for same goals, dividing the funds in the same matter also.

This approach is good because the company may follow the competitors who have more knowledge and experience in preparing the advertising budget. It reduces the civil war amongst the competitors. No special efforts are given by advertising manager, just only to collect the information from the competitors and applying it to the individual case. It is better because this method recognizes the competitions as a

key factor in marketing. Some time it may not be possible for the company to follow the same method of competitors due to the internal environmental factors. It may be possible whatever the approach is followed by competitor not good or best. Wrong information may be conveyed regarding competitors' methods for deciding advertising budget. Objectives of the company may be different in that case this approach is not good.

9.5.4 Affordable Approach

In this method company decide the advertising budget after taking in to consideration the recourses it has and how much they can utilize for advertising. What a company can afford for advertising is more important than what is think in terms of wonderful ambitious plan of advertising. Company fixes the limits the expenditure to be incurred on the advertising. Company may take in to consideration the profit or liquid assets of company for budget purpose. The management may decide say 20 % of its profits or 10 **%** of its liquid assets for advertising for the specific period.

This method is more practical because the budget is prepared after considering the earning capacity and liquidity position of the company. It is more flexible as compare to the other approaches for advertising budget. In this method company only think what it can afford for advertising but fail to consider the other important elements of company. The affordable approach does not encourage the long-term planning for advertising. It is logical approach for preparing Advertising Budget.

9.5.5 Unit of Sales

In this method advertising budget id prepared by taking fixed amount from each unit sold e.g., if Rs. 500 per unit is assigned to advertising the budget amount will be Rs. 500,000 for 1000 units. Mostly this method is used for durable and industrial goods. This method is simple and easy to apply. It is inflexible and illogical in practical.

Self-check Question:

A. Explain any two factors that affects advertising budget.
B. What do you understand by unit of sales methods of advertising budgeting?

9.6 SUMMARY

The chapter discussed the budget for advertising involves the allocation of a portion of the total marketing resources to the advertising function in a firm. Advertising budget is most important part of marketing. Advertising is a form of promotion, and, as one of the four pillars of marketing. There are number of factors which impact on advertising budget some of them are controllable and some are uncontrollable.

9.7 Keywords: Advertising Appropriation, Advertising Budget, Budget Control,Unit of Sales

9.8 Short Question Answer

1. What do you understand by advertising budget? How it affects organisations sales?
2. Write down any four factors that affect advertising budget.
3. Explain affordable approach of advertising budget.

9.9 Long Question Answer

1. What are the factors which impact on advertising budget?
2. What is advertising budget? What are the methods of Advertising budget?
3. Explain advertising budget process?

9.10 SUGGESTED READINGS

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9.11 Self-check Question (Answer Key)

9.3

a. Advertising appropriation refers to the total sum of money allocated by top management to advertising during a specified time.
b. Advertising budget is plan that sets limits on the advertising expenditures, states how expenditures will be allocated and controls the disbursement of advertising over a designated period,
c. Budget preparation is a matter of time and brain on the part of advertising department. The total expenditure on advertising is estimated on the basis of the information of markets, product, pricing, message and media.

9.5

a. The sizeof the company: It goes without saying that a bigger company with huge financial recourses within its easy reach, will have liberal advertising budget. A big company gets best advertising result with moderate of spending than a small company.

Product substitutability: Brands in the commodity class require heavy advertising to establish a different image. For example, cigarettes, beer, soft drinks. Also, advertising is important when the brand can offer unique physical benefits or features.

b. In this method advertising budget id prepared by taking fixed amount from each unit sold e.g., if Rs. 500 per unit is assigned to advertising the budget amount will be Rs. 500,000 for 1000 units.

LESSON NO. 10 **AUTHOR: SATINDER KUMAR**

MEASURING ADVERTISING EFFECTIVENESS

STRUCTURE

10.0 Objectives
10.1 Introduction
10.2 Importance of Measuring the Effectiveness of Advertising
10.3 Methods of Measuring Advertising Effectiveness
10.3.1 Direct Measures
10.3.2 Indirect Measures
10.4 Copy Testing
10.4.1 Pre-Test Methods
10.4.2 Post-Test Techniques
10.4.3 Concurrent Methods
10.5 Keying the Advertising
10.6 Communication Effect of Advertising
10.7 Summary
10.8 Glossary
10.9 Short Question Answer
10.10 Long Question Answer
10.11 Suggested readings

10.12 Self-check Question (Answer Key)

10.0 OBJECTIVES

After reading this chapter, the students should be able to:

- To know the advertising effectiveness
- To know about measuring of advertising
- To understand effect of advertising

10.1 INTRODUCTION

In today's competitive era one is constantly bombarded with advertisements. Empirical studies show that advertisements have an influence on the purchase behaviour of consumers. Consumers purchase decision is also influenced by the "value" they feel they would derive from purchasing that product or service. Consumers expect a return on investment (price vis a vis value). In other words, consumers expect value for each penny they spend. At the other end of the spectrum the marketers expect a return on the investment they make (on advertising). This is natural given the fact that promotion activities do cost the firms a lot. The return may be in the form of increased profitability and an increase in the firm value. We find every year companies investing millions of rupees or dollars in marketing

communication. A bulk of this obviously goes into advertising expenditure. Naturally, marketers expect a return on investment (ROI) on this. Their expectation stems from the likely impact, marketing investments have on the market performance and thus the profitability of the firm. The main goals of most advertising are to capture the attention of a potential buyer and promote brand awareness. If company pay for advertising, then it is probably important for it see some results. But if company waste money on inefficient advertising, it is missing better opportunities and the results may not come at all.

Advertisement is a mass communicating of information intended to persuade buyers to buy products with a view to maximizing a company's profits. The elements of advertising are:

- It is a mass communication reaching a large group of consumers.
- It makes mass production possible.
- It is non-personal communication, for it is not delivered by an actual person, nor is it addressed to a specific person.
- It is a commercial communication because it is used to help assure the advertiser of a long business life with profitable sales.
- Advertising can be economical, for it reaches large groups of people. This keeps the cost per message low.
- The communication is speedy, permitting an advertiser to speak to millions of buyers in a matter of a few hours.
- Advertising is identified communication. The advertiser signs his name to his advertisement for the purpose of publicizing his identity.

The main objective in measuring advertising effectiveness is to determine the effect of each advertising campaign from the results of our measuring and compare it with its price. Then we can decide which campaigns bring the best value for the money spent. Three distinct reasons for measuring advertising results: (1) The need to produce more effective advertising. (2) The need to prove to the management that a higher budget will benefit the firm. (3) The need to determine the level of expenditure that is most promising.

The basic objectives of an advertising programmed may be listed as below:

- To stimulate sales amongst present, former, and future consumers. It involves a decision regarding the media, e.g., TV rather than print;
- To communicate with consumers. This involves decision regarding copy;
- To retain the loyalty of present and former consumers. Advertising may be used to reassure buyers that they have made the best purchase, thus building loyalty to the brand name or the firm.
- To increase support. Advertising impliedly bolsters the morale of the sales force and of distributors, wholesalers, and retailers; it thus contributes to enthusiasts and confidence attitude in the organizational.
- To project an image. Advertising is used to promote an overall image of respect and trust for an organization. This message is aimed not only at consumers, but also at the government, shareholders, and the public.

All advertising efforts are directed mainly towards the achievement of business, marketing, and advertising objectives i.e., to increase the sales turnover and

thus to market the maximum profit. The advertiser spends lakhs of rupees in to this advertising activity. In the background of all these efforts, is an attempt to attract the customer towards the product through advertising.

