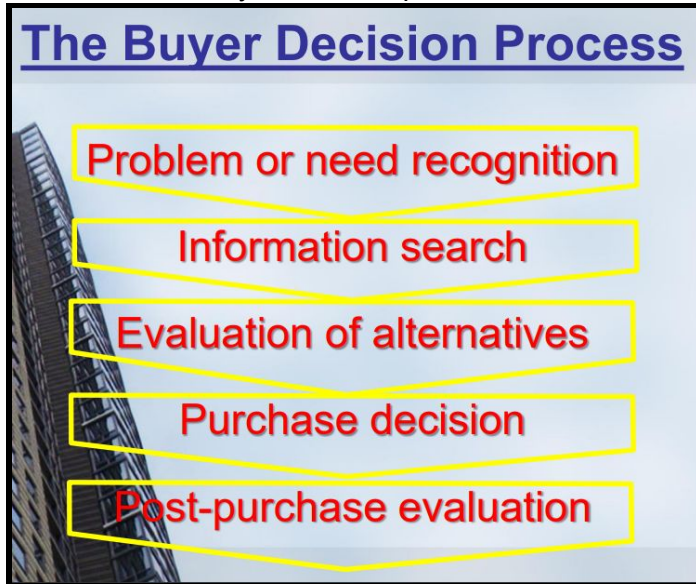


Lecture Notes:

- **Promotion:**
- In a market buyers are looking to make purchases while sellers are looking to make sales.
- Promotion should:
 - raise awareness
 - create interest
 - stimulate sales
- Buyers go through a 5 stage process before and after making a purchase. This is called the **buyer decision process**. Before considering methods of promotion, you must understand the buyer decision process.



- There are 4 types of promotional methods. They are:
 - 1. Advertising**
 - Paid, non-personal communication used to inform an audience about a product.
 - Sellers advertise in any medium that gets their names in front of people. Some mediums are the internet, television, radio, newspaper, direct mail and outdoor (billboards and signs).
 - Advertising helps with building the brand image.
 - It is most effective in delivering messages that represent the perceived value of the product/service.
 - Businesses are required to take responsibility for the content.
 - Is used for raising awareness.
 - Is not good for educating or closing the sale.
 - Addresses the “Problem or need recognition” and “Information search” stages of the buyer decision process.
 - 2. Personal Selling**
 - Salesperson deals directly (one-on-one) with potential buyers.
 - It is appropriate if the product is complex with many features and/or buyers need individual attention.
 - Personal selling is the most expensive form of promotion.
 - Companies that use it include Avon, Tupperware and Mary Kay.
 - It is more likely to be used for complex or customised products such as cars, houses, insurance, investment, etc.

- Is used for educating, creating enthusiasm and closing the sale.
- It is not effective for raising awareness.
- Addresses the “Information search”, “Evaluation of alternatives” and “Purchase decision” stages of the buyer decision process.

3. Sales Promotion

- Short-term promotional activities designed to stimulate consumer interest and excitement.
- Promotional strategies include:
 - **Every Day Low Pricing (EDLP)**: Used by Dollarama, Wal-Mart and No-Frills
 - **High-Low Pricing (HLP)**: Bay days at Hudson’s Bay and Boxing Day sales
 - Sales
 - Coupons & discounts
 - Bonuses and premiums
- Effective for creating enthusiasm and closing the sale.
- Not effective for raising awareness and educating people.
- Addresses the “Purchase decision” stage of the buyer decision process.

4. Publicity & Public Relations

- Any activity that generates positive news coverage about a business.
- Can be done by sending press releases or sponsoring causes or events.
- The advantage is that it can be done for free.
- The disadvantage is that it can’t be controlled.
- **Public relations** are activities designed to create goodwill.
E.g. A company can sponsor an individual or sponsor an event.
- Public relations are effective for post purchase evaluation and post purchase validation.
- Public relations are not effective for educating people or closing the sale.
- Addresses the “Post-purchase evaluation” stage of the buyer decision process.
- The **promotional mix** is the combination of advertising, personal selling, sales promotion, publicity and public relations that a business uses. It is intended to address various stages of the buyer decision process.
- **Place:**
- The part of marketing mix concerned with getting product from seller to buyer.
- People are less likely to buy a product if it’s hard to get.
- Therefore, the business must make the product easy to get and must have a strategy for getting the product into customers’ hands.
- There are 2 key issues:
 1. **Intensity**: How common/easy is it to find the product?
 2. **Channel**: How to get the product to the consumers?
- **Distribution intensity**: Producers can distribute everywhere they can or in a few selected locations.
- There are 3 general strategies for distribution intensity:
 1. **Intensive distribution**:
 - Obtain maximum exposure by saturating all possible outlets.
 - It is appropriate when buyers won’t go out of their way or there are acceptable substitutes, such as soft drinks and snack foods.
 2. **Selective distribution**:
 - The product is available through a limited number of selected stores.
 - Appropriate when consumers are willing to shop around.
 - Examples of businesses that use this are Ralph Lauren and Black & Decker.

