



# **SATHYABAMA**

**INSTITUTE OF SCIENCE AND TECHNOLOGY  
(DEEMED TO BE UNIVERSITY)**

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## **SCHOOL OF MANAGEMENT STUDIES**

### **UNIT 1 –ADVERTISING MANAGEMENT AND SALES PROMOTION - SBAA7010**

## **UNIT 1 INTRODUCTION**

**Advertising – Concept , Objectives, Evolution. Classifications, Advertising agencies –Role ,Functions, Agency& Client relationship –Responsibilities of Agency and Client-Client Servicing-Process of Setting up an ad-agency-Growth of Ad agencies, Advertising industry in Global and India scenario**

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### **ORIGIN OF ADVERTISING**

The word advertising comes from the Latin word "advertere" meaning "to turn the mind towards".

### **MEANING**

Advertising is a marketing tactic involving paying for space to promote a product, service, or cause.

### **DEFINITIONS**

Any paid form of non-personal presentation of ideas, goods and services by an un-identified sponsor. **American Marketing Association(AMA)**

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

Advertising is to give public notice or to announce publicity. **-Webster**

Advertising is the means of mass selling that has grown up parallel with and has been made necessary to mass production. **-Gardner**

### **SCOPE OF ADVERTISING**

- Advertising is used for communicating business information to the present and prospective customers.
- It usually provides information about the advertising firm, its product qualities, place of availability of its products, etc.
- Advertisement is indispensable for both the sellers and the buyers. However, it is more important for the sellers. In the modern age of large scale production, producers cannot think of pushing sale of their products without advertising them.
- Advertisement supplements personal selling to a great extent.
- Advertising has acquired great importance in the modern world where tough competition in the market and fast changes in technology, we find fashion and taste in the custom

## OBJECTIVES OF ADVERTISING

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

## IMPORTANCE OF ADVERTISING

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

1. **Promotion of Sales :** It promotes the sale of goods and services by informing and persuading the people to buy them. A good advertising campaign helps in winning new customers both in the national as wet as in the international markets.
2. **Introduction of New Product :** It helps the introduction of new products in the market. A business enterprise can introduce itself and its product to the public through advertising. A new enterprise can't make an impact on the prospective customers without the help of advertising. Advertising enables quick publicity in the market.
3. **Creation of Good Public Image :** It builds up the reputation of the advertiser. Advertising enables a business firm to communicate its achievements in an effort to satisfy the customers' needs. This increases the goodwill and reputation of the firm which is necessary to fight against competition in the market.
4. **Mass Production :** Advertising facilitates large-scale production. Advertising encourages production of goods in large-scale because the business firm knows that it will be able to sell on large-scale with the help of advertising. Mass production reduces the cost of production per

unit by the economical use of various factors of production.

5. **Research** : Advertising stimulates research and development activities. Advertising has become a competitive marketing activity. Every firm tries to differentiate its product from the substitutes available in the market through advertising. This compels every business firm to do more and more research to find new products and their new uses. If a firm does not engage in research and development activities, it will be out of the market in the near future.
6. **Education of People** : Advertising educates the people about new products and their uses. Advertising message about the utility of a product enables the people to widen their knowledge. It is advertising which has helped people in adopting new ways of life and giving up old habits. It has contributed a lot towards the betterment of the standard of living of the society.
7. **Support to Press** : Advertising provides an important source of revenue to the publishers and magazines. It enables to increase the circulation of their publication by selling them at lower rates. People are also benefited because they get publications at cheaper rates. Advertising is also a source of revenue for TV network. For instance, Doordarshan and ZeeTV insert ads before, in between and after various programmes and earn millions of rupees through ads. Such income could be used for increasing the quality of programmes and extending coverage.

### **CHARACTERISTICS /FEATURES OF ADVERTISING**

1. **Communication** : Advertising is means of mass communication reaching the masses. It is a non-personal communication because it is addressed to masses.
2. **Information** : Advertising informs the buyers about the benefits they would get when they purchase a particular product. However, the information given should be complete and true.
3. **Persuasion** : The advertiser expects to create a favourable attitude which will lead to favourable actions. Any advertising process attempts at converting the prospects into customers. It is thus an indirect salesmanship and essentially a persuasion technique.
4. **Profit Maximisation** : True advertising does not attempt at maximizing profits by increasing the cost but by promoting the sales. This way It won't lead to increase the price of the product. Thus, it has a higher sales approach rather than the higher-cost approach.
5. **Non-Personal Presentation** : Salesmanship is personal selling whereas advertising is non-personal in character. Advertising is not meant for anyone individual but for all. There is

absence of personal appeal in advertising.

6. **Identified Sponsor** : A sponsor may be an individual or a firm who pays for the advertisement. The name of reputed company may increase sale of products. The product gets good market because of its identity with the reputed corporate body.
7. **Consumer Choice** : Advertising facilitates consumer choice. It enables consumers to purchase goods as per their budget requirement and choice. Right choice makes consumer happy and satisfied.
8. **Art, Science and Profession** : Advertising is an art because it represents a field of creativity. Advertising is a science because it has a body of organised knowledge. Advertising is profession is now treated as a profession with its professional bodies and code of conduct for members.

### **PEOPLE ACTIVELY INVOLVED IN ADVERTISING PROCESS**

1. **Advertiser** : Seller who manufacture and market consumer products are the prominent group of advertisers. Hindustan Unilever , Proctor and Gamble, Seimen And Larson And Toubro Are the examples of advertisers. Also the retailers are the second prominent segment among advertisers. They stock the products . and sell them to the ultimate consumers. Government and social organization are also the active participant in this category.
2. **Target audience**: It refers to the recipient of the advertising message. Every message is either directed to a mass audience and class audience. Advertising desire to cover this target audience for promoting sales. Advertising message intends to cover the potential user and non user who may purchase the product in future. The messages are also directed to the user of the competitor's product so that they switch over the advertiser's products.
3. **Advertising Agencies** :An advertising agency is composed of creative people, who conceive design, develop and produce, advertising message with creative ideas and place it in the desired advertising media, for and on behalf of its client (the advertiser). The advertising agencies usually charge a commission of 15% on the media bills from the media owners. In addition, they charge out-of pocket expenses to their clients, i.e. the advertisers. They employ copywriters, artists, photographers. Typographers, layout designers, editors and such other creative people.
4. An advertiser has two options viz.

- to design, develop and produce and advertising message and get it placed in desired media directly through his own sales or advertising department, or
  - to entrust the entire job of advertising to a team of highly professionalized, specialized, independent, advertising agency
5. **Advertising Production People (Artists)** : The production of impressive and persuasive advertisements is possible only with the active help and creative spirit of the artists like copywriters, artists, photographers, typographers, layout designers, editors and such other creative people. Such people are usually employed by the ad agencies or, their services may be hired by the ad agencies on job basis.
6. **Target Audience** (Readers, Listeners, Viewers and Present and Future Buyers) : Advertising messages are given to the audience. The target audience may be classified into the following three categories, viz.,
- existing or, current consumers, who are reminded and influenced to continue their patronage and to increase the volume of their buying,
  - consumers, who buy and use, a competitor's brand; hence they are persuaded to buy the advertised brand, instead of the competitor's brand; and
  - those consumers, who do not use any such product; and even then, are persuaded to buy the advertised product.
7. **Mass Media** : The advertising agencies guide their clients (advertisers) in selection of the most appropriate advertising media, which is known as „media planning“. Each medium has its own merits and demerits. Advertising messages are communicated to the target audience through different mass media, such as,
- **Print Media** : They consist of newspapers, magazines, journals, handbills, etc.
  - **Electronic Media** : They consist of radio, television motion pictures, video, multi-media and the internet.
  - **Outdoor Media** : They consist off posters, hoarding, handbills, stickers air balloons, neon sing bill boards, local cinema houses, and transit media.
  - **Direct Mail** : It consist of brouchers, leaflets, pamphlets, letters and return cards addressed to consumers.
8. **Government Authorities** : The business of advertising is regulated by the government department. The government adopts law and regulation which have a direct or an indirect

bearing on the advertising.

9. **Advertising boards :** ASCI (Advertising standards council of India) and ABC (Audit Bureau of circulation) are also some of authorities regulating advertising.
10. **Advertising Production Firms:** Advertising production firms are the support agencies which help in the production of advertisement. This includes copywriter, artist, photographers, typographers, producer, editors. These are the people who transform ideas into a finished forms. Thus the success and failure of the advertisement depend on these people.

### **CLASSIFICATION OF ADVERTISING**

The nature and purpose of the advertising differ from one industry to another or across situations. Marketers advertise to the consumers market with national, local and direct-response advertising which may involve stimulating primary or selective demand. They use industrial, professional and trade advertising for business and professional markets. To better understand the nature and purpose of advertising it can be classified by the following criteria:

1. **National Advertising:** Advertising done by a company on a nationwide basis or in most regions of the country and targeted to the ultimate consumer market is known as national advertising. The companies that sponsor these ads are generally referred to as national advertisers. Most of the advertisements for well-known brands that we see on TV or in other major media are examples of national advertising. It informs or reminds consumers of the brand and its features, benefits, advantages and uses or reinforces its images.
  2. **Retail/Local Advertising:** Another prevalent type of advertising directed at the consumer market is classified as retail/local advertising. This type of advertising is done by major retailers or smaller local merchants to encourage consumers to shop at a specific store or use a local service such as local financial companies, bank, hospitals, fitness club, restaurants, show rooms etc. While the national advertisers sell their products at many locations, retail or local advertisers must give the consumer a reason to patronize their establishment. Retail advertising tends to emphasize specific customer benefits such as store house, credit policies, services, atmosphere, merchandise assortment and other distinguish attributes.
- Direct-Response Advertising:** Direct-response advertising is a method of direct marketing whereby a product is promoted through an advertisement that lets the customer purchase directly from the manufacturer. Direct response advertising has become very popular in recent years owing primarily to changing life-styles. The convenience of shopping through the mail or by

telephone has led to the tremendous increase in direct-response advertising.