As soon as the advertising campaign is over, a need is generally arisen to measure the effectiveness of the campaign. Whether, it has achieved the desired results i.e., desired sales profitability or results in terms the change in customer' behaviour in favor of the company's product which will naturally, affect the future sale of the product.

The effectiveness of advertising in a particular media may also be measured in any of the following ways - (a) by giving different addresses to different media, job) different newspapers may be selected for advertisements of different departments, (c) coupon blank etc. May be provided with the advertisement or (d) enquiry from consumers should mention the name of the source of information. The technique is known as keying the advertising. Thus, in measuring the effectiveness of advertising we include measuring of the effectiveness of advertising campaign, advertising copy and the effectiveness of individual media. This chapter deals these three problems.

10.2 IMPORTANCE OF MEASURING THE EFFECTIVNESS OF ADVERTISING

- **It acts as a Safety measure:** Testing effectiveness of advertising helps in finding out ineffective advertisement and advertising campaigns. It facilitates timely adjustments in advertising to make advertising consumer oriented and result oriented. Thus, waste of money in faulty advertising can be avoided.
- **Provides feedback for remedial measures:** Testing effectiveness r*f advertising provides useful information to the advertisers to take remedial steps against ineffective advertisements.
- **Avoids possible failure:** Advertisers are not sure of results of advertising from a particular advertising campaign. Evaluating advertising effectives helps in estimating the results to avoid complete loss.
- **To justify the Investment in Advertising:** The expenditure on advertisement is an investment. The investment in advertising is a marketing investment and its objectives should be spelt out clearly indicating the results expected from the campaign. The rate and size of return should be determined in advance. If the expected rate of return is achieved in terms of additional profits, the advertisement can be considered as effective one.
- **To know the communication Effect:** The effectiveness of the advertisement can be measured in terms of their communication effects on the target consumers or audience. The main purpose of advertising is communicated the public, and existing and prospective consumers, various information about the product and the company. It is therefore desirable to seek post measurements of advertising to determine whether advertisement have been seen or heard or in other words whether they have communicated

the theme, message, or appeal of the advertising.

- **Compare two markets:** Under this procedure, advertising is published in test markets and results are contrasted with other. Markets - so called control markets which have had the regular advertising programme. The measurements made to determine results may be measurements of change in sales, change in consumer attitudes, changes in dealer display and so on depending upon the objectives sought by the advertiser.

Self-check Question:

A. Define elements of advertising.
B. Explain objective of advertising programme.
C. Note down any two importance of measuring the effectiveness of advertising.

10.3 METHODS OF MEASURING ADVERTISING EFFECTIVENESS

Advertising is aimed at improving the sales volume of a concern so its effectiveness can be evaluated by its impact on sales. Most of the managers believe that the advertisement directly affects the sales volume and hence they evaluate the effectiveness of the advertising campaign by the increase in the sales volume.

There may be two types of measures (I) Direct measures: and (II) Indirect measures: -

10.3.1 Direct Measures of Advertising Effectiveness

Under direct measures, a relationship between advertising and sales is established. A comparison of sales of two periods or two periods or two markets may be done and the corresponding changes may be noted. The following are some of the methods that are generally used in measuring that advertising effects.

(a) **Historical Sales Method:** Some insights into the effectiveness of past advertising may be obtained by measuring the relationship between the advertising expenditure and the total sales of the product. A multiple regression analysis of advertising expenditure and sales over several time periods may be calculated, (t would show how the changes in advertising expenditure have corresponding changes in sales volume. This technique estimates the contribution that advertising has made to explaining in a co relational manner rather than a casual sale, the variation in sales over the time periods covered in the study.

(b) **Experimental Control:** The other measure of advertising effectiveness is the method of experimental control where a causal relationship between advertising and sales is established. This method is quite expensive when related to other advertising effectiveness measures yet it is possible to isolate advertising contribution to sales. Moreover, this can be done as a pre-test to aid advertising in choosing between alternative creative designs. Media schedules expenditure levels or some combination of these advertising decision areas. One experimental approach to measuring the sales effectiveness of advertising is test marketing.

(i) **Before-after with Control Group Design:** This classic design uses several test and control cities, for example in this design two types of cities are

selected. Cities in which advertising campaigns are affected may be named as test cities and other cities may be called central cities. First of all, the normal sales level is calculated for both type of cities prior to advertising campaign, arid then the advertising campaign is presented to the test cities and not the central cities. The effect of advertising campaign, can then, be measured by subtracting the amount of post campaign figure of sale from the pre campaign sale figures in test cities.

A Before-after with Control Group Design for Measuring the Effectiveness of Advertising Campaigns

	Test cities	Control cities
Pre-campaign measure of sales	Yes	Yes
Advertising campaign	Yes	No
Post-Campaign measure of Sales	Yes	Yes

The difference of post and pre campaign sales in cities is the result of advertising and all other factors that affect the sales.

(ii) **Multivariable Experimental Designs:** While the experimental design discussed above yields a reasonably accurate estimate of the effects of the advertising on sales, it is not successful in explaining the success or failure of the campaign itself. Multivariable designs Produce these explanations and are, therefore used

by some very large firm because of their diagnostic value.

The power of this multivariable factorial design is explained by G.H.Brown, former Fords Director of Marketing Research. For any single medium, eight possible geographic areas have been exposed and eight have not been exposed. Thus, in this experimental model it is possible to evaluate how each individual medium behaves alone and in all possible to evaluate how each individual medium behaves alone and in all possible combinations with other media.

10.3.2 Indirect Measures

As it is very difficult to measure the direct effect of advertising on company's profits or sales, most firms rely heavily on indirect measures. These measures do not evaluate the effects of advertisements directing on sales or profits but all other factors such as customer awareness or attitude or customer recall of advertising message affect the sales or profits or goals of the business indirectly. Despite the uncertainties about the relationship between the intermediate effccts of advertising and the ultimate results, there is no other alternative but to use indirect measures. The most commonly used measures are –

(a) Exposure to Advertisement

In order to be effective, the advertisement must gain exposure. The management is concerned about the number of target audiences who see or hear the organization message set in the advertisement. Without exposure, advertisement is bound to failure.

Marketers or advertisers may obtain an idea of exposure generated by the medium by examining its circulation or audience data which reveal the number of

copies of the magazine, newspaper or journal sold the number of persons passing the billboards or riding in transit facilities, or the number of persons living in the televiewing or radio listening area, and the number of persons switching on their T.V. and radio sets at various points of time. This number can be estimated by interviewing the numbers of the audience for different media.

(b) Attention or Recall of Advertising Message Content

This is one of the widely used measures of advertising results. Under this measure, a recall of the message content among a specified group or groups or prospective customers is measured within 24 hours of the exposure of the advertisement.

Attention value is the chief quality of the advertising copy the advertisements cannot be said to be effective unless they attract the attention of the target consumers. There are two methods for evaluating the attention getting value of the advertisements. One is pretest and the other is post-test.

In a pre-test evaluation, the consumers are asked to indicate the extent to which they recognize or recall the advertisement, they have already seen. This test is conducted in the laboratory setting. Here consumers read, hear, or listen to the advertisement and then researchers ask question regarding the advertisement just to test the recall and then evaluate it.

In post-test method, the consumers are asked questions about the indication of recognition or recall after the advertisement has been run. These measures assume that customers can recall or recognize what they have viewed or listened to. Various mechanical devices are being used in the western countries which provide indices of attention such as eye-camera etc.

(c) Brand Awareness

The marketers who rely heavily on advertising often appraise its effectiveness by measuring the customer's awareness about the particular product or brand. The assumption of this type of measure is that there is a direct relationship between the advertisements and the awareness. This type of measure is also subject to the same criticisms as is applicable to direct measures of effectiveness (sales measures because awareness is also not the direct result of the advertisements. It is also affected by many other factors. But, for new products, changes in awareness can often be attributed to the influence of advertising.

