

Topic 7 - Promotion

Higher Business Management

Learning Intentions / Success Criteria

Learning Intentions Promotion

Success Criteria

Learners should be able to explain and discuss:

- ‘Into the pipeline’ activities and how they promote a business
- ‘Out of the pipeline’ activities and how they promote a business
- ‘Above the line’ activities and how they promote a business
- ‘Below the line’ activities and how they promote a business
- the importance of ethical practices in developing positive customer relations.

Promotion

- Promotion is the process of raising awareness of products and persuading customers to buy them instead of going to competitors.
- Promotions can be split into two categories, above the line and below the line.

Above-the-line Promotion

Promotions that are said to be ‘above the line’ (ATL) use mass media to convey messages to consumers.

Advantages	Disadvantages
<ul style="list-style-type: none">• Often advertisement design is outsourced to advertising agencies meaning high quality adverts.• Adverts can reach very wide audiences across many market segments.	<ul style="list-style-type: none">• The business doesn't have direct control over which consumers their products are advertised too.• Above the line is very expensive due to paying for adverts to be produced by experts and for the mass media to carry them.

Types of Media Advertising

- TV
- Commercial radio
- Newspaper
- Magazines
- Cinema
- Internet
- Digital screens
- Billboards

TV

Advertising products during commercial breaks or sponsoring programmes.

Advantages	Disadvantages
<ul style="list-style-type: none">• Colour, sound and movement can be used to appeal to customers.• Adverts can be used to target a large national audience covering all market segments or specific segments during certain programmes.	<ul style="list-style-type: none">• Some customers may ‘channel hop’ to avoid watching adverts.• It can be very expensive, especially for prime-time slots.• The product may not need to be advertised to all market segments on national TV.

Commercial Radio

Advertising during commercial breaks or sponsoring radio programmes.

Advantages	Disadvantages
<ul style="list-style-type: none">• A more captive audience than TV as listeners don't tend to channel hop, especially in cars.• Use of jingles and sound can make adverts memorable.	No images or pictures make products hard to demonstrate.

Newspapers

Advertising spaces or full page spreads can be used.

Advantages	Disadvantages
<ul style="list-style-type: none">• Customers across a large geographical area can be reached.• Specific market segments can be targeted by advertising in the correct paper, e.g. local papers for local products or high-quality Sunday papers for exclusive products.	<ul style="list-style-type: none">• Adverts are often in black and white, with no sound or movement.• It can be expensive to advertise in national newspapers.

Magazines

Advertising spaces or full page spreads can be used.

Advantages	Disadvantages
<ul style="list-style-type: none">• Adverts appear in colour, which improves impact.• These can target specific market segments based on magazine type.• Magazines are often kept for future reference.	<ul style="list-style-type: none">• It can be expensive for well-known magazines.• Competitors will often advertise in the same publications.

Cinema

Advertising products while the audience is waiting for the film to begin.

Advantages	Disadvantages
<ul style="list-style-type: none">• Offers a captive audience as customers can't switch channel!• Specific market segments based on film type can be targeted, e.g. toys are advertised before Disney films.• Adverts can be enhanced with surround sound and 3D effects.	<ul style="list-style-type: none">• Customers only see the advert once and cannot choose to replay it.• Some customers purposely arrive late to avoid the commercials.• Customers tend to remember the film rather than the advertisements.

Internet

Advertising products on websites as pop ups and ad banners.

Advantages	Disadvantages
<ul style="list-style-type: none">• Relatively cheap.• This can target specific market segments based on browsing history and ‘cookies’.	<ul style="list-style-type: none">• Some customers ignore this type of advert.• Pop-up blockers can prevent customers from viewing adverts.

Digital Screens

Advertising products in public places in the form of moving images.

Advantages	Disadvantages
<ul style="list-style-type: none">• Colour, sound and movement can be used for impact.• It can be viewed by a large audience in busy areas.• More frequently being used to advertise in previously unused spaces, e.g. escalators and lifts.	<ul style="list-style-type: none">• It can be expensive for city-centre locations or in large sports stadiums.• It may begin to be viewed as part of the scenery and be ignored.

Billboards

Advertising products in public places in the form of posters and still images.

Advantages	Disadvantages
<ul style="list-style-type: none">• It can be viewed by a large audience in busy areas.• As it is fixed for a period of time people will see it many times.	<ul style="list-style-type: none">• These are often vandalised, which can give the product a poor image.• The quality of the poster can be affected by the weather.

Below-the-line Promotion

Promotions that are said to be ‘below the line’ (BTL) do not use mass media.