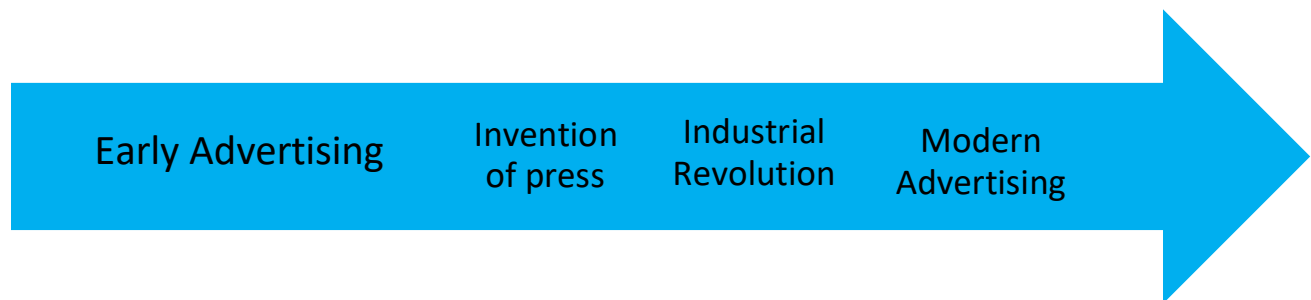
3. **Primary and Selective Demand Advertising:** Another way of viewing advertising to the ultimate customers is in terms of whether the message is designed to stimulate either primary or selective demand. Primary Demand Advertising is designed to stimulate demand for the general product class or entire industry; Selective Demand Advertising focuses on creating demand for a particular manufacturer's brands. Primary demand advertising is often used as part of a promotional strategy to help a new product gain acceptance among customers. Products in the introductory or growth stages of their life cycles often have primary demand stimulation as a promotional objective because the challenge is to sell customers on the product as much as it is to sell a particular brand.
4. **Business to Business Advertising:** Some times the ultimate customer is not the mass consumer market but rather another business, industry, or profession. Business-to Business advertising is used by one business to advertise its products or services to another. It is categorized in three basic categories like industrial, professional, and trade advertising.
5. **Industrial Advertising:** Advertising targeted at individuals who buy or influence the purchase of industrial goods or other services is known as industrial advertising. Industrial goods are those products that either become a physical part of another product, or used in manufacturing other goods. Business service, such as insurance, financial services, and health care, are also included in this category. Industrial advertising is usually found in general business publications or in trade publications targeted to the particular industry.
6. **Professional Advertising:** Advertising that is targeted to professional groups-such as doctors, lawyers, dentists, or engineers-to encourage to use the advertiser's product or specify it for other's use is known as professional advertising. Professional groups are important because they constitute a market for products and services they use in their businesses. Also, their recommendations influences, many consumer purchase decisions.
7. **Trade Advertising:** Advertising with in a trade to attract the wholesalers and retailers and motivate them to purchase its products for resale is termed as trade advertising. Company sales representatives call on resellers to explain the product, discuss the firm's plans for building demand among ultimate consumers, and describe special programs being offered to the trade, such as introductory discounts, promotional allowances. Trade advertise usually appears in



publications that serve the particular industry.

## **EVOLUTION OF ADVERTISING AND GROWTH OF ADVERTISING IN INDIA**

Advertising is an important element of our culture because it reflects and attempts to change our life style. The concept of advertising dates to early civilization. It had to undertake a long journey through the centuries before- it attained its present form. Actually advertising is directly related to the need of man to communicate his message and attract to each other. Our knowledge of advertising in ancient times naturally is fragmentary.



### **Early advertising**

Initially word of mouth or oral advertisement or spoken publicity was used to give information. Early advertising can be traced back to the archaeological evidences available in Greece and Rome. In 3000 B. C. Babylonia merchants hired parkers to hawk their wares to perspective, customers and placed signs over their doorways to indicate what they sold. Advertisements were found on walls in the streets of the excavated Roman city of Pompeii. Another evidence of a piece of papyrus preserved in the British Museum provides the earliest and direct reference to written advertisement. An Egyptian had advertised 3,000 years ago asking for the return of a run away slave.

### **Invention of Printing press**

In England, some of the advertisement, which were known as a "Pioneering advertisements" were Coffee (16(1652), Chocolates (1657) and Tea (1658). The use of hand bills, posters and newspaper advertisements emerged after Gutenberg developed movable type in the 15th century. When Benjamin Franklin established the Philadelphia Gazette in 1729, it soon became

a favorite medium of advertising. When the weekly Pennsylvania packet and General Advertiser became a daily in 1784, it featured an entire front page of advertisement. In ancient India, some of the typical seals used by the Mohanjodaro and Harrapa people were directly connected. But formally, the history of advertisement in India parallels the history and development of the Indian Press during the past 200 years. In other words we can say that advertising is a father of Journalism. Because the first Indian newspaper started by James August Hickey on January 29, 1780, was called the "Bengal Gazette" or "Calcutta General Advertiser". It was full of informative advertisement. In 1785, the Bengal Journal published with Government advertisement free of charge.

### **Industrial Revolution:**

By the dawn of 19th century the pattern of advertising changed-and the power of advertising increased rapidly with the growth of trade and commerce. The Industrial revolution, discovery of the growth of transportation facilities, advent of radio and television and revolution in printing technology discovery technology discovery of the steam power in England and America had a keen role to play in the development of advertising. After the Second World War and with the independence of India many British advertising agencies were brought by Indian businessman. During the above period print advertising had to be used to raise funds. With the Industrial Revolution in India, the number of advertisements from British Business Houses rose considerably. The Times of India and The Statesman started their own facilities for layout and copy of the advertisement. The development of advertising agency was founded due to the development of Indian industries provided by the Swadeshi Movement of 1907-1977. The major advertising agencies were, The Calcutta Advertising Agency, Alliance Advertising Associates, Publicity Society of India, J.

.Walter Thompson (Now Hindustan Thompson). During the mid -17th Century, newspaper started appearing in Europe and newspaper advertising was initiated in full swing and large number of advertisement started crowding the newspaper announcing publication of books, new beverages, travel plans and matrimonial offers. But all early advertisements were

basically only announcement. By 1932 there were 109 advertising agencies in India~ advertisement had become the main source of revenue of print media.

### **Modern Advertising**

In 1950 the advertisement of cosmetics was on the top of the list of items advertised and in 1960 consumer goods continued to dominate with textile advertisement. The 1970 was the important year of the growth of advertising in India. When the 'Vividh Bharati' and 'Doordarshan' played a great role in the form of commercial broadcasting and telecasting. Now radio commercials made a real dent on the rural audience and urban working class. Besides these many periodicals like 'India Today', 'Bombay'; New Delhi 'Surya' and various film magazines made their appearance in Indian advertising. The role of tabloids in English and the Indian languages were very examples in the field of advertising in India. The programmes and plans of the government were also publicity announcements as also those of the TISCO, DUNCOP, Coltex, Philips, Godrej and Hindustan Lever. These media gradually started emerging as a mutual competitor for advertising revenue also.

### **Advertising in the 21<sup>st</sup> century**

With the beginning of 21st century, the advertisers themselves became more serious and their approach becomes more sophisticated. Print, Radio, T. V. and Internet Commercials have created deep impact on Indian advertising. Indian advertisement has no doubt to register a rapid growth and has acquired a certain amount of professional character. In India it has played a vital role in the development process by creating a demand for consumer goods and raising a standard of living of millions. In the government sector, advertisement of the railways also dominated which was soon joined by the public sector advertisement. The massive government campaign for family planning was a new attempt to penetrate into the conservative psyche and practice of Indian massive. Mani Shankar Iyer has also won laurels for his unique campaign on cancer prevention. In 20th century advertisement bloomed to its full form. More emphasis was laid on advertisement copy. Art services and advertisement production became more and more important. Advertising is an activity of attracting public attention to a product or business, as by paid announcements in the print, broadcast, or electronic media. Advertising is the promotion of a company's products and services through different mediums to increase the sales of the product

and services. It works by making the customer aware of the product and by focusing on customer's need to buy the product. Globally, advertising has become an essential part of the corporate world. Therefore, companies allot a huge part of their revenues to the advertising budget. Advertising also serves to build a brand of the product which goes a long way to make effective sales.

Anthropologist William Mazzarella divides advertising in post-independence India into four key phases. The first of these began after Indian independence from Great Britain (1947) and lasted until the early 1960s. Indian advertising in this period still operated as an outpost of the British Empire. The overall style of advertising was factual presentation coupled with an overall lack of creativity. The second phase (early 1960s to 1980s) emerged in large part as a reaction to the first and stressed creativity and an Indian professional identity independent of Great Britain. A third phase (1980s) turned away from creative and innovative advertising and toward creating efficient marketing channels that would have a wide impact throughout the country. The fourth and current phase, which also came into being in the 1980s, is characterized by a synthesis of effective marketing mechanisms and a high level of creativity

## **FUNCTIONS OF AND AD AGENCY**

### **1. Advertisements increase sales :**

The main function of advertising is to increase the sales of the product of the company by securing greater consumption, by attracting new buyers and by introducing new uses for a commodity.

### **2. Advertising Persuades dealers to stock :**

Advertising persuades dealers to stock more advertised goods. It ensures wider distribution of goods, even to remote places. Where a product is not in demand, the advertisers directly contact their dealers to stock the goods and persuade the consumers to buy their goods through advertisements.

### **3. Advertising assists dealers to liquidate stock :**

Advertising not only assists the producer or advertiser, but also helps dealers (wholesalers and retailers) to sell the advertised goods. Thus, wholesalers and retailers are able to clear their shelves speedily resulting in higher profits. This is all possible due to effective advertising.

### **4. Advertising increases per-capita use :**

Advertising may tend to increase the per capita use of commodity by repeating the product features and its uses constantly. Advertising is effectively used to increase the per capita consumption by describing new uses of articles that may never have been thought of by the general user.

**5. Advertising recognizes qualities :**

Advertising brings goodwill for the producer. If a producer has been recognized for bringing out quality products, his new product in the same line or new model will be well received by the public.

**6. Advertising protects manufacturers' interests**

The next function of advertising is secure manufacturer's business interests. Competitors will find it difficult to develop the substitute for the nationally or internationally advertised products. Advertising cultivates brand and company image. It creates goodwill which is a very valuable asset. It insures the manufacturer against all business risks.

**7. Advertisements eliminate seasonal fluctuations:** One of the primary functions of the advertisements is to eliminate or lessen the seasonal fluctuations for the seasonal products by describing their various uses during off season. For example, by advertising, the use of refrigerators all the year round has been highlighted to people.

**8. Advertising creates demand**

Competitive advertising of two or more manufacturers in the same field expands market and creates more business for them. It creates demand for the product and not merely for a particular brand. For example, a lap-top computer is widely recommended and vigorously suggested through advertisements, highlighting its advantages. It ultimately results in more such computers being sold.