(d) Comprehension

Consumers generally use advertisements as a means of obtaining information about the product, brand or the manufacturer. They cannot be informed unless they comprehend the message (grasp the message mentally and understand it fully). Various tests for valuating comprehension are available - One is recall tests - an indicator of comprehension because it is evident that consumers recall what they comprehend. Another measure of the variable is to ask questions about subjects how much they have comprehended a message they have recently heard or seen. One may employ somewhat imprecise test of the comprehension of a newspaper and radio

advertisement. One may ask typical target consumers from time to time such questions like 'what did you think of our new commercial?' and 'Did it get the message across'? The answers of these questions will provide sufficient insight into advertising decision making.

(e) Attitude Change

Since advertising is considered to be one way of influencing the state of the mind of the audience towards a product, service or organisation, the results are very often measured in terms of attitudes among groups exposed to advertising communication. Several measures are used ranging from asking the questions about willingness to buy the likelihood of buying to the measurement of the extent to which specific attributes (such as modem or new) are associated with a product.

(f) Action

One objective of advertisement may be assumed to be to stimulate action or behaviour. The action or intention to take an action may be measured on the intention to buy measuring instrument. Under this type of measure, consumers are asked to respond why they are interested in purchasing the product or brand. One type of action that advertisers attempt to induce is buying behaviour. The assumption is that if an increase in sales follows a decrease in advertising expenditure, the change in sales levels are good indicators of the effectiveness of advertising. Logic suggests that measurement of sales is preferable to other measurements.

Thus, these above measures (direct or indirect) are used to evaluate the effectiveness of advertisements. It seems from the analysis of the above methods of measuring effectiveness that directly or indirectly changes in sales or profits are taken as the measuring rod of the effectiveness of the advertising.

In order to measure the effectiveness of advertising copy, two types of tests- prctc3ts and post tests- can be undertaken. Pretests are generally conducted in the beginning of the creation process or at the end of creation process or production stage. There are several pre and post tests techniques to measure the effectiveness of the advertising copy.

10.4 COPY TESTING

Copy testing is a tool involving a procedure where the effectiveness of an advertisement is measured before it appears in its final form, during and after its exposure to the audience to determine whether and to what extent, it has accomplished its assigned task.

Almost every firm spends thousands of rupees on advertising every year; it is very much pertinent to know the effectiveness of the advertisement copy. The main purpose of every advertising is to arouse the interests of the people in the firm's product can everyone be perused by the same advertisement? Or will the same advertisement satisfy all types of people? The simple answer is in negative because people differ so greatly in their wants, in the economic and other motives which actuate them, and in the various ways by which their interest is aroused. It is why some advertisements are more effective than others. The amount is spent on

advertising not only because the advertisement does not get to the right people but because it carries an appeal which does not interest those to whom it goes. An often quoted remark about advertisement is that half the money spent on advertising is wasted; but no one knows which half. For this purpose, advertising copy research is done to see how will an advertisement succeeds in attracting the attention and stimulating the desire and action of the people for whom it is made and how will it delivers the intended message about a product or an idea. Advertisement copy is to be sure of its effectiveness.

In this way, the copy testing is a method used to control the effectiveness of future advertising. It addresses the following questions

(a) Will a proposed copy theme be effective at achieving advertising objectives?

(b) Does the set of advertisings that makes up an advertising campaign create the desired interest level and image? And

(c) Will an individual advertisement attract the attention of the audience?

Types of Tests

The various methods of testing advertising copy are

1. Pre-test methods
2. Post-test methods
3. Concurrent methods

10.4.1 Pre-Test Methods

Pre-test method refers to testing the potentiality of a message or copy before printing or broadcasting. It is useful because the concepts in advertising may appear to be simple and effective to the advertiser or advertising to be simple and effective to the advertiser or advertising agency. It may be difficult from the layman's point of view. All the elements in the advertising copy requires careful pre-testing to see that the matter it intends to be conveyed has been really conveyed, 'prevention is better than care'. Pre testing methods are adopted on this basis. The following are some of the pre-testing methods.

a. Check list method
b. Consumer Jury method
c. Sales Area Test
d. Questionnaire
e. Recall test
f. Reaction test
g- Readability test
h. Eye-movement test

a. Check list Method: The copywriters use checklist method to test the effectiveness of advertising copy. The purpose of this method is to ensure that all elements of the advertising copy are included with due importance in the advertisement. As it is a pretest method omission can be included in the copy before release of the advertisement. A checklist is a list of good qualities to be possessed by

an effective advertisement. The researcher must compare the advertisement with the checklist and tick the items present in the advertisement copy. Accordingly, a copywriter can draw specific conclusions and make suitable changes in the advertising copy.

b. **Consumer Jury method:** This method essentially involves the exposure of alternative advertisements to a sample of jury; of prospects and the securing of their opinion and reactions to the advertisements. This test is designed to learn from a typical group of prospective customers gathered in one place or a sample of prospects that are independently, visited by interviewers or contacted by mail their preference for one advertisement over the other or for several advertisements out of a group. Advertisements which are unpublished are mocked up on a separate sheet and these are presented before the consumer jury either in personal interviews or group interviews.

c. **Sales Area Test:** Under this method advertising campaign is run in the markets selected for testing purposes. The impact of the campaign is evaluated by actual sales in the selected markets. The market with high sales is considered the best market for effective sales campaign. In other markets suitable changes are made in the advertising campaign.

d. **Questionnaire Method:** It is a list of questions related to an experiment. It contains questions and provides space for answers. The draft of an advertisement along with some relevant questions is to be sent to a group of target consumers or advertising experts. Their opinions are collected and analyzed to find out whether the proposed advertisement is satisfactory or not.

e. **Recall test Method:** Under this method, advertising copies are shown to a group of prospects. After few minutes they are asked to recall and reproduce them. This method is used to find out how far the advertisements are impressive.

f. **Reaction Test:** The potential effect of an advertisement is judged with the help of certain instruments, which measure heartbeats, blood pressure, pupil dilution etc. Their reactions reveal the psychological or nervous effects of advertising.

g. **Readability Test:** All the listeners of advertisements cannot read it equally. So, respondents are drawn from different socio economic and geographical backgrounds. This method is used to find out the level of effectiveness when and advertisement is read.

h. **Eye Movement Test:** The movements of eyes of the respondents are recorded by using eye observation camera when advertisements are shown to them in a screen. This helps to find out the attention value of advertisement.

10.4.2 Post-Test Techniques

The following are the post-test techniques for measuring the effectiveness of the advertisements

a. **Recognition Test**

It determines the readership of the advertisement in the newspapers and journals. This test is conducted by personal interviews with readers, and magazines or

newspapers. The interviewers locate the readers of the particular issue of the magazine in question. They, then, go through the magazine page by page with the respondent indicating those advertising elements which he or she recognize as having read.

The data collected by this test indicate the proportion of qualified readership of a publication who claims to have 'seen', 'read some' or ’read most of the elements of the individual advertisement. These measurements may also seek to obtain quantitative data regarding the parts of an advertisement which were seen or heard.

b. Recall or Impact Test

The recognition test measurers the stopping power of the advertising but goes not tell us what the readers understood or retained of the advertisement. The recall test is designed to measure the impression of readers or viewers of the advertisement. If a reader has a favorable impression of the advertisement, he will certainly retain something of the advertisement. The measures of interest would be obtained by interviewing the readers or viewers or listeners, days after the advertisement or commercial is appeared in the newspaper, or on T.V. Interviewer asks the questions from the readers / viewers and in response to the question asked, the reader reveals the accuracy and depth of his impression by his answers.

c. Psychological Analysis

The whole process of advertising is psychological in character. It is therefore, natural to apply some psychological tests to measure the effectiveness of the advertising. Three psychological testing techniques are most commonly used

(I) Tests of readability and comprehension;
(II) Tests of Believability
(III) Attitude tests; and

(I) Tests of Readability and Comprehension: It this technique, by means of a series of penetrating questions and by other techniques developed by psychologists, the ease of readability and comprehension is determined, in advance of publication. It is determined by the interviewer under this method whether and to what extent the readers have gone through the advertisement.