3. Exclusive distribution:

- The product is available through a very limited number of selected stores.
- Typically used in luxury goods, where exclusivity is an important part of the value package.
- Examples of businesses that use this are Gucci, Louis Vuitton and Tiffany.
- **Channels** are concerned with how to get products into consumers' hands.
- Producers can distribute the product themselves or use intermediaries.
- **Direct selling/Direct channels** is when a business sells their products directly to the consumer without passing through any intermediary. This can be done by mail order such as through catalogues, through the internet, through door-to-door selling or through selling your products or services at your stores or branches. Examples of the last case include Canadian Tire stores selling its own line of Mastercraft tools and bank branches.
- **Indirect selling/Indirect channels** is the distribution of a product by selling to intermediary as opposed to the end user.
- A **distribution intermediary** is any business which helps another business to distribute their goods and services to the consumer. For example, retail stores like Hudson's Bay that sell shoes made by Nike are distribution intermediaries.
- Indirect sales includes any chain of distribution that involves retail stores, wholesalers, distributors, brokers and agents.
- The most obvious distribution intermediaries are retail stores. **Retailers** are intermediaries who sell products directly to the end user.
- Each link in the distribution channel charges a markup. For example, if you purchase a drill from Black and Decker for \$30, you might find the same drill at Canadian Tire for \$60. This is because Canadian Tire bought the same drill from Black and Decker for \$30 and also charges a \$30 markup for the service it provides.
- This means that indirect distribution means higher prices. The more intermediaries, the higher the final price.
- However, intermediaries provide useful services such as displaying the product, providing customers with advice and doing all the work involved with the final transaction.
- **Electronic retailing (e-tailing)** is the use of the internet to promote products and services and allow consumers to purchase them online.
- **Wholesalers** are intermediaries who buy products in large quantities from manufacturers, store it, and then distribute it to retailers.
- **Agents/Brokers** are individuals who act as representatives on behalf of sellers. They receive a percentage of the revenue in return.
- Examples of agents include travel agents, hotel agents and real-estate agents.
- Agents get paid in commission, a percentage of the revenues they generated on behalf of their client.
- The value of agents lies primarily on their knowledge of the markets and their expertise at selling.

Textbook Notes (Chapter 5):

- **Promotion:**
- **Promotion** is any technique that is used to inform, educate and excite consumers about the products that are available in a business and induce them to buy.
- Promotion seeks to accomplish 4 things with potential customers:
 1. Make them aware of product(s)
 2. Make them knowledgeable about it
 3. Persuade them to like it
 4. Persuade them to buy it
- The ultimate goal of promotion is to induce people to buy.

- **The Buyer Decision Process:**
- The **buyer decision process** is a 5 stage process that most customers go through before and after buying a good or service.
- The 5 stages are:
 1. **Problem or need recognition:**
 - Consumers become aware of some situation in their life that needs solving or satisfying.
 - For example, a consumer could become hungry.
 - Since our needs can be satisfied through the purchase of a good or service available, marketers must make sure that buyers are aware of their products.
 2. **Information search:**
 - Consumers search for information as to what goods or services may provide a solution.
 - At this stage, the objective of promotion is to inform consumers about available products.
 3. **Evaluation of alternatives:**
 - Consumers evaluate the different products that are available based on each product's function, features, and benefits.
 - This stage of the process is heavily influenced by one's attitude to the provider. For example, if you had a bad experience with a provider, it's likely you won't buy from them again regardless of the features they offer.
 - The goal of promotion at this stage is to demonstrate product quality and performance compared to their competitors' products.
 4. **Purchase decision:**
 - If the consumer has spent some time researching, they will be fairly committed to a particular product.
 - The goal of promotion at this stage is to make the purchase convenient and to give customers an incentive to buy.
 5. **Post-purchase evaluation:**
 - This stage is critical if the business wants to retain customers for future repeat business.
 - Customers will ask "Was that a good choice?" and "Did I make the right decision?"
 - The goal of promotion at this stage is to create a positive post purchase impression.
 - If customers are satisfied after making a purchase, they will develop brand loyalty.
- **Note:** It isn't necessarily the case that all consumers go through all 5 stages of this process. It is less likely for a consumer to go through all 5 stages if they buy an inexpensive convenience item. The consumer would most likely go straight to the purchase stage and probably won't reflect back on their choice.
- **The Promotional Mix:**
- Traditionally, there are 4 types of promotional methods. They are:
 5. Advertising
 6. Personal Selling
 7. Sales Promotion
 8. Publicity & Public Relations
- The **promotional mix** is the combination of advertising, personal selling, sales promotion, publicity and public relations that a business uses.