**9. Advertisements raises standard of living**

Advertising also deserves credit in raising the standard of living of the consumers by persuading them to use newer and better products at competitive rates. It is partly because of advertising, it has become possible that goods that are enjoyed by rich people once, are being enjoyed by common man now. For example — Television, which had been only a dream for a common man a few decades earlier, has now become very popular among all sections of society, which is, mainly due to advertising

**10. Advertising lend moral support to salesmen**

Advertising helps salesmen a lot. Occasionally, a salesman feels in-secured and lacks confidence in himself, in his company's products and in the firm he represents. On such occasions, advertisement supplies the necessary information to supplement his presentation and boosts his morale. It makes it easier for him to sell advertised goods, for part of the selling has already been done for him.

#### **11. Advertisements furnishes correct information**

Advertisements provide the correct information about the product, producer, stockists and salesmen. Salesmen and dealers are benefited by the use of information given in the advertisement. Many times, such information serves as a check on erroneous and extravagant claims.

#### **12. Advertising ensures Product improvement**

Advertisements create a feeling among the executives and the administrative staff that they are responsible to the public in a peculiar way. In many ways, they become more enthusiastic when they see advertisements of their own company. They are likely to strive to improve the product further in all aspects, and give public more value for their money.

#### **13. Advertising cultivates sense of security**

The workers of an organization of well advertised goods will feel that their jobs are more secured and that their future prospects with the organization are bright as the business grows.

#### **14. Advertisements helps to recruit Efficient Employees**

Advertising makes it possible for the manufacturers to appoint well equipped employees, in terms of quantification, experience and skill. As a company gains much popularity through its advertisements and is identified as a widely known company, any eligible applicant will feel pride to apply for the job. Thus, advertising helps the advertiser to choose only the best aspirant.

#### **ROLE OF ADVERTISING IN MARKETING MIX**

Marketing mix consist of four important variables of marketing, i.e. 4Ps-Product, Price, Promotion and Place. Apart from the traditional 4 Ps, there are also other variables, i.e. Packaging, Postion, and Pace. Advertising is an element of promotion. However, it not only assists in promoting the product, but also affects the other variables of marketing mix. This can be explained as follows:

Role of  
Advertising on  
4p' of marketing



## **4P'S OF MARKETING MIX**

### **1. Advertising and Product :**

A product is normally a set of physical elements, such as quality, shape, size, colour and other features. The product may be of very high quality .At times, the product is so designed that it requires careful handling and operations. Buyers must be informed and educated on the various aspects of the product. This can be effectively done through advertising. Thus, advertising plays the role of information and education.

### **2. Advertising and Price**

The price is the exchange value of the product. A marketer may bring out a very high quality product with additional features as compared to competitors. In such a case, price would be definitely high. But buyers may not be willing to pay a high price would be definitely high. Here comes advertising. Advertising can convince buyers regarding the superiority of the brand and thus its value for money. This can be done by associating the product with prestigious people, situations, or events. Alternatively when a firm offers a low price products the job of advertising needs to stress the price advantage by using hard hitting copy. It is not just enough to convince, but it is desirable to persuade the buyer. Thus advertising plays the role of conviction and persuasion.

### **3. Advertising and Place**

Place refers to physical distribution and the stores where the goods are available Marketer should see to it that the goods are available at the convenient place and that too at the right time when the buyers need it. To facilitate effective distribution and expansion of market, advertising is of great significance. Thus advertising do help in effective distribution and market expansion.

### **4. Advertising and Promotion**

Promotion consists of advertising, publicity, personal selling and sales promotion technique. Businessmen today have to face a lot of competition. Every seller needs effective promotion to survive and succeed in this competitive business world. Advertising can play a significant role to put forward the claim of seller, and to counter the claims of competitor. Through effective advertising, sellers can face competition and also help to develop brand image and brand

loyalty.

## 5. Advertising and Place

Pace refers to the speed in marketing decisions and actions. It involves among other things the launch of new products or brand variations at greater speed than before. As and when new brands are launched, advertising plays an important role of informing, educating and persuading the customers to buy the product.

## 6. Advertising and Packaging

The main purpose of packaging is protection of the product during transit, and preservation of quality and quantity. Nowadays, marketers take lot of efforts to develop and design attractive packages as they carry advertising value. A creatively design package attract the attention of the customers. It also carries an assurance of quality and creates confidence in the minds of customers to buy the product.

## 7. Advertising and Positioning

Product positioning aims at creating and maintaining a distinct image of the brands in the minds of the customers. Through advertising the marketer can convey the positioning of the brand and accordingly can influence the buying decision of the target audience.

### **ROLE OF ADVERTISING IN SOCIETY**

Advertising is the integral part of every one's life. It is a pervasive method of marketing in society. Though the methods by which marketers advertise have changed over the decades, the role and purpose of advertising has changed over the period of time.

.Advertising is useful to society in following ways.

- ☐ **Encouraging Purchase:** Encourages people to purchase goods and services is the main role of advertising. Some industries rely on advertising more than others: A cereal company, for instance, must advertise more aggressively, due to the wide arrange of competing products, than a power company that faces little to no competition.
- ☐ **Balances Demand and supply:** Advertisers often influence members of society to purchase products based on instilling a feeling of scarcity or lack. It helps in demand and supply.
- ☐ **Reflect cultural trends:** Advertising bridges the gap among people by communicating varied culture through advertising message.
- ☐ **Promotes Economic growth :** It bring variation in the social life. Advertising contributes to bring about all round development of the economy by increasing demand and by encouraging



economic activities it fuels the desire to shop and, in turn, shopping stimulates the economy.

- **Improves standard of living :** Advertising is an economic activity. It provides opportunities to people to improve their income. It motivates people to consume more material and thereby improves their standard of living.
- **Provides employment:** Effective advertising generates demand for goods and services. high demand calls for more production which requires more of physical and human resources thus creating employment opportunities. Advertising and Brand building

### **ADVERTISING AND BRAND BUILDING :**

- **To make brand distinctive:** brand building can be done through repetitive advertising. Also by highlighting unique selling proposition one can distinguish brand from one another.
  - **Constant innovation:** Consumers need continuous innovation and new products. It is not always a new product even an improvement on the existing product is acceptable to the consumers. Through intensive advertising such brands are build which is time consuming.
  - **Domination of brand:** brand building largely depends on the domination is creates on the competitors. Domination can take place either in national market or in niche market.
  - **Prompt availability:** Prompt delivery of the product is one of the factors that ensure brand building. This is possible if there is proper coordination between the finance, production, and marketing department.
- inculation 4. Integration of new and old media: Consumers have ever changing demand. Due to availability of various media option the seller can push the product in the market by blend multiple media option .

### **ADVERTISING AGENCY**

**“An ad agency is an independent company set up to render specialised services in advertising in particular and in marketing in general.”**

**Advertising creates the ads, plans how, when and where it should be delivered and hands it over to the client.**

- Advertising agencies are mostly not dependent on any organizations.
- These agencies take all the efforts for selling the product of the clients.
- They have a group of people expert in their particular fields, thus helping the companies or

organizations to reach their target customer in an easy and simple way.

- The first Advertising Agency was William Taylor in 1786 followed by James –Jemll White in 1800 in London and Reynell & Son in 1812.

### **Role of Advertising Agencies**

- Creating an advertise on the basis of information gathered about product
- Doing research on the company and the product and reactions of the customers.
- Planning for type of media to be used, when and where to be used, and for how much time to be used.
- Taking the feedbacks from the clients as well as the customers and then deciding the further line of action All companies can do this work by themselves. They can make ads, print or advertise them on televisions or other media places; they can manage the accounts also. Then why do they need advertising agencies? The reasons behind hiring the advertising agencies by the companies are:
  - The agencies are expert in this field. They have a team of different people for different functions like copywriters, art directors, planners, etc.
  - The agencies make optimum use of these people, their experience and their knowledge.
  - They work with an objective and are very professionals.
  - Hiring them leads in saving the costs up to some extent.

### **STRUCTURE OF AN AD AGENCY**

Advertising agency is an independent organization in which the technical and artistic people make ad for people and services of different companies and also choose the mass media. A modern advertising agency offer specialized knowledge, skills & experience which are required to produce an effective advertising campaign. It has writers, artists, media experts, researchers, TV producer, account executives etc.

These specialist work together to understand fully the advertiser requirement of advertising campaign and develop suitable advertising plan and strategies by creating advertisement and implement advertising plans and strategies.

Each Advertising agency is unique in different departmental service. They are specialist in providing different marketing promotions some of the most common are:

- Public Relations

- Direct Marketing
- Recruitment Advertising
- Industrial or Business to Business

#### Advertising campaign

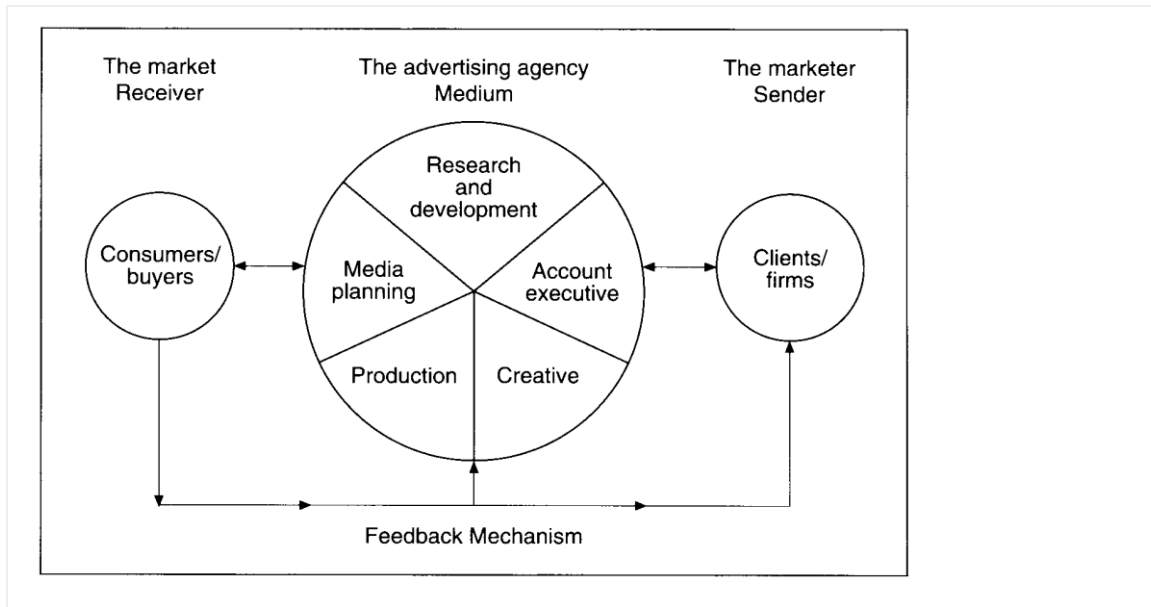
“An advertising campaign is a series of advertisement messages that share a single idea and theme which make up an integrated marketing communication. Advertising campaign appear different media across a specific time frame”

- Functions of advertising Agency
- An advertising agency has 4 key functions to perform:
- Plan the strategy for advertising.
- Creating production the ads
- Planning and buying the media in which to run them
- Managing this process together with the client

#### Structure of advertising agency

Usually advertising agency consists of the following different departments. Who are works together to perform an effective and best out put.