(II) Tests of Believability: Advertisement message effectiveness can be measured by the degree of credibility the readers have in the product. A scale technique is generally employed to measure the credibility by putting several statements or product claims before, the consumers and are created by them. The statement or product Claims gets the highest priority votes may be taken as the most effective statement or claim.

(III) Attitude Tests: A number of attitude tests are developed by the psychologists who can be applied to copy testing. Typical consumers are exposed to sample advertising messages, either printed or oral. The interviewer then asks series of

penetrating questions, to determine the attitude produced "by these various message. Psychological reactions such as age, involvement, the eye of person who would use the product and the personality of the product

reflected by the advertisement being tested, are obtained. The researcher looks especially for elements in the advertising which arouse psychological hostility.

10.4.3 Concurrent Methods

Under this method, tests are conducted while the consumers are exposed to different types of media. For instance, a magazine reader may be observed while reading the magazine. Which carries an advertisement? The concurrent methods are

a. Consumer diaries
b. Co-incidental surveys and
c. Electronic devices.

a. Consumer diaries: Under this method, diaries are supplied to a few selected customers. They are also informed to record the details of advertisements they listen or read. The diaries are collected periodically. The result obtained from such a survey reveals the effectiveness of advertisement.

b. Co-incidental surveys: This method is also called as co-incidental telephone method. Under this method, samples of customers are selected and calls are made at the time of broadcast of the advertisement programmed. The data obtained and analyzed will give a picture about the effectiveness of an advertisement.

c. Electronic devices: Now day's electronic devices are widely used to measure the effectiveness of an advertisement. They are mainly used in broadcast media. These are auto meters, track electronic units etc.

The following methods are also used to measure the impact of advertisement on the sags volume.

I. Historical method and
II. Experimental method

I. Historical Method: Under this method, recorded facts related to sales before and after advertisements are compared. If an advertisement is followed with more sales, advertisement is more effective.

II. Experimental Method: Under this method, the entire sales territory is divided into three or four sub- areas. The advertiser spent different amount for advertising in different areas. Then collects facts regarding sales from these sub-areas the result is used to measure the effectiveness of advertisement in boosting sales. Following the result obtained, the advertiser prepares his advertising budget for future action. An advertiser has to adopt some follow up measures to increase the effectiveness of advertisement. For this consumers may be contacted through direct mail after the advertisement is placed

Self-check Question

A. Define copy-testing.
B. What do you understand by sales area test?

C. Explain recall test.

10.5 KEYING THE ADVERTISING

It is a fashion to advertise. Every advertiser wants to assess the effectiveness of advertising. The problem of assessment becomes more complicated when advertiser advertises through various media. Selection of media is not an easy job. Which media responded to the satisfaction of the advertiser? Is not an easy question to be answered? In other words there arises the problem of choosing how to advertise? and through which media' Naturally one would select a media - mix that would serve one purpose the most. This can be easily done by keying the advertising. Keying means to adopt such methods at the time of adverting so that results may be very easily assured and to do so either of the following may be adopted.

1. Different address may be given to difference media, so that enquiries received may be scrutinized to find out which media, responds the best. The best media may be selected and continued for advertisements and the rest may be stopped to avoid unnecessary waste of time and money.
2. Different papers may be selected for the advertisement of different departments, so as to know which paper suits the requirements and of which department.
3. A coupon, blank order or space may be provided with the advertisement paper with a request that all requires should be media along with the coupon, cr blank order or space duly filled in.
4. A request can be made to the enquirer or the prospective buyer, along with the advertisement that he should mention the name of the particular media which is the source of his information while making any enquiry. A scrutiny of all those inquiries may give an idea which paper or media is the best suited.

10.6 COMMUNICATION EFFECT OF ADVERTISING

The management should attempt to evaluate the effectiveness of the advertising campaign if the firm's advertising goals are to be achieved and the ad effectiveness is to be increased. By regular evaluation of the effectiveness, the short comings and the plus points would be revealed and the management would be able to improve the campaign by negating the shortcomings and retaining the favorable point. For this purpose, it is very necessary to know how advertising affects the buyer's behaviour. But this is very difficult task because measurements are imperfect and imprecise.

The effectiveness of advertising can be measured by the extent, it to which it achieves the objectives set for it. If it succeeds in attaining the objectives advertising can be said to be effective otherwise it will be a waste of money and time. In this sense, advertising can be recognized as a business activity like other activities.

In a very real sense the integrity of promotional activities rests on how well those activities work. An advertising budget that is spent on some poorly defined tasks or on undefined tasks may be regarded as an economic waste as compared to that spent to achieve the well-defined objectives for which the results can be

measured. Any social institution upon which a significant portion of our total productive efforts is expanded should be able to point to its specific accomplishment. Indeed, it is a source of discomfort that specific results of advertising activities have not always been subject to precise measurement. Both practitioners and critics feel that promotional activities should only be accepted as socio - economic - institution with full right and privileges "when the means exist to prove that advertising super are productive rupees' It is undoubtedly a source of embarrassment that we cannot exactly measure the effectiveness of advertising in definitive terms.

The exact result of advertisement expenditure is very difficult to predict because

(a) The reaction of consumer - buyers to the advertising efforts cannot be known in advance.

(b) The reaction of competitors in the field cannot be guessed in anticipation and

(c) The unexpected events (such as change in social and economic environment and the government policies etc.) cannot be accurately anticipated. Such events may influence the results of the advertising efforts.

If we take a hypothetical case of a retailer who contract to spent Rs.5000 on advertisement with a local newspaper for a special sale even. The advertisement is seen and the response is much greater than it is anticipated. What caused the success of sale? They message theme colors etc., of the advertisement or the low prices quoted during the sale of the superior quality of the product or absence of competition in the market on the day or the favorable. Weather conditions or the goodwill of the firm etc. The overwhelming success of the sale is the joint result of all the above variables and it is quite impossible to isolate the role of any one variable. It is so because the cause and effect - relationship cannot be established in advance when a multitude of variable impinge upon a particular event. It is entirely possible that a poor advertising support may push up the sale because everything else falls into its proper place or the reverse may be possible. But it does not mean that that we cannot measure the effects of particulars advertising effort.

The advertising executives are much concerned about the assessment of the effectiveness of the advertising efforts. For this purpose, the management needs answers to such questions as: was the advertising campaign successful in attaining the advertising goals? Were our T.V. commercials as good as those of our competitors? will the print advertisement, which we have designed, make consumers aware of our new product? To get answers of these questions, various tests of effectiveness (Pre-tests and post - tests) are deeded to determine whether proposed advertisement should be used, and if they are not satisfactory how they might be improved, and whether ongoing campaign should be stopped continued or changed. Pre- tests are conducted before exposing target consumers to the advertisements and post tests after consumers have been exposed to them. As indicated earlier, the advertisers are interested in knowing what they are getting for their advertising rupees, so they test the proposed advertisement with pretest and measure the actual results with a post test. In the past, protesting was done by the advertising agencies but now the advertisers have been

taking an increasingly active role in protesting process. Pretest may be done either before an advertisement has been designed or executed after it is ready for public distribution or at both points.