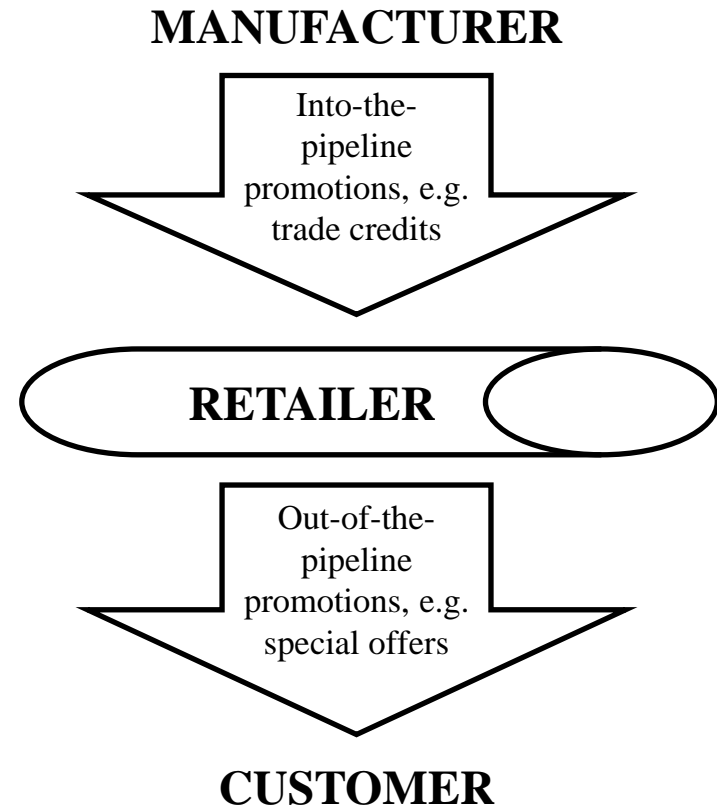
Advantages	Disadvantages
<ul style="list-style-type: none">• Businesses have more control over the customers that adverts are aimed at.• BTL is more affordable than ATL so is more suitable for smaller businesses.	<ul style="list-style-type: none">• The impact can often only last for a limited period, e.g. a social media post on a business’ social media page.• Some customers dislike BTL methods as they are intrusive, e.g. direct mailing.

Sales Promotions

The most straightforward of the below-the-line promotions are sales promotions. Sales promotions are used for the following reasons:

- to help launch a new product into a competitive market
- as extension strategies at the end of a product's life cycle
- to prise customers away from competitors
- to reward existing customers so they stay local.

Sales promotions can be either into the pipeline or out of the pipeline.



Into-the-pipeline Promotions

Into-the-pipeline sales promotions are offered by the manufacturer to encourage retailers to purchase products from them. Methods of into-the-pipeline promotions:

- trade credit
- merchandising materials
- sale or return
- bulk-buying discounts.

Trade Credit

Manufacturers offer retailers credit to pay for goods at a later date.

Advantages	Disadvantages
Retailers can purchase stock and then pay for it once it is sold.	This could lead to bad debt if retailers are unable to sell stock.

Merchandising Materials

Free posters and display materials are given to retailers to display products to customers.

Advantages	Disadvantages
This can enhance the look of the retail store.	Retailers may need to dispose of bulky display materials at the end of the promotion.

Sale or Return

Manufacturers give retailers the option to return stock that does not sell.

Advantages	Disadvantages
It allows retailers to try new products without the risk of being stuck with unsold stock.	Products may be returned in a poor condition, creating waste.

Bulk-buying Discounts

Discounts used to encourage retailers to stock up on a product, e.g. buy one, get one free.

Advantages	Disadvantages
Retailers can save on the unit cost of products, allowing for greater profits.	<ul style="list-style-type: none">• Retailers may overstock and find they are unable to sell.• Products might go out of date or out of fashion.

Out-of-the-pipeline Promotions

Out-of-the-pipeline sales promotions are offered by the retailer to encourage customers to purchase products from them. Methods of out-of-the-pipeline promotions:

- special offers
- free gifts
- vouchers and coupons
- loyalty schemes
- interest-free credit.

Special Offers

This can include Buy One Get One Free (BOGOF) and other short-term promotions on selected items.

Advantages	Disadvantages
This can encourage customers to try new products, which they may then purchase again at normal price.	Customers might feel pressured into buying more than they need, which may result in waste.

Free Gifts

Used to tempt customers to buy a product again or for the first time, e.g. a free toy in children's cereal.

Advantages	Disadvantages
Gifts that require multiple tokens/stamps can encourage repeat purchases.	It can be difficult to find a gift that appeals to all target markets, e.g. a free toy that suits boys and girls.

Vouchers and Coupons

Usually given in newspapers/magazines to give customers money off future purchases.

Advantages	Disadvantages
<ul style="list-style-type: none">• Customers feel they are getting better value for money, which attracts new customers.• It can encourage repeat purchases.	<ul style="list-style-type: none">• Discounts offered by money-off vouchers can reduce profits.• Some customers will only spend up to the value of the money-off voucher, limiting sales.

Loyalty Schemes

Allow customers to collect points by making purchases, which can then be exchanged for discounts or free products in the future, e.g. Tesco Clubcard.

Advantages	Disadvantages
<ul style="list-style-type: none">• Information on customer habits and preferences can be gathered.• Promotions can be targeted to reflect actual customer preferences.	<ul style="list-style-type: none">• Customers can be wary if they feel the scheme will be difficult to set up or opt out of.• These are time consuming and expensive to implement.

Interest-free Credit

Retailers offer customers credit to pay for goods at a later date.

Advantages	Disadvantages
Allows customers to purchase products and then pay for them when they can afford to.	This could lead to bad debt if many customers are unable to pay by the agreed date.

Other Promotion Methods

Social media	Social media sites such as Facebook and twitter are being used increasing by businesses as a BTL promotion method.
Apps	Many businesses are now using apps designed for tablet computers and smartphones to promote their businesses. For example, Apple recently bought Beats in a \$3 billion takeover primarily to acquire their Music app.
Product endorsement	Product endorsement involves businesses using celebrities (also known as celebrity endorsement) to promote the product. For example, Adidas pay Lionel Messi to wear their football boots and appear in their adverts.
Product placement	Product placement involves businesses paying for products to appear in films, TV shows or video games, for example, the brand of juice characters drink, the clothing brands they wear or the make of car they drive.

Marketing and Ethics

- The Advertising Standards Authority monitors advertising and other forms of promotion to ensure they are to the required standard.
- They also investigate any advertising-related complaints.
- They have the authority to enforce changes to adverts or promotions if they contain wrong or misleading information.