- Account department
- Marketing services
- Creative department
- Media planning
- Internal services department
- Client services



These departments are varying from company to company and organization to organization on its working load and size of company.

#### Account Management department

In an advertising agency account department deals directly with the client and helps the client to cover more market in less money. Officers in the account department mean they have to make never-ending negotiations between the ad agency and its clients. They make efforts to contract renewal and strengthen the firm's client support. Account department doesn't mean dealing with account only. In advertising agency it's meant to deal with the client and manage with them.

They are responsible for coordinating with the creative department, media production staff that are all behind the campaign. Throughout the campaign they keep in touch with the client to update him on ads progress and gain feedback. Upon completion of the creative work it is their job to ensure the ads production and placement.

#### Marketing services Department

This is a very important department of any advertising agency that helps in creating an effective advertising agency. Officers in the marketing services department are duty to search the attitude of the people within the specific or targeted market.

They also put efforts to find out that which medium or combination of medium would be best for the advertising campaign.

**Researchers:** Market researcher services are being hired to assess client market situation, including understanding customers' attitude and competition situation in the specific market.

They mostly do research in following department

- Consumer research
- Market survey
- Market potential study

**Sales Promotion** They use different technique for sales promotion.

Both sub-departments will be benefit for more mutual understanding of information early in the agency research process. To work strategically both clients to create solution for variety of marketing needs

### **Creative department**

This is a department of highly skilled people who work in a team to give best results. It comprises of technical experts, system architectures, graphics designers, art directors and artists, sop writing section , film production section, computers programming etc.

There work to create and produce ads and public services messages for both Electronic and Print media as per demand of client and as per instruction given to them. They are equipped with latest technique and equipments. Art directors and copy writer along with their team generate creative ideas and the remaining team work in giving those ideas to appropriate physical shapes.

### **Media Planning Department**

This department works on planning and buying the media. As if ad would not be placed on the most appropriate medium or combination of medium then all efforts and cost on it would be wastage.

Each medium, which they are hundreds are now, has its own unique method of accepting advertising such as different cost structures. Media planning department on behalf of their clients looks for the best media for advertising.

They buy space form media and place their client advertising there.

### **Internal services department**

Internal services department mean department in advertising agency that make relations between the internal employees for effective control over all advertising completion process. This is divided further in three sub-departments.

#### **1. Traffic Department**

The traffic department regulates the flow of work in the agency. It increase agency efficiency

and profitability through the reduction of false job start, inappropriate job initiations, incomplete information sharing, over and under cost estimation and answering the phone calls.

## 2. Finance Department

They are responsible for handling all the matters related to finance. They take care of all the bills for example electricity, phones, house rent, building fares, internet charges, transport allowance etc. they are responsible for getting money from advertisers as well. Employees' salaries and daily payments also come under this department.

## 3. Human Resource department

This department looks after the man power in the agency. They know where to appoint new person, whom to shift from one to another department. Where new training needed. When to conduct seminars to enhance different skills of workers.

## 4. Client Services Department :Usually this separated department is seen in very larger ad agencies. Client services department helps their clients for the promotion of their business but other than making ads. They can prepare PR (Public Relations) campaign for their clients, can arrange exhibition for them and even can do some research on their demand. They also help their client on designing the wrappers or other packaging material.

# **TYPES OF ADVERTISING AGENCIES.**

## **1. FULL SERVICE AGENCIES**

Full service agency offers its clients a full range of marketing, communications and promotion services including planning, creating the advertisement, performing research and selecting media. A full service agency may also offer non advertising services such as strategic market planning, design of sales promotions, sales training and trade show materials, package design and public relations. The full service agency is made up of departments that provides the activities needed to perform the various advertising functions and serve the client. The benefits of a full service agency include attracting and holding the very best talent, providing numerous services which may require an interrelated approach, and providing an objective examination of concepts from an outside perspective based on wide spread experience.

### **Functions of a full service agencies**

#### **(a) Research:**

Even prior to the formulation of the plan, an agency must do some research. The scope of

research has expanded so much that, in recent years, independent specialised research organisations have been created to meet the expanded needs of both marketing and advertising research.

**(b) Planning:**

The most important function in agency operation is the development of an advertising plan, usually prepared in conjunction with the client company. The advertising plan viewed as part of the overall marketing plan. An essential part of planning is budgeting and the agency usually provides alternative budget proposals to help the client determine how much should be spent on advertising.

**(c) Creative Services:**

One of the earliest additions to the responsibilities of the advertising space sales person was the writing of copy. Today copy writers frequently work in conjunction with artists in the preparation of print advertising, and copy writers, art directors, and broadcast producers usually combine their efforts in preparation of broadcast selling messages.

**(d) Print and Broadcast Production:**

Print production people are responsible for converting and copy into printing plates used to produce finished advertisements. Proofs of advertisements are submitted for approval to clients before final printing plates are made. Print production workers must maintain contacts with printers, typographers, type setters, and photoengravers.

In the early days of television, broadcast productions were prepared by the advertising agency; today, shows are more frequently purchased from networks, broadcasting, stations or independent show producers. However, agency men and women still do the creative work on both radio and television commercials.

They prepare the story boards and choose (and even design) Props, costumes and scenery. The actual mechanical production of the commercial may be done by an out-side producer under the supervision of an agency TV producer.

**(e) Media Selection:**

One of the areas where the expertise of an advertising agency may be a necessity is media selection. Media choice involves a knowledge of each medium's characteristics and its coverage, as well as an understanding of the target market to be reached.

An agency must select what it considers to be the best medium, must contact the various media, execute the contracts, and pay media bills. As an aid in the media selection process a number of advertising agencies have applied computer techniques to the creation of media models.

**(f) Account Management:**

Since the advertising agency is an organisational unit external to the firm, some continuing and close contact must be established to promote communication and understanding between the client and agency. The advertising agency establishes a contact person to maintain this liaison. In the small agency this function may be performed by the president; the account executive performs as liaison in a larger agency, and, in some cases, there may be an account group consisting of several account executives headed by an account supervisor. The contact person must know the functions and activities of both the agency and client and must be able to interpret these satisfactorily to both organisations.

**(g) Accounting:**

Although accounting is of prime importance to all business, it has added significance to an agency. Since the agency is responsible for payment to media, it becomes particularly important to keep accurate accounts of billing, to check the appearance of advertisements, and to maintain records of payments.

**(h) Other Services:**

In order to provide a total marketing concept, agencies become more involved in promotional activities that are not strictly advertising. The extent of services required by clients varies, manufacturers of consumer goods tend to place greater emphasis than industrial goods manufacturers upon the range of an agency's service in the selection process.

Some agencies provide merchandising for their clients; that is they create sales promotional material, aid in dealer co-operative advertising campaigns, execute point of purchase displays, and help develop contests.

They may also offer expertise in public relations, usually on a fee basis and as an activity somewhat separate from their advertising. Some larger agencies may go beyond promotion and provide such services as sales forecasting, new product planning, and package development.



**Reasons for using a Full Service Advertising Agency:**

**A full service advertising agency provides the advertiser with a full package of advertising services.**

**According to John Monsattal followings are the reasons for using a full service advertising agency:**

- (a) Sales oriented creative work.
- (b) Synergistic experience.
- (c) Centralisation of responsibility and accountability.
- (d) Greater objectivity.
- (e) Simplified co-ordination and administration.
- (f) Simplifies corrective changes.
- (g) Professional strength in marketing area.
- (h) Better working environment.
- (i) May be less expensive in the long run.
- (j) Stronger pool of talent.

**(a) Sales Oriented Creative Work:**

The agency, because of its specialisation, is continuously concerned with creating such advertisements and ad campaigns that would be sales – oriented, since improving sales is the ultimate goal.

**(b) Synergistic Experience:**

The agency can use the knowledge obtained by working with various and different kinds of clients in supporting any given client thus using the cumulative knowledge and experience in a synergistic way.

**(c) Centralisation of Responsibility and Accountability:**

The agency is responsible for the success and failure of a specific advertisement and the total campaign.

**(d) Greater Objectivity:**

Since the agency becomes closely involved with the organisation, and since it involves studying the characteristics and attributes of a product, the agency is able to assist the client with various product problems.

**(e) Simplified Co-Ordination and Administration:**

It is easier to develop a close working relationship and Co-ordinate promotional activities with one agency rather than distributing the advertising responsibility to many agencies.

**(f) Simplifies Corrective Changes:**

Since all the advertising activities are centralized within one agency, necessary changes to promotional messages and campaigns can be incorporated quickly.

**(g) Professional Strength in Marketing Area:**

A full service advertising agency is a complex organisation in itself, with all the professional functions and processes. Hence the advertising personnel are professionals in the area of marketing, sales promotion etc. and this gives stability and credibility to the advertising profession.

**(h) Better Working Environment:**

Advertising is very creative and offers challenging opportunities. Accordingly a reliable advertising agency attracts conscientious workers who take pride in doing a first rate job. This creates a better working environment which is always necessary for productive outputs.

**(i) May be Less Expensive in the Long Run:**

Since the advertising people are specialists and have the expertise in getting the job done, and their survival and credibility depends on the success of their advertising campaigns, they may be less expensive in the long run rather than doing it one-self in a piecemeal dis-organised manner.

**(j) Stronger Pool of Talents:**

A full service agency has many specialists dealing in different areas of advertising process working at one location, so that it can react the problems quickly in any of the various aspects of the process.