During protesting there is often research on three vital questions

(i) Do consumers feel that the advertisement communicates something desirable about the product?

(ii) Does the message have an exclusive appeal that differentiates the product from that of the competitors?

(iii) Is the advertisement believable?

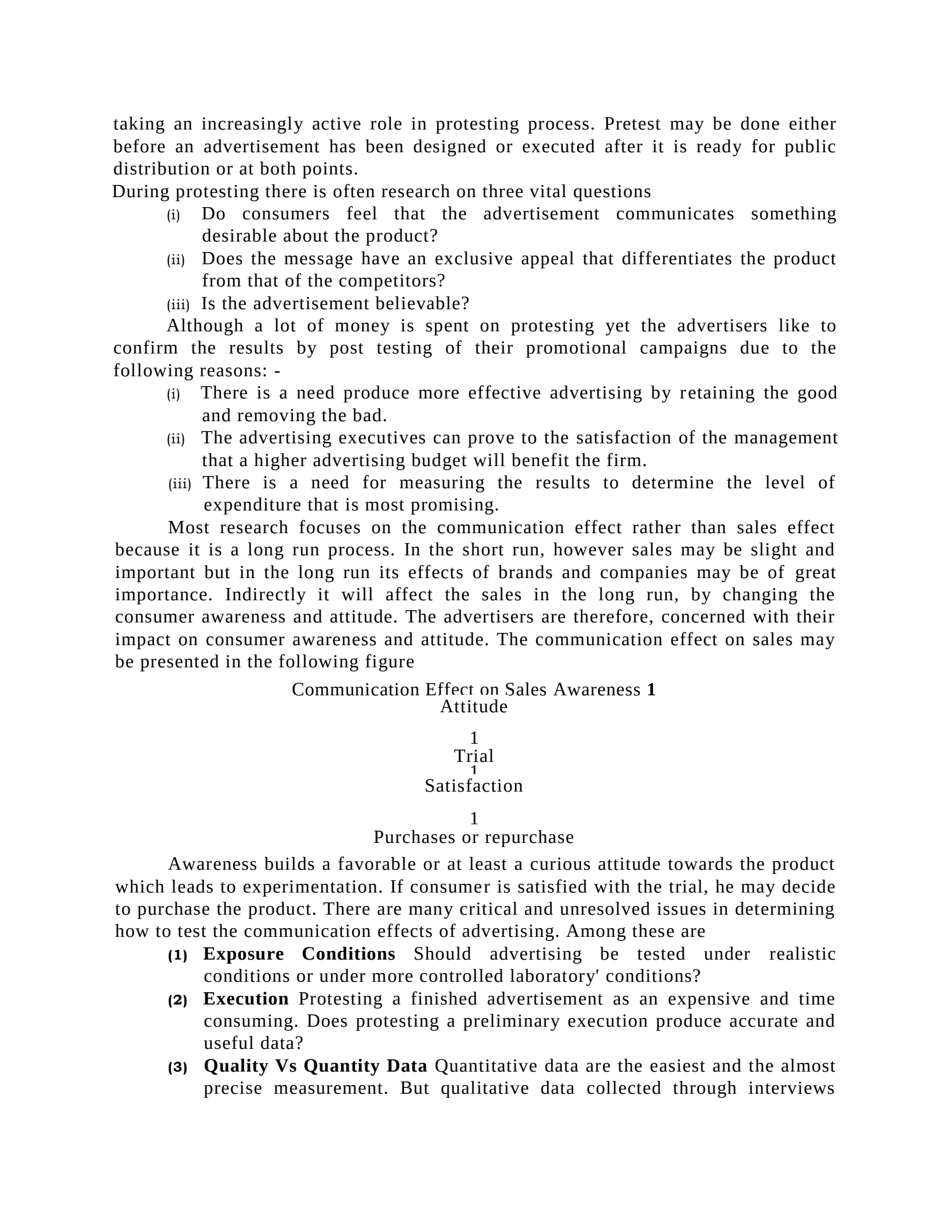
Although a lot of money is spent on protesting yet the advertisers like to confirm the results by post testing of their promotional campaigns due to the following reasons: -

(i) There is a need produce more effective advertising by retaining the good and removing the bad.

(ii) The advertising executives can prove to the satisfaction of the management that a higher advertising budget will benefit the firm.

(iii) There is a need for measuring the results to determine the level of expenditure that is most promising.

Most research focuses on the communication effect rather than sales effect because it is a long run process. In the short run, however sales may be slight and important but in the long run its effects of brands and companies may be of great importance. Indirectly it will affect the sales in the long run, by changing the consumer awareness and attitude. The advertisers are therefore, concerned with their impact on consumer awareness and attitude. The communication effect on sales may be presented in the following figure



Awareness builds a favorable or at least a curious attitude towards the product which leads to experimentation. If consumer is satisfied with the trial, he may decide to purchase the product. There are many critical and unresolved issues in determining how to test the communication effects of advertising. Among these are

(1) **Exposure Conditions** Should advertising be tested under realistic conditions or under more controlled laboratory' conditions?

(2) **Execution** Protesting a finished advertisement as an expensive and time consuming. Does protesting a preliminary execution produce accurate and useful data?

(3) **Quality Vs Quantity Data** Quantitative data are the easiest and the almost precise measurement. But qualitative data collected through interviews

may provide information that short answer questions never can.

Many types of advertising tests are conducted (different methods of pretests and post - test are given in question number) In T.V. commercials are tested by inviting a group of people to the studio to view a programme. The audience is then surveyed about the commercials. Print advertisements are tested through dummy magazine portfolio tests.

10.7 SUMMARY

The chapter discussed the effectiveness of advertising whether the ad is effective or not. There are methods for testing the ad effectiveness, Pre testing, Post testing and Concurrent Methods.

10.8 GLOSSARY

- Copy-the words in ad that carry the selling message.
- Copy Reader-Person who checks over copy for errors.
- Mail Order-The purchase of an item by ordering it through the mail.

10.9 Short Question Answer

1. What do you understand by advertising effectiveness? Explain its importance.
2. What are the pre-testing techniques of copy testing?
3. Explain the effect of communication on advertising.
4. Explain the direct measures to measure advertising effectiveness.

10.10 Long Question Answer

1. Write in detail about post-testing of an advertising copy.
2. What are the testing methods of an advertising copy?
3. What is the criticism generally leveled against advertising? Is it justified?
4. What are the indirect measures to measure advertising effectiveness?

10.11 SUGGESTED READING

- James S. Norris, **Advertising,** Prentice Hall of India Private Limited, New Delhi
- Chunawalla. S. A and Sethia. K. C., **Advertising Theory and Practice,** Himalaya Publishing.
- Jobber.David, Geoff Lancaster, **Selling and Sales Management,** Pearson Education.

10.12 Self-check Question (Answer key)

10.2

A. Elements of advertising

- It is a mass communication reaching a large group of consumers.
- It makes mass production possible.
- It is non-personal communication, for it is not delivered by an actual person, nor is it addressed to a specific person.
- It is a commercial communication because it is used to help assure the advertiser of a long business life with profitable sales.
- Advertising can be economical, for it reaches large groups of people. This keeps the cost per message low.
- The communication is speedy, permitting an advertiser to speak to millions of buyers in a matter of a few hours.

B. Objectives of advertising

- To stimulate sales amongst present, former, and future consumers. It involves a decision regarding the media, e.g., TV rather than print;
- To communicate with consumers. This involves decision regarding copy;
- To retain the loyalty of present and former consumers. Advertising may be used to reassure buyers that they have made the best purchase, thus building loyalty to the brand name or the firm.
- To increase support. Advertising impliedly bolsters the morale of the sales force and of distributors, wholesalers, and retailers; it thus contributes to enthusiasts and confidence attitude in the organizational.