- A recent US survey of 200 large public corporations showed that these businesses spend roughly 10% of their revenue on promotion.
- Promotional tool used for each stage of the buying decision process:

Stage if Consumer Buying Product	Most Effective Promotional Tool
Need Recognition	Advertising
Information Seeking	Personal Selling
Search for and Evaluate Alternatives	Sales promotion, Personal Selling, Advertising
Purchase Decision	Personal Selling, Sales Promotion
Post-purchase evaluation	Personal selling, advertising, publicity

- **Advertising:**
- **Advertising** is paid, non-personal communication used to raise awareness about the business and their products.
- It is the promotional method most people are most familiar with.
- Advertising messages are most effective if the message is repeated and reinforced. That's why we often see the same advertisement many times.
- Furthermore, a person's attention span is ~8 seconds which is long enough to remember a slogan or jingle. This is why advertisements must be kept short and be repeated.
- Advertising is the main promotional method.
- Advertising is useful for raising awareness.
- Since customers tend to ignore the bulk of advertising messages that bombard them, marketers must find out who their customers are, which media they pay attention to, what messages appeal to them and how to get their attention. Thus, marketers use several different **advertising media** which are specific communication devices or channels used to carry sellers' messages to target audiences.
- Some forms of advertising media are TV, internet, newspaper, magazines, radio, and outdoor advertising (i.e Billboards),
- TV has been the medium to attract the largest amount of advertising revenue in the past 50 years. It allows advertisers to combine motion, sound and sight, thus appealing to almost all the viewer's senses. However, TV has lost dominance to the internet since now, it's very easy to skip ads and there are now hundreds of channels compared to a dozen channels before.
- The internet is now the largest medium in terms of advertising spending. It has many benefits for both consumers and businesses, such as the ability for consumers to browse products in the comfort of their own home and the ability for businesses to take in customers from around the world. The disadvantages of internet advertising are information overload, consumer concern for authenticity of the site, and security issues.
- In recent years, the amount of advertising spent on newspapers has declined as advertisers have shifted to the internet. One benefit of newspaper ads is that because newspapers are local, it lets businesses attract consumers from the same or nearby regions.
- The main advantage of magazine advertising is that the ad will be shown to someone who has an interest in that type of product or service. For example, you know that if someone has a subscription to a car magazine, they're probably interested in cars. Therefore, car magazines will tend to have a lot of ads related to cars.