**2. IN-HOUSE AGENCY:**

Even though most companies use full service advertising agencies, an organisation may decide to establish its own operation for all services of an advertising agency within its own structure. The in-house agency as its name implies is owned outright by and operated under the direct supervision of the advertiser. It performs all the creative and media services provided by the traditional full service agency. A major goal in adopting this approach is to reduce the total cost of the advertising.

Merits:

- It reduces the cost of advertising since the in-house agency is also entitled to the commission from the media, which normally the outside agency would get & which the advertiser himself does not get.
- It ensures tighter control over the agency operations both in terms of cost as well as creativity.

Demerits:

- Top agency talents are less likely to be attracted into an in-house agency.
- An in-house agency may be influenced by built-in political forces that might turn bias while an outside agency is more objective in its analysis and evaluation and is less biased.

### **3. A CREATIVE BOUTIQUE:**

It is an agency that provides only creative services. The client may seek outside creative talent because it believes that an extra creative effort is required or because its own employees do not have sufficient skill in this regard. Full service agency often subcontract work to creative boutiques when they are very busy or want to avoid adding full time employees to their payroll. Creative boutiques are usually founded by members of the creative departments of full service agencies who leave the firm and take with them clients who want to retain their creative talent. These boutiques usually perform the creative function on a free basis.

### **4. MEDIA BUYING SERVICE:**

There are independent companies specialize in the buying of media, particularly radio and TV time. Media buying is a niche service and these agencies are specialized in the analysis and purchase of advertising time & space.

Both agencies and clients utilize their services, usually developing their own media strategies and using the buying service to execute them. Because media buying services purchase such large amounts of time and space, they receive large discounts and can save the small agency or client money on media purchases. Media buying services are paid a fee or commission for their work.

### **6. THE LA CARTE AGENCY:**

Some advertisers prefer to order a la carte rather than using all of an agency's services. A la carte services can be purchased from a full service agency or from an individual firm that specializes only in creative work, media, production, research, or new product development.

The two requirements most frequently obtained by a la carte are creative and media services.

A boutique is typically a service agency used as a creative consultant, specialising in concepts, strategy development, and execution. Some advertisers employ a boutique to revitalize a tired advertising campaign or to provide services in specialised media and product categories.

A media buying service works with an advertiser to provide a media plan, offer counseling in the development of the advertiser's plan, or provide specialised knowledge of media and usage rates. Firms that prepare their own advertising frequently find the complexities of media purchase require the services of a professional.

A la carte services may provide the advertiser with faster response, more objectivity, and more direct communication which may lead to better results. However, the responsibility for planning and managing the advertising remains with the advertiser.

## **7. SPECIAL SERVICE AGENCY (GROUP):**

Some agencies focus their efforts only in some selected areas and then become specialists in those areas. There is great multiplicity of firms whose objective is to provide advertisers, advertising agencies and the advertising media with a host of specialized services.

These firms collectively are called special service groups and they are by far the least known component of the advertising industry. For example, if an agency is specialising in direct response advertising either in media or direct mail, knowledge of their availability and function is vital if the structure of the advertising business is to be fully understood.

## **CLIENT AGENCY RELATIONSHIP:**

Even though much of the responsibility of maintaining a congenial liaison between the agency and the advertiser falls on the accounts executive, there are certain ground rules pertaining to the efficient handling of issues.

A leading advertiser, George Weissman, vice chairman, Philip Morris, incorporated speaking as a client outlined 10 requirements that a company expects from its advertising agency:

- We expect your people to be with the consumers, the retailers, the wholesalers and in the front lines, where the business is done and the battle is fought.
- We expect your people to say on your account and not be taken away by competitors. We as you, have investment in them and, if they are good, we want them.

- We expect total involvement at all levels of agency management.
- We expect you to have the same corporate affirmative action policy on personnel on our accounts as we do.
- We expect your people to give us every crazy idea they might have, even though the rate of rejection is high and the work load heavy.
- We expect your people to know the industry as well as we do.
- We expect excellence in everything you do. We have built a corporate reputation and a corporate success based on outstanding quality of product, advertising, merchandising and most important of all – people.
- We expect to be presented with options—good advertising dependent on mutual creativity.
- We expect your people to be honest with us and not ‘yes’ us.
- We expect that your people will know our business almost as well as we do, and that goes from the technical to the marketing, so that if there are potential for interesting advertising, it will be created.

#### **ADVERTISING AGENCY COMPENSATION:**

All business need operating revenues to service. Advertising agency revenues come from two sources:

1. Commission from advertising media.
2. Client fees.

The billing based compensation system, frequently labeled as the “**commission system**”, provides the agency with money from the advertising medium. The commission is a percentage based on the medium’s charge for the advertising space or time used by the advertiser.

With the cost based compensation system, often called the “**fee system**”, the agency receives fixed fees for services given to the clients with media commissions offset against those fees.

The typical agency today receives about two third of its revenue from media commissions.

An advertising agency can be compensated in the following manner:

- (a) Commission basis
- (b) Cost basis or fee system.

##### **a) Commission Basis:**

The traditional method of compensating agencies is through a commission system.

Commission is a percentage based on the medium's charge for the advertising space or time used by the advertiser. A agency receives a specified commission usually 15% from the media on any advertising time or space it purchases for its clients. Some trade publications allow as much as 20%.

There must be a clear understanding between the agency and the advertiser as to what services this commission covers. It is quite common for the agencies to provide media planning and media buying and some related creative work for the 15% commission that they charge and bill the advertiser separately for other services such as market research, public relations etc.

For many years there has been a criticism of the commission system of payment of advertising agencies. For example, why should an agency receive a 15% commission from the media rather than being paid by the client

**(b) Cost Based or Fee System:**

The system is based upon the cost of performing the services which includes direct and indirect costs of servicing the account plus a percentage mark up for profit.

Agency executives sometimes feel that the 15% commission yield an insufficient return to the agency in the light of its many services to the client. This is true when the agency is working with small accounts. On the other hand advertiser may argue that the commission rate going to the agency is too high.

According to David Ogilvy, the fee approach to agency compensation has five edges over the commission system:

- The agency can be more objective in its recommendations as so many clients believe.
- The agency has adequate incentive to provide non-commissionable services if needed.
- The agency's income is stabilized. Unforeseen cuts in advertising expenditure do not result in red figures or temporary personnel layoffs.
- The fee enables the agency to make a fair profit on services rendered. The advertiser, in turn, pays for what he gets—no more, no less.
- Every fee account pays its own way. Unprofitable accounts do not ride on the coattails of profitable accounts.

## **AGENCY CLIENT RELATIONSHIP**

The relationship between a client and its fundraising agency can be a critical factor in determining the success of the client's fundraising work. A close relationship in which everyone feels part of the same team can not only help both parties to produce better fundraising materials and get better results, but it can also make the whole process overdeveloping the appeals more efficient and enjoyable. The ultimate aim of the team that is created by the client and agency working together is to raise as much money as possible, so that the charity can pursue its social aims.

Each of the priorities below are important means towards this overall end:

1. **Understanding**- both parties make the effort to understand how the other works.
2. **Trust**- both parties trust each other and work to maintain that trust - including
3. Communicating well, meeting deadlines and agreeing fair pricing.
4. **Flexibility**- there is space in the relationship for both parties to suggest new ideas, Adjust things and improve things.
5. **Respect**- both parties respect the views, competence and situation of the other, and communicate in a respectful way.
6. **Shared responsibility**- in the best client/agency relationships, both parties will feel an equal sense of responsibility and commitment to the work they are producing.

## **AGENCY/CLIENT ROLES AND RESPONSIBILITIES**

In today's marketing communications world, there are many new, younger, less experienced managers responsible for interacting with and even directing the agency services provided to advertisers. Then when adding in the relatively recent, increased involvement of procurement professionals with the selection, contracting, compensating and evaluation of agencies, there is a need to clearly spell-out the roles and responsibilities of each party to the client/agency relationship. It is only with that understanding that maximum efficiency and accountability can be achieved, engendering a trusting, long-term, mutually beneficial relationship.

On the following page the reader will find outlined the respective responsibilities of both client and agency under the four major components of any successful marketing communications program:

1. Business Review
2. Objectives, Strategies and Long-Range Plan

3. Creative Concepts and Communications Plan
4. The Plan Execution

Whether used for training tool, as a primer or simply an infrequent checklist, Wanamaker Associates believes this is a tool that should be in the hands of everyone involved with engaging and directing agency services.

#### **CLIENT „S ROLE AND RESPONSIBILITIES**

1. Consistently shares relevant data and revenue feedback with agency.
2. Provides simple and clear picture of business progress in past year.
3. Has vision of future of Brand.
4. Accurately conveys direction from management and input from staff group.
5. Open to challenges from the agency in any area of the business.
6. Develop specific, measurable and achievable objectives for Brand and or product offerings.
7. Enforces need for single-minded strategy as long-term direction for business—i.e., it should not be subject to judgement changes.
8. Elements of service offerings and business development deployment have a central and consistent focus.
9. Provides scientific rationale necessary to support strategy.
10. Accurately conveys direction of management and input from staff groups.
11. Fosters environment that encourages appropriate creative risks and innovation.
12. Provides clear, complete and honest feedback.
13. Allows sufficient funds for meaningful levels of visibility in each element of marketing mix.
14. Agrees to reasonable production schedules.
15. Remains open, accessible and fair.
16. Facilitates and streamlines approval process.
17. Assumes responsibility for delays caused by changes in direction.
18. Pays agency invoices in timely manner.
19. Mindful of agency needs to make a profit in the business relationship.
20. Provides at least an annual two-way review of agency relationship.

#### **ROLE AND RESPONSIBILITIES AD-AGENCIES**

1. Provides reasonable analysis of market dynamics and key —lessons learned.¶
2. Reviews major promotional moves by competitors and analyzes effect on Brand and category.



3. Identifies key areas for improvement in previous year's plan.
4. Proposes business-building projects with the potential to have a major impact on the Brand's business.
5. Outlines key research that may ultimately contribute to growth of Brand's business.
6. Recommended target audience and promotional strategies flow logically from the lessons learned with similar branding clients.
7. Elements of long-term communication plan have a central and consistent focus.
8. Drafts copy strategy statement that is expressed as simply and succinctly as possible.
9. Proposes a meaningful character for Brand.
10. Plans reflect experience and involvement of senior agency people.
11. Proposed creative concepts have following qualities...
12. Clearly on strategy
13. Stopping power – a big idea
14. Relevance and realism
15. Simplicity
16. A distinctive and appealing personality
17. Communications and media plans emphasize achievement of objectives.
18. Alternatives analyzed in light of both quantitative and qualitative factors.
19. Develop new ways of doing things.
20. High standard of accuracy, thoroughness and consistency.
21. Work completed on time.
22. Work completed within budget.
23. Careful custodians of client budgets.
24. Follows projects through necessary involvement of client staff groups.
25. Accurate and timely communication – contact reports, financial/budget updates.