C. **It acts as a Safety measure:** Testing effectiveness of advertising helps in finding out ineffective advertisement and advertising campaigns. It facilitates timely adjustments in advertising to make advertising consumer oriented and result oriented. Thus, waste of money in faulty advertising can be avoided.

- **Provides feedback for remedial measures:** Testing effectiveness r*f advertising provides useful information to the advertisers to take remedial steps against ineffective advertisements.

10.4

A. Copy testing is a tool involving a procedure where the effectiveness of an advertisement is measured before it appears in its final form, during and after its exposure to the audience to determine whether and to what extent, it has accomplished its assigned task.

B. Under this method advertising campaign is run in the markets selected for testing purposes. The impact of the campaign is evaluated by actual sales in the selected markets.

C. Under this method, advertising copies are shown to a group of prospects. After few minutes they are asked to recall and reproduce them. This method is used to find out how far the advertisements are impressive.

LESSON NO. 11 **AUTHOR: SATINDER KUMAR**

ADVERTISING ETHICS AND UNETHICAL PRACTICES, LEGAL FRAMEWORK OF ADVERTISING AND DECEPTIVE ADVERTISING

STRUCTURE

11.0 Objectives
11.1 Introduction
11.2 Unethical Practices in Advertising
11.3 Legal Framework of Advertising
11.3.1 Voluntarily Regulations
11.3.2 Governmental Regulations
11.4 Deceptive Advertising
11.5 Summary
11.6 Glossary
11.7 Short Question Answer
11.8 Long Question Answer
11.9 Suggested Readings
11.10 Self-check Question (Answer Key)

11.0 OBJECTIVES

After reading this chapter, the students should be able to:

- To know the meaning and nature of Ethical Advertising,
- To know the unethical practices in advertising,
- To understand the regulations for advertising,
- To understand the deceptive advertising.

11.1 INTRODUCTION

Advertising consist of the activities by which messages are addressee to selected public for the purpose of informing and motivating them to buy the product or senders or to act positively toward ideas, persons, trademark, place, and events. The social and ethical effects of advertising have become a major issue in India as well as in other parts of world. How ever, those people who have realized and understand the technical and economic benefits of advertising critics the ethics of advertising. Ethics is a set of moral principles norms or values. It is a part of social science dealing with good and bad and hence moral duties and responsibilities of an individual as social and rational animal. In other words,

ethics is concerned with those values that determine the moral conduct in each group or community. What is the relationship between advertising and these terms namely, ethics and morality? It is fact that advertising is psychological social and business process of persuading the people to buy products or services. In the process of acute and cut -threat competition, there are chances of discounting truth to succeed in the art of making multiplied sales and profits. Advertising has also been misused by a few people to serve their own ends, overlooking the business interests. There are various aspects of ethics, ranging from the question of validity of claims made in advertisements to form and made of presentation.

The broader aspect of the relevance and need for advertising especially taking in to account the value system and consumer satisfaction, should be given its due importance. The impact of advertising on children is a subject which has arouses a lot of interest in recent years and considerable research is being undertaken in several countries. Advertising has been criticized for degrading the ethical values of society. It must protect these values and motivate people with a realistic approach. The imaginary creations and valueless advertising should be avoided by the advertisers.

- **Imaginative Creation** Advertising has been presenting imaginary and emotional views of consumers. The smoking girl inviting people to smoke and share her emotion often has on correspondence with reality. But such kinds of ads have been used by advertisers to attract people. Therefore, there is need to bring improvement of such kind of ads. These kinds of practices should be abolished.
- **Value Systems** Advertisers have not been careful about presenting life styles and value styles and value systems. Obscenity and nudity are example of the deteriorating values of adverting. Gambling and lotteries should not be promoted by advertisings because they have destroyed the basic values of society. Excessive advertising may be intrusive and create confusion in the minds of prospects.

11.2 UNETHICAL PRACTICES IN ADVERTISING

There is nothing intrinsically good or intrinsically evil about advertising. It is a tool, an instrument: it can be used well, and it can be used badly. If it can have, and sometimes does have, beneficial results such as those just described, it also can, and often does, have a negative, harmful impact on individuals and society.

- **Misleading:** messages or images are just lies; unfair and honesty. The aim of this type of advertisements is just cheating the consumer. Ethics has some power in deceptive and misleading advertising. Deceptive and misleading advertisements can also be controlled by competitor lawsuits and by self- regulation. The advertising industry has developed an ambitious program of self -regulation, which rests largely on the support to industry itself.
- **Unfair Competition:** Generally, it is used in a lot of advertisements, especially in testimonial advertisements by showing the competitors

product as the weak one. In advertisements it is forbidden to use the competitor's product, service, brand name, brand logo, symbol etc. This behaviour is called unfair competition and is protected with competition laws in every country.

- **Gender) Women/Men) as Sexual Object:** Especially in advertisements for men, or men products women are used as sexual object. With help this sexual power, men buy everything, under every circumstances. Using women as a sexual object in advertisements is effective and powerful for men, but worthless for women. These advertisements include messages like to be sexy, beautiful, and charming means everything and the only way to impress the men. Here begins ethical arguments, because it is unfair to use a gender (men or women no matter), as model of sex object. During the past decade, the use of sexual appeals in print advertising has become almost commonplace.
- **Children as Easy Victim, Indirect Consumer generally:** Advertisements are informative, persuasive for adults. This means the person who can understand perceive and choose a message, product, service. But because children cannot understand, perceive, and choose like an adult, it is forbidden misleading advertisements especially for children's products. Due to children are under these circumstances the easy victim of this advertisements, it is not ethical to use children in misleading advertisements, products, places.
- **Billboard Advertisements' Language:** In advertisements the used language is very important. To be more effective, impressive advertisers tend to use slang or some dialects in advertisements language. They think they become more popular by using this strange language types. They use this language style to underestimate the dialects, which make it unethical. But in advertisements the messages are given with help of the cultural differences, social class differences; so, it is one of the biggest arguments of ethic. But in determining the target audience and giving the message, it is easier and effective for advertisers to give the message with different way to different social segments. But to divide the society in segments with different language style and dialects and underestimate these dialects is not ethical.
    1. Billboards advertisement affects the target audience very strong, because of its big size; big punto written message and image. This medium is used as a vice- medium to print media.
    2. The message in Billboard advertisements should be short, interesting, and clear enough to understand.
    3. The researches showed that, it is more effective, using strong emotion in the billboard advertisement messages.
    4. It is more effective and reminder to use creative images in Billboard ads.

5. The billboard should be perceived in the first sight, because nobody has time trying to understand it.

11.3 LEGAL FRAMEWORK OF ADVERTISING

Advertising has improved the social and cultural behavior of the people. It has given the new ways of life and forms of satisfaction. However, many people have criticized advertising on several grounds. Many people have declared that advertising is untrue and useless in conveying information. Advertising has been criticised for degrading the ethical values of society. The question of legal framework and regulation for advertising is utmost important. Advertising as an institution and as business and social process has the greater responsibility within the economic system of any country. It is so because it is directly and indirectly affecting every one in the society. In several countries, there are laws and other form of regulation relating to advertising have 'made or promulgated by government contains stipulations such as the exclusion of cigarette advertising form television in Canada and Mexico, prior clearance is required for all food and drink advertisements, particularly if therapeutic claims are made.

Since the setting up of national vigilance committee in 1926, the British advertising business has in its own interests sought to regulate advertising voluntarily.

Like any business the behaviour of advertising industry is governed by all general principles of law, in addition to self-regulatory measures. Confusion may exist over the merits and demerits of the two forms of control. Which is more effective? Are both kind of control necessary for companies?