- Since radio stations are programmed locally, the advantage is that it lets businesses reach out to potential consumers in the same location/area. The disadvantage is that most radio ads are very short, usually 30 seconds or less.
- Outdoor advertising, such as billboards and signs, have the same advantage newspapers and radio stations have; they let businesses reach out to consumers in the same location/area.
- **Personal Selling:**
- **Personal selling** is a promotional tool in which a salesperson communicates one on one with potential customers.
- When faced with making a purchasing decision, consumers want someone with whom to interact; a real live human to answer questions. Personal selling provides this interaction. It also helps establish a level of credibility and trust between the seller and consumer.
- Personal selling is an appropriate promotional method if the products being promoted by personal selling are complex or have many features because consumers can ask questions and get responses from a real life person. This is why personal selling is so common in the marketing of houses, cars, insurance, investment products and cosmetics.
- The principal disadvantage of personal selling is the cost. Personal selling is very labour intensive and if the seller is on the road, the cost includes travel, food and lodging.
- Personal selling is an effective method for educating potential customers about a product's feature. It is also good for creating enthusiasm and therefore, is the best method for "closing the sale."
- Since personal selling is usually done one-to-one, it's not effective for raising awareness.
- **Sales Promotion:**
- **Sales promotion** is a variety of short term incentives intended to stimulate immediate interest and excitement in a product and to stimulate sales.
- Whereas advertising is designed to offer reasons to buy a good or service, sales promotion is designed to offer reasons to buy the product now.
- Sales promotion often gives people the impression that they're getting a "deal." Therefore, this method is good at creating enthusiasm and good at "closing the sale" but useless in raising awareness or educating people.
- There are several types of sales promotion. They are:
 1. **Premiums:**
 - A premium is a method of sales promotion in which an item is offered free or at a bargain price.
 - E.g. "Buy one get one Free."
 2. **Bonus Packs:**
 - A bonus pack is an item that has an increased quantity and is sold at the same price as the regular item.
 - E.g. A package of 6 razors being sold for the price they normally charge for 4.
 3. **Coupons:**
 - A coupon is a method of sales promotion featuring a certificate that entitles the bearer to savings off a product's regular price.
 - Coupons can be used to encourage customers to try new products, to attract customers away from competitors or to induce customers to buy more of a product.
 4. **Finance Deals:**
 - Applies to big ticket items such as cars or home appliances to get customers to buy a product that they might not be able to afford on the spot.
 - E.g. The supplier will offer very low cost financing like 0% interest on the first three years.

- **Publicity and Public Relations:**
- **Publicity** is any activity that generates news coverage about a business.
- The principal advantage of publicity is that it is free. However, the disadvantage is that it is difficult for the business to control and not all publicity is good publicity.
- **Public relations** are public service activities designed to create goodwill and to enhance the business image. The most common way of doing this is for the business to sponsor a not-for-profit cultural or charitable organization or to sponsor an event.
- **Place:**
- **Distribution** is the area of marketing concerned with products from the producer to the buyer.
- **Distribution Channels:**
- Producers of goods and services have a number of choices as to how best to distribute their products. They can go door-to-door, open a store or sell warehouses full of items to retailers who will deal with getting it to the consumers. **Distribution channels** are the various paths a product can take from producer to consumer.
- **Direct selling/Direct channels** is when a business sells their products directly to the consumer without passing through any intermediary. This can be done by mail order such as through catalogues, through the internet, through door-to-door selling or through selling your products or services at your stores or branches. Examples of the last case include Canadian Tire stores selling its own line of Mastercraft tools and bank branches.
- **Indirect selling/Indirect channels** is the distribution of a product by selling to intermediary as opposed to the end user.
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- Indirect sales includes any chain of distribution that involves retail stores, wholesalers, distributors, brokers and agents.
- The most obvious distribution intermediaries are retail stores. **Retailers** are intermediaries who sell products directly to the end user.
- Each link in the distribution channel charges a markup. For example, if you purchase a drill from Black and Decker for \$30, you might find the same drill at Canadian Tire for \$60. This is because Canadian Tire bought the same drill from Black and Decker for \$30 and also charges a \$30 markup for the service it provides.
- This means that indirect distribution means higher prices. The more intermediaries, the higher the final price.
- However, intermediaries provide useful services such as displaying the product, providing customers with advice and doing all the work involved with the final transaction.
- **Non-Store and Electronic Retailing:**
- Some of Canada's largest retailers sell all or most of their products without brick-and-mortar stores.
- **Electronic retailing (e-tailing)** is the use of the internet to promote products and services and allow consumers to purchase them online.
- **Wholesalers:**
- Retail distribution requires a large amount of floor space to store the products and to showcase the products. Due to the increasing costs of store space, many retailers cannot afford both retail and storage space. This is where wholesalers come in. **Wholesalers** are intermediaries who buy products in large quantities from manufacturers, store it, and then distribute it to retailers.
- **Agents/Brokers** are individuals who act as representatives on behalf of sellers. They receive a percentage of the revenue in return.