### **FACTORS CONTRIBUTING TO EFFECTIVE CLIENT AGENCY RELATIONSHIP**

1. **Not to Advertise for Immediate Competitive Unit:**For better relationship in the long run, agency should not accept business from immediate competing rivals of clients. In turn, the clients too are expected not to engage a second agency for handling part of advertising activities without the consent of first agency.

2. **Prompt Payment:** The client should pay the agency bills promptly, so that agency can make timely payment to media- owners and suppliers of advertisement material, professionals etc. The client should not expect agency to finance their advertising programme. So client should pay bills of agency as well in time.
3. **Passing Down Cash Discounts to Clients :** If media gives any cash-discount for making payment within stipulated time then such discount should be passed down to client , provide the client pays the agency bills by due date.
4. **Not to Blame Agency for Media-Lapses:** The client should not blame agency for media-lapses related to ad-positioning. Here ad-scheduling refers to the time and date of issuing advertisement and Ad-positioning refers to the place in print media where ad is given
5. **Good Services:** The advertising agency must provide good advertising and marketing services to its client. If ad-agency provides efficient services, at economic rates, at appropriate time, then it will help to improve agency-client relationship in the long run.
6. **Written Agreement:** All the terms and conditions between agency and client should be in writing so as to avoid any dispute in future. These terms can be with regard to fees, percentage of service charges, passing down of cash-discount received from media, due-date for paying the bills, time to be taken for developing and preparing advertisement etc.
7. **Frequent Contacts between Agency and Client:** For maintaining smooth agency client relation, both the parties should interact with each other frequently. This will enable both the parties to understand the problem of each other and to develop understanding between advertiser and agency on various advertising decisions. Advertiser should review the agency's working regarding its advertising regularly and systematically, rather than criticising it at the end. Regular review and evaluation by client will lead to right course of action at right time. It will improve the coordination between top-executives of client and agency, and promote trust and confidence in each other.

## **SOURCES OF INCOME FOR THE ADVERTISING AGENCY**

### **Commissions from Media:**

The traditional method of compensating agencies is through a commission system, where the agency receives a specified commission (usually 15 percent) from the media on any advertising time or space it purchase for its clients.

### **The commission system had many advantage, including:**

1. Traditional and well understood.

2. Simple and easy to operate.
3. In spite of its conceptual imperfections it worked well in most cases

### **1. Fee Arrangement**

Under the fee structure, the client and the ad agency negotiate a flat sum to be paid to the agency for all work done. The agency estimates the cost (including out of pocket expenses) of servicing the client who either accepts or negotiates for a lesser amount. Negotiations continue until an agreement is reached.

There are two basic types of fee arrangement systems. In the straight or fixed-fee method, the agency charges a basic monthly for all of its services and credits to the client and any media commissions earned. Agency and client agree on the specific work to be done and the amount the agency will pay for it.

### **2. Cost plus agreement**

The cost-plus system is generally used when the media billings are relatively low and a great deal of agency service is required by the client. This happens most often with industrial products, new product introductions etc. that require disproportionate amount of agency help in preparing brochures, catalogues and other non- commissionable marketing activities.

Under a cost-plus system, the client agrees to pay the agency a fee based on the costs of its work plus some agreed-on profit margin (Often a percentage of total costs). This system requires that the agency keep detailed records of the costs it incurs in working on the clients account . Direct costs

(personnel time and out-of-pocket expenses) plus an allocation for overhead and a markup for profits determine the amount the agency bills.

### **3. Incentive-Based Compensation**

Many clients these days are demanding more accountability from their agencies and tying agency compensation to performance through some type of incentive-based system. While there are many variations, the basic idea is that the agency's ultimate compensation level will depend on how well it meets predetermined performance goals.

These goals often include objective measures such as sales or market share as well as more subjective measures such as evaluations of the quality of the agency's creative work. Companies using incentive-based systems determine agency compensation through media commissions, fees, bonuses, or some combination of these methods

#### 4. Percentage charges

Another way to compensate an agency is by adding a markup of percentage charges to various services the agency purchases from outside providers. These may include market research, artwork, printing, photography, and other services or material. Markups usually range from 17.65 to 20 percent and are added to the clients overall bill. Since suppliers of these services do not allow the agency a commission, percentage charges cover administrative costs while allowing a reasonable profit for the agency's efforts.

#### REASONS OF CLIENT TURNOVER

Client turnover means clients changing their ad-agencies. A client does not approach an agency only because it produces creative stuff or it has media strength. The Client's turnover situation arises even when a thorough selection process has been used, and the various guidelines for liaison and coordination with the agency have been followed in the right spirit.

Following are the reasons for client leaving the exiting ad-agencies:

1. **Poor Quality of Services:** If the client becomes dissatisfied with the quality of advertising or marketing services provided by the agency, then it may leave the existing agency and look for another agency which provides better services.
2. **Frequent Personnel Changes in Staff:** Clients sometimes switches over to new agencies when the creative team of exiting agency or key employees of exiting agency moves out to another agency.
3. **Lack of Coordination:** sometimes, the company key officials and the agency personnel find it very difficult to have the working report warranting a kind of compromise or give and take. If both the parties are adamant on their issues, the relations break down for the worst and the best of their interests.
4. **Dearth of Confidence:** When the client loses the confidence of his agency in the delicate area, of say, competence, fairness in dealings, treatment and the like, causing tearing away of the relations.
5. **Change for the sake of change:** When change becomes the essence of life. Man goes on changing simply for the sake of change. According to such clients, change result better results. It may not always be the case.
6. **Non-availability of services:** If the present agency cannot render the services required by the client, there is no escape from joining another that extends these much desired services.

7. **Personal Conflict:** Sometimes client and agency perceive the ad-campaign in a drastically different manner. Persons working as top executives of client and agency may have conflict regarding any decision of advertising campaign like copy writing, copy designing, selection of models, selection of media, media scheduling etc. it **may result in client leaving agency.**

## **ECONOMIC ROLE OF ADVERTISING**

### **1. Value of Products**

The advertised products are not always the best products in the market. There are some unadvertised products also present which are good enough. But advertising helps increase value for the products by showing the positive image of the product which in turn helps convincing customers to buy it. Advertising educates consumers about the uses of the products hence increasing its value in minds of the consumers. For e.g. mobile phones were first considered as necessity but nowadays the cell phones come with number of features which makes them mode of convenience for consumers.

### **2. Effect on Prices:**

Some advertised products do cost more than unadvertised products but the vice versa is also true. But if there is more competition in the market for those products, the prices have to come down, for e.g., canned juices from various brands. Thus some professional like chartered accountants and doctors are not allowed to advertise. But some products do not advertise much, and they don't need much of it and even their prices are high but they are still the leaders in market as they have their brand name. e.g., Porsche cars

### **3. Effect on consumer demand and choices:**

Even if the product is heavily advertised, it does not mean that the demand or say consumption rates will also increase. The product has to be different with better quality, and more variety than others. For E.g., Kellogg's cornflakes have variety of flavors with different ranges to offer for different age groups and now also for people who want to loose weight thus giving consumers different choices to select from.

### **4. Effect on business cycle:**

Advertising no doubt helps in employing more number of people. It increases the pay rolls of people working in this field. It helps collecting more revenues for sellers which they use for betterment of product and services. But there are some bad effects of advertisements on

business cycle also. Sometimes, consumer may find the foreign product better than going for the national brand. This will definitely effect the production which may in turn affect the GDP of the country. The economic aspects are supported by the Abundance Principle which says producing more products and services than the consumption rate which helps firstly keeping consumers informed about the options they have and secondly helps sellers for playing in healthy and competitive atmosphere with their self interest.

## **SOCIAL ROLE OF ADVERTISING:**

### **Subliminal Advertising:**

Capturing the Minds of the consumers is the main intention of these ads. The ads are made in such a way that the consumers don't even realizes that the ad has made an impact on their minds and this results in buying the product which they don't even need. But -All ads don't impress all consumers at all times, because majority of consumers buy products on basis of the price and needs.

### **Effect on Our Value System:**

The advertisers use puffing tactics, endorsements from celebrities, and play emotionally, which makes ads so powerful that the consumers like helpless preys buy those products.

These ads make poor people buy products which they can't afford, people picking up bad habits like smoking and drinking, and buy products just because their favorite actor endorsed that product. This affects in increased the cost of whole society and loss of values of our own selves.

### **Offensiveness:**

Some ads are so offensive that they are not acceptable by the buyers. For example, the ads of denim jeans showed girls wearing very less clothes and making a sex appeal. These kinds of ads are irrelevant to the actual product. But then there is some ads which are educative also and now accepted by people. Earlier ads giving information about birth control pills was considered offensive but now the same ads are considered educative and important.

## **AGENCY SELECTION CRITERION**

Following are some points to be taken in account while selecting the advertising agency:

1. Suitability : The advertising agency which suits the requirement of manufacturer or trader is selected depending upon the type of advertisement, location of agency, credit policies, etc.

2. Location :Normally, an agency which is located near the advertisers place is selected. This helps in approaching the agency. Secondly, the size of agency in terms of personnel, projects, and services provided is considered. Thirdly, the connections and relations with the various media. Fourthly, the policies like conservative policy, outgoing policies etc. are taken into account. Finally, the advertising also considers whether the agency has competitors account or not.
3. Facilities and Services Provided : Some agencies have modern facilities of photography, type setting, printing, filming etc. The agencies which provide maximum services with minimum costing preferred.
4. Imagination : Imaginations and creative skills of the personnel of agency is duly considered. Creativity in photography, layout, copy writing, media etc. creates an identity and unique for the products and services of the advertiser.
5. Past Record : Past records of the agency in terms of number of clients, effectiveness, credit reputation etc. helps in selecting the agency. The advertiser enquires about the agency's timeliness, punctuality, past record helps to show whether the agency is reliable or not.
6. Reputation : The reputation of the advertising agency helps in selection. The popularity of the agency depends upon timeliness, successful presentation, good relations, prompt services etc.
7. Management : Proper selection of advertising agency depends on the ownership and management and their policies. Their policies may be either conservative or dynamic which influence the selection.
8. Rates Charged : The advertiser considers the rates charged by the agency. Normally, the rates depend on reputation, facilities provided techniques adopted etc. Therefore, an advertiser will select such agency which will provide facility according to his requirement and which suits its budget.
9. Size of the Agency : The size of the advertising agency must be considered. The larger the size, the more it is preferred, however, at times, small is beautiful because a small agency may give more attention to its client's work.