11.3.1 VOLUNTARILY REGULATIONS

The advertising profession i.e., advertisers, advertising agencies and media have taken the initiative, in many countries, to develop systems of self-regulations. With the growing criticisms of advertising have been considering the idea of self-regulations. They have decided to regulate expenses, messages, and media of advertising. Self-regulation would significantly result in true and accurate messages.

Along with governmental regulation, the make of advertising industry namely, advertisers, media owners, advertising industry namely, advertisers, media owners, advertising agencies and consumers have come out with standard code of conduct. These are touching every aspect of unwanted effect of conduct. The most important code of conduct is:

(a) Code of conduct by advertising standards council of India.
(b) Advertisement ethics and code of conduct of medical standards of India and eastern newspapers society.
(c) Advertising agencies of India-Code of standards rules of advertising ethics.
(d) Code of conduct of Doordarshan advertising.
(e) Consumers and self-regulating activities.

There are many more self-regulations are there

1. **Council of better business bureaus** the first self -regulatory organization was established by the advertising club of Cleve land which was known as better business bureaus and operated at local levels. These bureaus fighting against immoral and unethical advertising to raise its standards. Each better Business bureau assigned the jab of spearheading a movement for improvements in advertising in its locality. It maintains a register of consumer complaints. The better business bureaus are interested in people operating advertising under the council of better bureaus (CBBB) inl970. If the advertiser does not comply with the directions of the CBBB its complaints of public are forwarders to the national advertiser review board even if the advertiser does not accept the directions of NARB his case is forwarded to the Federations of trade commissions.
2. **National Advertising review board** the national advertising review board started its functions in 1971 in the U.SA. Complaints about any advertisement are made to this board through the national advertising division (NAD) which receives complaints from the public and other sources. The NARB has special cells to hear the complaints of children, women, minorities, and other sections of the society.
3. **Self-Regulation by Media** Media people can also reject any advertisement if they think that it is incorrect and misleading. Television in India and France is quite selective in accepting a particular message or made of advertising similarly

   many magazines to not accept the self -medication, feminine hygiene, intemperate language, and violence kind of advertisement.
4. **Individual and industry's regulation** Many individual advertisers themselves do not accept objectionable suggestion from produces or marketers. some industries practices self -regulation. They abide by certain norms and practices of advertising.

11.3.2 GOVERNMENTAL REGULATIONS

Control by the government is felt too necessary to check untrue, misleading, highly, and immoral advertising. Government is the guardian of the society and it has every right to pass acts, pieces of legislation and modify from time to have full grip over the behaviour of advertising industries. Advertising has become an integral part of life anc. has lasting effects on society. Its manipulative and undesirable activities must be controlled. It is very right to say that very few advertisers' resorts to deceptive advertising. They fight with others on the basis of dishonest and manipulated presentations. Therefore, the government has passed several laws. In order to control undesirable government has passed and established restrictions and regulation at International, National, State, District, and more lower levels.

Thought it is not possible to go into the detail of each act or how, it suffices to note the act and laws that have already in force. These are

- **Consumer Credit Act 1974** The act gives the consumers the right to cancel

a contract if oral representations were mate to in the presence of debtor or hirer in the discussion before the contract was undertaken.

- **Consumer Protection Act 1987** This act impose general duty on producer and suppliers to sell safe products. There is also responsibility of product liability, consumer safety and misleading price indications.
- **Control of misleading advertisement regulations 1988** The director general of fair trading gives power& to institute a high court action for injunction prohibiting misleading advertising, always provided that the complainant has failed to obtain satisfaction from a voluntary body.
- **Advertisement (hire purchase) Act 1967** This act regulates advertisement giving hire purchase terms which, for instance, must be correctly set out in a direct response advertisement.
- **Fair Trading Act 1973** This act has had a very significant effect on monopolistic practice in the advertising business. The act provided for the appointment of a director general of fair trading and staff to study the effect upon consumers' interests of trading practices and to advise on any necessary or desirable action.
- **To Protection Act 1986** This is an act of some importance regarding database and mailing lists as used for direct mail and direct response purpose. Holders of computerized date have to register with the date protection register.
- **Lotteries and Amusement Act 1976** Advertisements relation to competitions or sale promotion schemes in the form of prize contests must comply with this act, the chief paint being. That a competition must contain an element of

  skill, otherwise it is a lottery. A lottery is a distribution of prizes by lot or chance.
- **Restrictive Trade practices Act 1976** This could apply if a supplier tried to restrict supplies of goods because they were being offered as gifts.
- **Supply of goods [Implied terms] Act 1973** This act aments the sales of goods act 1893 to guarantee consumers' rights under the old act.
- **Trade Descriptions Act 1968** This act is very important and its provisions must be observed when writing descriptions of goods in advertisement and catalogues when writing descriptions of goods in advertisement and catalogues and packaging.
- **Unfair Contract terms Act 1977** This act is important where guarantees and hire purchase agreements are concerned.
- **Unsolicited goods and services Act 1971 and 1975** The object of these act is to protect the consumers from inertia selling, that is to sending of goods which not ordered but for which the recipient feels responsible.
- Pharmacy Act 1918
- Drugs and Cosmetics Actl940
- Drugs control Act 1950

- Emblems and Names Act 1950
- Prevention of feat adulteration Act 1954
- Prize competition Act 1955
- Trade and Merchandise marks Act 1958
- M.R.T.P Act 1969
- Indecent representation of woman Act 1986.

Self-check Question:

A. Explain any two unethical practices in advertising.

B. Write a short note on **National Advertising review board.**

11.4 DECEPTIVE ADVERTISING

Advertising has a great influence on our lives. We are exposed to countless commercial messages every day persuading us to buy brand name products, creating images for us to adopt, and convincing us that we need and want more. Because of this, it is important for us to carefully examine ads to determine exactly what they are saying. While most advertisements honestly inform and educate us, some a false or deceptive and illegal

Deceptive advertising and marketing practices have been around since the beginning of time and are still prevalent today. Sometimes it is done unknowingly by an advertiser, however, more often than not, it is done with the intent to mislead the consumer, making deceptive advertising a relevant marketing ethics issue. An advertisement or marketing practice is considered deceptive if there is a "representation, omission, or practice that is likely to mislead the consumer".

Advertising carries several responsibilities. Advertising informs the public so that they can be aware of products and make informed choices among different products or brands. Advertising also benefits businesses in assisting them to sell their products. Advertising does not function in a vacuum but in a market environment where several forces like consumer needs, business interests and government regulations are at work. It is a powerful force in terms of its persuasiveness and functions a critical social role.

Moreover, the high visibility and pervasiveness, it generates criticism and controversy. Much of this controversy springs from the fact that advertising is used more as a persuasive communication tool thereby creating serious impact on the tastes, values, and lifestyles of society.

False or deceptive advertising is an act of deliberately misleading people about products, services, or companies in general by reporting false or misleading information or data in advertising or other promotional materials. False advertising is a type of fraud and it is a crime.

Advertising that makes false claims or misleading statements, as well as advertising that creates a false impression are deceptive advertising, if wholesalers/retailers systematically advertise merchandise at low prices to get

customers into their stores and then fail to have the merchandise, they are guilty of deceptive advertising. Deceptive practices can take many other forms as well, such as false promises, unsubstantiated claims, incomplete descriptions, false testimonials or comparisons, small-print qualifications of advertisements, partial disclosure, or visual distortion of products. Anyone- including the manufacturer of a product, the advertising agency preparing the advertisement, the wholesalers /retailer, or even a celebrity who endorses a product-can be prosecuted for making unsubstantiated claims about a product or service. As a matter of fact, any advertising that leads the consumer to make purchase decisions based on false assumptions about the price and quality of competitive products is considered deceptive practice and is punishable by law. Responsibility for enforcement of the laws dealing with unfair and deceptive advertising comes under the jurisdiction of the federal trade commission. The basic approach of the FTC is that is an advertisement conveys a message that differs from the reality of the product that is deception. This requires the FTC to look at the evidence in two different ways.