- Examples of agents include travel agents, hotel agents and real-estate agents.
- Agents get paid in commission, a percentage of the revenues they generated on behalf of their client.
- The value of agents lies primarily on their knowledge of the markets and their expertise at selling.
- **Distribution Intensity:**
- A product can be made widely available or it can be distributed sparsely.
- The decision about how widely available to make a product is known as **distribution intensity**.
- The more widely available a product becomes, the more people see it, become aware of it and may be tempted to buy it.
- There are 3 main types of distribution strategies:
 1. **Intensive Distribution:**
 - Making the product available from as many outlets as possible, using every possible means of distribution.
 - It is a strategy designed to give product maximum exposure.
 - It is most appropriate for products that consumers won't go out of their way to find and where there are acceptable substitutes, such as coke and candy bars.
 - It is used by many low priced goods.
 - The benefit is that it adds more exposure, but the downside is that it adds complexity and cost to the distribution process.
 2. **Exclusive Distribution:**
 - A strategy that involves making a product available through a very small number of carefully selected dealers and distributors.
 - Sometimes these distributors would purchase the right to be the only one allowed to sell the product.
 - It is usually used for high-cost luxury goods for which part of the value package is the aura of exclusivity or prestige.
 - Since the visibility and availability is small, the goal is to make a large profit from each sale rather than a smaller profit from a large number of sales.
 - Examples of businesses that use exclusive distribution are Piglet, a luxury Swiss watchmaker (It only has 6 stores in Canada - 2 in Toronto, 2 in Vancouver and 1 in both Montreal and Calgary) and Rolls Royce (There are no Rolls Royce dealerships in any of the 4 Atlantic provinces.)
 3. **Selective Distribution:**
 - A strategy that uses a limited number of outlets for a product.
 - Falls between intensive and exclusive distribution.
 - Is used for medium priced goods with strong branding.
 - Examples of businesses that use selective distribution are Ralph Lauren and Black and Decker.
- **Physical Distribution:**
- **Physical distribution** is the activities needed to transport a good from the manufacturer to the end user.
- The major transportation modes are rail, water, truck, air, and pipelines.
- Differences in cost are most directly related to the delivery speed.
- Air is the fastest method but also the most expensive.
- Trucks are good for short-distance transportation. The advantages of trucks include flexibility, fast service and dependability. The disadvantage of trucks include delays because of bad weather, some parts of the world cannot be reached by trucks and limits in the volume they can carry in a single load.
- Railroads are now primarily used to transport heavy, bulky products, such as cars.

- Water is the slowest method but also the cheapest.

Textbook Definitions (Chapter 5):

- **Advertising:** Paid, non-personal communication used to raise awareness about the business and their products.
- **Advertising media:** Specific communication devices or channels used to carry sellers' messages to target audiences.
- **Agents/Brokers:** Individuals who act as representatives on behalf of sellers. They receive a percentage of the revenue in return.
- **Buyer decision process:** A 5 stage process that most customers go through before and after buying a good or service.
- **Exclusive distribution:** A strategy that involves making a product available through a very small number of carefully selected dealers and distributors.
- **Direct selling/Direct channels:** When a business sells their products directly to the consumer without passing through any intermediary.
- **Distribution:** The area of marketing concerned with products from the producer to the buyer.
- **Distribution channels:** Various paths a product can take from producer to consumer.
- **Distribution intensity:** The decision about how widely available to make a good or service.
- **Distribution intermediary:** Any business which helps another business to distribute their goods and services to the consumer.
- **Electronic retailing (e-tailing):** Use of the internet to promote products and services and allow consumers to purchase them online.
- **Indirect selling/Indirect channels:** Distribution of a product by selling to intermediary as opposed to the end user.
- **Intensive distribution:** Making the product available from as many outlets as possible, using every possible means of distribution.
- **Personal selling:** A promotional tool in which a salesperson communicates one on one with potential customers.
- **Physical distribution:** The activities needed to transport a good from the manufacturer to the end user.
- **Promotion:** Any technique that is used to inform, educate and excite consumers about the products that are available in a business and induce them to buy.
- **Promotional mix:** The combination of advertising, personal selling, sales promotion, publicity and public relations that a business uses.
- **Public relations:** Public service activities designed to create goodwill and to enhance the business image.
- **Publicity:** Any activity that generates news coverage about a business.
- **Retailers:** Intermediaries who sell products directly to the end user.
- **Sales promotion:** A variety of short term incentives intended to stimulate immediate interest and excitement in a product and to stimulate sales.
- **Selective distribution:** A strategy that uses a limited number of outlets for a product.
- **Wholesalers:** Intermediaries who buy products in large quantities from manufacturers, store it, and then distribute it to retailers.