### **AGENCY ACCREDITATION**

The principle of accreditation by the Indian Newspaper Society, Doordarshan and All India Radio, ensures professional status to ad. Agencies. Accredited agencies enjoy credit from the media owners. They pass this benefit to their clients who also enjoy credit facilities. Moreover

such agencies have to follow the code of ethics laid down by the media owners. This ensures that the client gets a minimum standard of the Ad Campaign.

- The granting of accreditation to an agency means that the agency has fulfilled the following criteria:
- The agency has fulfilled the minimum business limits with Doordarshan / AIR and the Indian Newspapers Society.
- The agency has proved its creditworthiness during the period of its provisional accreditation status.
- The agency has adhered to the rules of accreditation as specified by the media.

### **STARTING AN ADVERTISING AGENCY**

Starting an advertising agency can be done with a modest investment and may be run out of a home office. Ad agencies make money in a number of ways, and you must first decide what type of agency you wish to operate. Traditional advertising agencies create slogans and advertising

copy to be used in print, billboard, radio, web and television ads in return for development fees and expenses. More specialized ad agencies deal strictly with web advertising. They may still create the ad copy, but are specialists in search engine optimization and keyword search tactics to get ads noticed and generate per-click income.

### **REQUIREMENTS FOR AN AD- AGENCY**

- ☐ Local business permit, state tax certificate and federal tax identification number
- ☐ Office with computer, printer, phone, fax, furniture and supplies
- ☐ Digital camera, photo scanner, graphic arts design program (optional)
- ☐ Marketing materials: cards, brochures, stationery, website

### **STEPS TO START AN AD –AGENCY**

**Step 1:** Decide what type of advertising agency you wish to run, and list the services you will offer. Larger agencies may offer a number of services, while smaller agencies may specialize in internet, print media, radio, television, signage or other visual advertising media.

**Step 2:** Obtain a local business permit from your town hall, state tax certificate from your state's business regulatory office and federal tax identification number from the Internal



Revenue Service. There are no special licenses to operate an advertising agency.

Related Reading: How to Start a Boutique Agency

**Step 3:** Set up your office with computer, printer, phone, fax, furniture and supplies. Your office may be run from your home, but ensure that it is away from household noise and other distractions. A dedicated phone and fax line is recommended for professionalism, and you will require reliable high-speed Internet service.

**Step 4:** Purchase a digital camera, photo scanner and graphic arts design program such as the ad and printing industry standard, Adobe Creative Suite (optional). You may choose to outsource your design work, but will have to pay design fees.

**Step 5:** Purchase business cards, stationery, brochures and other printed marketing materials from your local printer. Endeavor to buy locally to establish business relationships in your town. If you wish to have a website, purchase a domain and hosting package, and publish your site.

**Step 6:** Create a list of local and regional businesses who may be interested in your services. Maintain the list on a spreadsheet or database program for reference and marketing purposes.

**Step 7:** Contact newspapers, magazines, television stations and other advertising media offices to request rate sheets. These sheets list the type and costs of advertising with their company. Most offer an average 10 percent discount off ad rates for agencies, but always inquire to be certain.

**Step 8:** Create and execute a marketing campaign to the companies on your prospect list. Your campaign may use elements of direct mail of marketing materials, emails and phone calls.

**Step 9:** Join local business organizations to network with other business owners and get your name out there. In the advertising business, relationships, visibility and creativity are the keys to getting your first account.

## **CRITICISM/ PROBLEMS FACED BY AD AGENCIES**

It is not an unmixed blessing. It has been criticized on the following grounds.

1. **Increased Price of The Product:** Advertising increases the cost of the product as the expenses on it form the part of the total cost of the product. The increased prices are borne by the consumers. But it cannot be denied that advertising leads to large scale production which considerably reduces the total and per unit cost of production. The consumer may pay less

rather than higher.

2. **Multiplication of Needs:** Advertising creates artificial demand for the product and induces people to buy those products which are not needed by them. On account of its repetition, it allures and creates a desire in the minds of the people to possess an article not required by them.
3. **Deceptive:** Sometimes advertising is used as an instrument of cheating. In order to impress upon the people false statements are given with regard to different virtues of a product. Fraudulent means and deceptive practice are resorted to by various traders in order to sell their products. All these things adversely affect the public confidence in the advertising.
4. **It leads to Monopoly:** Advertising sometimes leads to monopoly in a particular brand of a product. By investing large sums in advertising of his brand, a big producer eliminates small producers of the same product from the market and creates brand monopoly. This leads to exploitation of consumer
5. **Harmful For the Society:** Sometimes advertisements are un-ethical and objectionable. Most often, these carry indecent language and virtually nude photographs in order to attract the customers. This adversely affects the social values.
6. **Wastage of Precious National Resources:**

A serious drawback levied against the advertisement is that it destroys the utility of certain products before their normal life. The latest and improved model of a product leads to the elimination of old ones. For instance, in the U.S.A., people like to possess the latest models of cars and discarding the old ones which are still in useable conditions. This leads to wastage of national resources.



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## **SCHOOL OF MANAGEMENT STUDIES**

### **UNIT 2 – ADVERTISING MANAGEMENT AND SALES PROMOTION SBAA7010**

## UNIT 2 –Advertising Copy Development and Media Management

**Advertising copy- Definition, Objectives, Characteristics, content, types, process, advantages, themes &appeals. Structure and functions of an advertising dept., Advertising as a communication mix- Developing USP,Advertising Media –Definition , importance, characteristics, Classification, Advantages and disadvantages, Problems, Media ethics-Business &legal aspects of media management.**

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### ADVERTISING COPY

#### Meaning:

A “Copy” means a written matter in any advertisement. It may consist only one word or many words. A copy consists of headlines, subheads, captions etc. The copy supports the illustration and contains description of the products merits, demerits, uses, services etc. A copy is the heart of an advertisement. It shoulders the responsibility for influencing the buyers.

#### Characteristics of a good copy:

1. **Brevity:** A copy should be brief because readers have no time to go through the lengthy text and they must be able to, read within a short time. So a copy should use simple language and small and easy words. The message should be concise and precise.
2. **Clarity:** A copy should be self-explanatory. The message to be delivered must be clear at first reading.
3. **Aptness:** The message should be pointed towards the prospects. It must have a tone agreeable to the respects. The viewers’ attention should be led to the product and the message should be coached in such a way that it would create interest in the readers to read the message.
4. **Interesting:** A copy should be interesting-provoking. It must stimulate the readers’ curiosity to read the message. The reader should himself decide to read „the message in detail.
5. **Sincerity:** Sincerity can be achieved by using facts and quoting figures.
6. Vague generalizations or stray opinions must be avoided. Sincerity can be achieved if the copy contains one or two illustrations so that the message will have an instantaneous

appeal.

7. **Personal** : The message should be directly addressed to the readers so that every reader forms the opinion that it is directed to him only. This kind of direct personal attitude catches and retains the reader's or listener's attention.
8. **Convincing** : A copy provides information with a view to create in the mind of a reader first a desire and then a conviction to possess the product. This means that the copy should be persuasive enough to lead the readers towards buying the product.

## **BASIS OF COPYWRITING**

### **Contents of an ad-copy**

- Headline
- gains attention
- communicates the selling point
- Subhead
- includes important information not included in the headline
- stimulates more reading
- Call to action or close
- Logo and/or Tagline

### **Types of headlines**

- News
- Self-interest or target specific
- Claim
- Directive or command
- Offer advice
- Hornblowing
- Slogan, label, or logo
- Curiosity or provocative

### **Tips on copywriting**

- Length determined by familiarity
- Brief
- Memorable
- Avoid generalities
- Use facts, not claims
- Copy must flow from the headline
- Focus on a single benefit
- Use present tense
- Active verbs
- Familiar words or phrases
- Involve the reader
- Provide support
- Avoid puffery or clichés

### **Choose an Approach**

- How do advertisers decide?
- inform, persuade or entertain
- Elements to Consider:
  - Tone
  - Style
  - Appeal

### **Copywriting Formats**

- Dialogue delivers selling points through characters
- Straight-line = straightforward why
- Testimonial = person has a one-sided conversation
- Narrative = series of statements-dull
- Direct response = urgency

## ELEMENTS OF COPY

A copy normally includes the following elements or parts :

1. **Main Headline :** A headline in advertising grabs the attention much like a newspaper's headline. An advertising headline is designed to be the first copy the potential customer reads. Bold, large font size and various colors are some of the methods used to make the headline stand out from copy. A headline must be written well in order to be effective and draw the reader into the ad. Headlines is the starting or the top line of an advertisement, usually printed in bold and of larger type size. The prime function of the headline is to gain immediate attention.
2. **Sub-Headlines :** At times, some ads have more than one headline. Of these, one is usually the main headline, and the others are sub-headlines. There may be overlines - that precede the main headline and there can underlines - that follow the main headline. The sub headlines are used to support or to complete the meaning of the main headline.
3. **Body Copy :** It refers to the text of the advertising message. Favourable information about the product and its features is provided in the copy text. It is through effective copy writing the audience can be converted into prospects and the prospects into customers.
4. **Captions :** Captions do form part of copy text. Captions are small sentences that seem to come out the mouth of the people shown in the ads. Comic strip type of copy make use of captions. For example, you must have come across such captions in the print ads of Tortoise Mosquito Coil.
5. **Slogans :** Advertising slogans are short, often memorable phrases used in advertising campaigns. They are claimed to be the most effective means of drawing attention to one or more aspects of a product. Most ads do make use of slogan. It is a small catchy phrase used to sum up the advertising message. Ideally the slogan should be short, preferably 3 to 6 words. Many a times the slogan says it all. For instance,, "The best tobacco money can buy" Rothmans.
6. **Logo :** Logos or signature cuts are special designs of the advertiser or its products which are used to facilitate identification. There is no rule as to where a logo should be placed. However, in most of the cases, the logo is placed at bottom right.