(1) Evidence concerning what message is conveyed to the consumer and
(2) evidence that relates directly to the products capabilities. But how they decide what product to look at and what evidence do they use? In one case it is up to the consumer. They rely on mostly surveys that are distributed to the consumers. The other way is to conduct test on products themselves. For example, fuel mileage on a car; is it actually what the commercials advertise.

To establish that an advertisement is false, a plaintiff must prove five things:

(1) a false statement of fact has been made about the advertiser s own or another person s goods, services, or commercial activity;
(2) the statement either deceives or has the potential to deceive a substantial portion of its targeted audience;
(3) the deception is also likely to affect the purchasing decisions of its audience;
(4) the advertising involves goods or services in interstate commerce; and
(5) the deception has either resulted in or is likely to result in injury to the plaintiff. The most heavily weighed factor is the advertisement's potential to injure a customer. The injury is usually attributed to money the consumer lost through a purchase that would not have been made had the advertisement not been misleading.

According to the FTC, advertisements should be accurate and not contain explicit false claims or misrepresentations of material fact. They must not by implication create false or unjustified expectations, and they must contain certain information if the absence of that information would make the ad misleading. Finally, the claims in advertisements must be substantiated.

Deceptive advertising is basically Promotional techniques (such as bait and switch pricing) designed to influence buyers with false or misleading claims.

- **Bait and switch:** The goal of "bait and switch" is to get the consumer in the door ready to purchase one product that was advertised and then get them to switch their purchasing decision to a higher priced product or service. In this illegal advertising practice, a store makes an attractive offer for a product it has no intention of selling. For example: You see an ad stating "19-inch color TV for only $250!" Once you get to the store, after swallowing the bait, the seller informs you that the TV's are sold out or are of very poor quality and then tries to switch you to a higher-priced product.
- **Pictorial misrepresentations** Read ads carefully to find out what is really being offered. A newspaper ad shows a living room set on sale for S599. Although six pieces of furniture are shown, in reality only a four-piece set is on sale, and the style shown is different. A tiny disclosure in the corner of the ad explains this.
- **Free gift offers** Consumers should be wary of free gift offers such as "free headphones with the purchase of our A-l stereo system!" Some businesses raise their regular prices to cover the cost of free gift offers. An ad must inform you if something else must be purchased in order to get the free gift, as well a3 how much it will cost you.

Basically, there are three types of deceptive advertising: Fraudulent advertising which is an outright lie; false advertising which "involves a claim-fact discrepancy", such as not disclosing all the conditions to receive a certain promotion or price; and misleading advertising that involves a "claim-belief interaction"

Advertisements are likely to be misleading based on any description, illustration, or claim about a material fact or characteristic of a good. This may include price, availability, and performance. Even if everything stated is literally true, an advertisement may exclude significant facts or create a false impression of relevant aspects of the nature of the good. In determining whether a representation is false or misleading, the FTC will consider the general impression being conveyed to consumers by the relevant representation, as well as its literal meaning.

It is recognized that a vibrant, fair, and competitive marketplace is essential to consumer confidence. This means that when making their purchasing decisions in the marketplace, consumers must trust that they are comparing competitively-priced goods and services; that they are being offered the widest possible variety of quality goods and services; and that they are being provided with sufficient product information upon which to make their decisions. To ensure that this happens, it is our mandate at the Fair Business Practices Branch to promote fair competition in the marketplace by discouraging deceptive business practices and by encouraging the provision of sufficient information to enable informed consumer choice. This goal is achieved through the application of the misleading
advertising and deceptive marketing practices provisions of the Competition Act (the "Act"), the Consumer Packaging and Labelling Act, the Textile Labelling Act, and the Precious Metals Marking Act.

The Competition Act is a law of general application and prohibits all representations, in any form, that are false or misleading in a material respect. If a representation could influence a consumer to buy or use the product or service advertised, it is material. To determine whether a representation is false or misleading, the courts consider the general impression it conveys, as well as its literal meaning.

The Consumer Packaging and Labelling Act prohibits false or misleading representations on prepackaged consumer products and requires that these products bear accurate and meaningful labelling information to help consumers make informed purchasing decisions. The Act also sets out specifications for mandatory label information such as the product's name, net quantity, and dealer identity.

The Textile Labelling Act prohibits false and misleading representations on consumer textile articles and requires that these articles bear accurate and meaningful labelling information to help consumers make informed purchasing decisions. The Act. also sets out specifications for mandatory label information such as the generic name of each fiber present and the dealer s full name and postal address or a CA identification number.

The Precious Metals Marking Act prohibits false or misleading representations related to precious metal articles (articles made with gold, silver, platinum, or palladium) and provides for the uniform description and quality marking of these articles to help consumers make informed purchasing decisions. It also requires that dealers who choose to mark their articles with representations related to the precious metal quality, do so as prescribed by the Act and the Regulations.

There are few Examples of Deceptive and misleading Advertisings: An advertisement for a photo finishing service displays a well-known brand of film paper, but when the photos are ordered they are printed on an inferior brand. A consumer reads an ad for a discount offer on computer printers, but on visiting the store finds the ad failed to mention that the printers were refurbished. A car dealership ad claims that a particular vehicle is "well equipped, lots of options," but consumers who consult automotive magazines discover that it is a base model with only standard features.

To ensure Avoid Misleading Advertising Merchants should:

- Avoid using terms or phrases in an advertisement that are not meaningful and clear to the average consumer
- Disclose all material information in the advertisement
- Not use illustrations that are different from the product being sold
- Refrain from making performance claims unless there is evidence to support those claims.

11.5 SUMMARY

The chapter discussed the Ethics and ethical advertising. There are many unethical issues are there in advertising. Advertising must be informative and not deceptive and misleading. It was emphasized that advertising must be ethical and

must be according to the regulation and laws for advertising. Deceptive advertising and marketing practices have been around since the beginning of time and are still prevalent today.

11.6 GLOSSARY

- Advertising code of ethics-Guidelines set down by industry organization
- Broadcast Advertising-Radio and TV
- Media- vehicles over which advertising message carried.

11.7 Short Question Answer

1. What do you understand by unethical advertising?
2. what is deceptive advertising?
3. Explain bait and switch.

11.8 Long Question Answer

1. How does advertising lead to consumer welfare?
2. Write an essay on Ethical advertising.
3. Write a short note on: Untruthful advertising.

11.9 SUGGESTED READINGS

- **James S. Norris,** Advertising, **Prentice Hall of India Private Limited, New Delhi**
- Chunawalla. S. A and Sethia. K. C., **Advertising Theory and Practice,** Himalaya Publishing.
- Jobber, David, Geoff Lancaster, **Selling and Sales Management,** Pearson Education.

11.10 Self-check Question (Answer key)

11.4

A. **Misleading:** messages or images are just lies; unfair and honesty. The aim of this type of advertisements is just cheating the consumer. Ethics has some power in deceptive and misleading advertising. Deceptive and misleading advertisements can also be controlled by competitor lawsuits and by self-regulation. The advertising industry has developed an ambitious program of self -regulation, which rests largely on the support to industry itself.
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B. The national advertising review board started its functions in 1971 in the U.SA. Complaints about any advertisement are made to this board through the national

advertising division (NAD) which receives complaints from the public and other sources. The NARB has special cells to hear the complaints of children, women, minorities, and other sections of the society.