## **ADVERTISING APPEAL**

An advertising appeal is a statement designed to motivate a person to act. The appeals which the advertiser makes usually focus the buying motives of the consumers. Pleasing total quality of a radio becomes basis to motivate the music and the vitamin contents of a drug form an appeal to motivate public and listen to people to preserve their health. However, numerous appeals may be made for any product .

### **Essentials of a Good Advertising Appeal :**

The following are the essentials of a good advertising appeal :

- **It must be Communicative :** An advertising appeal must successfully tell what it wishes to convey. As far as possible, the message must be communicated in a simple language.
- **It must have a Good Theme :** A good theme means there must be something which has to be told to the prospects. Only meaningful words become effective in conveying the story.
- **It must be Distinctive :** An advertising appeal must be distinctive. It should present a product in a distinctive way. If it is a new product, then „new“ alone makes it distinctive.
- **It must be Interesting :** A good advertising appeal must be interesting. An advertisement must provide interest to the readers or the listeners or viewers and this can be done by telling the story of an advertisement in an interesting manner
- **It must be Believable :** The theme of an effective advertising appeal must be believable. The message which is doubted can never be effective. Only facts are presented in an interesting manner.
- **It must be Complete :** An advertising appeal should be complete and must not be superfluous. Such information which is likely to confuse the prospects in making buying decision should be avoided.

## **THEMES OF ADVERTISING**

Several themes have been designed to appeal to the foregoing instincts. A theme of advertising is a central idea intended to trigger desired action from customers. It is the heart



of advertising copy. Some of the popular themes used in the advertisements of different products are given below.

- **Prestige :** This theme of advertising is used to advertise luxury articles like motorcars, refrigerator, jewellery, videos, etc. The possession of such items provides a distinctive status and a sense of pride to their holders.
- **Comfort :** This theme of advertising is used in the advertisements of air conditioners, fans and other household appliances which help to make life comfortable.
- **Economy :** This is a common theme in clearance sale and bargain offers. This theme of advertising is generally used to sale products of low value.
- **Health :** Drugs and food products are often advertised with this theme, e.g., 'For energy and vigor use i.e-Horlicks.'
- **Beauty:** Often used in the theme of advertising cosmetics, toilet soaps and perfumes, this instinct appeals particularly to young men and women. For instance 'Use Pears soap to keep the school girl complexion'.
- **Parental Affection:** This theme of advertising is used to advertise products meant for children,e.g. toys, baby foods, baby dresses, tricycles, etc.
- **Fear:** Fear of death, accident, personal loss through fire, burglary, etc., is used in the advertisements of insurance, safety vaults, etc. The traffic police also make use of this theme to caution people, e.g., 'Keep off the road; shun the anguish of anaccident'.
- **Achievement:** Giant concerns use this theme in their advertisements by emphasizing their contribution to the national economy, e.g., 'H.M.T Time keepers to the Nation'. There is a desire to imitate or emulate distinguished people, e.g., 'successful men all over the world us
- **Patriotism:** Native firms use this instinct to induce people to buy their products in place of imported products.
- **Curiosity:** Human mind is basically inquisitive and variety is the species of life. The eagerness for new things is so strong that this theme can be used through advertisement of new designs, styles, package, et

## Types of Appeals

The following are the appeals widely used in advertising:

1. **Emotional Appeals :** Emotional appeals are used in advertising the consumer product. They are used for inducing initial interests and arousing interest in the advertised product. Goods like toys for children and baby food are sold on emotional appeals.
2. **Intellectual Appeals :** These appeals are free from emotional touch and are based on intelligence. Intellectual appeal are used for selling high priced industrial goods. They are based on rational thinking. Emotional appeals work fast to create interest and desire but it is intellectual appeal of the Bombay Dyeing advertisement where a young and beautiful girl is shown wearing eye- catching prints. The picture of the girl and prints provide emotional appeal but the headline „icy summer prints“ provide and atmosphere of coolness and appeals to the intellect.
3. **Human Instincts Appeal :** Human beings are guided by such instincts as: self-preservation, parental care, food, clothing, curiosity and so on. When a copy makes proper appeal to the appropriate instinct, it will create a desire in the minds of the reader to buy the article. For an appeal to the self-preservation instinct health, food, woolen clothes and physical fitness courses are appropriate articles. Baby food can be sold more easily by making an appeal to the parental instinct and the natural affection of the parents for their children.
4. **Physical Sense Appeal:** Appeals to physical senses evoke greater response. For example, food and beverage products are sold by inciting taste appeal. During summer,
5. cold drinks can be effectively advertised with pictures of cool, refreshing summer drinks but during winter this advertisement would be a misfit if appeal is made to the sense of taste alone, a more viable approach would be to appeal to the instinct of self- preservation.
6. **Positive Appeal:** Appeals that follow positive approach are called positive appeal. They create situations under which prospects are likely to attain happiness and peace of mind with the possession of advertised goods. With a view to arouse product interest, the following positive emotional appeals are used e.g., appeals to comfort, healthy, living, family affection, pleasure, personal appearance, sympathy, love, pride etc. These appeals are

positive because they create awareness under which prospects are likely to attain happiness and the mental satisfaction of possession of materials.

7. **Negative Appeal :** Negative appeals are those which follow negative approach. They normally include feelings like jealousy, anger, pain and fear. These are the unpleasant feelings and no prospect would desire to associate himself with frustration. It would be unwise to assume that negative appeals are ineffective. Sometimes they work very fast. We shall present a few negative appeals from illustrative advertisements. For example, Motwane Manufacturing Co., in its advertisement for Motwane Digital Millimeters used the negative appeal which gave striking impact.

#### **Types of Advertisement Copy :**

1. **Scientific Copy :** A Scientific copy is prepared for technical products describing about the features, advantages, uses, contents and all the technical details about it. It is prepared for machineries, computers etc. Scientific copy is directed, towards well versed customers who know about the product. For instance, a medicine may be advertised to appeal to doctors. Thus, it explains the ordinary people in general and professional men in particular about the technicalities of the product.
2. **Descriptive Copy :** It is a non-technical copy presented in such a manner that any layman can easily understand. It does not require a professional expert to analyze the copy. It is just an ordinary, announcement of a new item.
3. **Narrative Copy :** It is in the form of a fictitious story which narrates the uses, advantages, after effect etc., of the product. The story narrated is humorous to make it interesting.
4. **Topical Copy :** This copy establishes a connection between the product and a particular happening e.g., A watch company may advertise that those who were successful in climbing Mount Everest had with them the watches of the company thus proving their excellent quality.
5. **Personality Copy :** This copy takes advantages of the opinion of an important personality. The statements are made by leading personalities like sportsman, film actors, politicians etc. Their statements act as certificates about the superior quality to increase the sales.

6. **Colloquial Copy:** In this type, informal language may be used to convey the message. The terms which are used in daily conversation are in the copy.
7. **Reasoning Copy:** It is one which reasons to the customer as to why he should buy a product. This copy explains to the customer in detail all the particular product must be purchased.
8. **Questioning Copy:** In this type, the text asks one or more questions to readers not for any answer but only for the sake of response to it. For e.g. Do you want a quiet holiday in Summer? (Then stay at Hotel ABC at the XYZ hill station).
9. **Prestige Copy:** In this type, the position and prestige of the customer is emphasized. It creates a favorable atmosphere by changing the position of the customer for the sale of product. Normally luxury items are advertised by such copies.

## **STRUCTURE AND FUNCTIONS OF AN ADVERTISING DEPARTMENT**

**There are Six major departments in an advertising agency**

### **1.Account Services**

The major department in ad agencies is account services or account management. The account service department comprises account executives, account managers, and account directors, and is responsible for liaising with the agency's many clients.

This department is the link between the many departments within the agency and the clients who pay the bills. In the past they were referred to as "the suits," and there have been many battles between the account services department and the creative department. But as most creatives know, a good account services team is essential to a good advertising campaign.. Account service employees work directly with clients and potential clients, soliciting business for the ad agency and determining what clients need and want the agency to do for them. They are also charged with understanding the client's business situation and representing those needs within the agency, so that ads can be brought to bear on the correct problem. Account service employees work directly with clients and potential clients, soliciting business for the ad agency and determining what clients need and want the agency to do for them. They are also charged with understanding the client's business situation and representing those needs within the agency, so that ads can be brought to bear on the correct problem. This department combines research with strategic thinking.

## **2.Account Planning:.**

Often a mix of researchers and account managers, the account planning department provides consumer insights, strategic direction, research, focus groups and assists helps keep advertising campaigns on target and on brand. Chris Cowpe described account planning as "...the discipline that brings the consumer into the process of developing advertising. To be truly effective, advertising must be both distinctive and relevant, and planning helps on both counts."

- i. Account planner / DirectorThe Account Planner is the main planning executive who works in partnership with the client on long-term account planning. He knows what is happening in the market place, the attitude of the consumer towards the client's as well as the competitor's brands. The account planner was originally employed to "represent the consumer" in the advertising i.e., find the best way to pitch the clients products to people by better understanding them, what they want and how to talk to them.In many agencies, there is a dedicated media department and there are also some large and small agencies that exclusively handle media strategy and media buying.
- ii. Account Supervisor: A middle management position: he or she manages the account within a medium term perspective. This includes strategic planning, market analysis, competitive activity analysis, as well as recognizing and capitalizing on business building opportunities.
- iii. Account executives :Account executives represent their ad agency to their clients. They understand sales and advertising problems of the client and address the client's need to the advertising approach. In advertising \_The account' is the client. The business of each client with the agency is referred to as an account. An ad agency handles assignments of a number of clients. The Account Executive motivates guides and coordinates the activities so that deadlines are met and the client's expectations become a reality.

## **1. Creative Department**

This is the engine of any advertising agency. It's the lifeblood of the business because the creative department is responsible for the product. And an ad agency is only as good as the ads the creative department puts out. The roles within the creative department are many and varied, and usually include:

- Copywriters
- Art Directors

- Designers
- Production Artists
- Web Designers
- Associate Creative Directors

#### Creative Director(s)

In many agencies, copywriters and art directors are paired up, working as teams. They will also bring in the talents of other designers and production artists as and when the job requires it. Sometimes, traffic is handled by a position within the creative department, although that is usually part of the production department. Everyone within creative services reports to the Creative Director. It is his or her role to steer the creative product, making sure it is on brand, on brief, and on time.

**Functioning :** The creative department is the people who create the actual ads - form the core of an advertising agency. Modern advertising agencies usually form their copywriters and art directors into creative teams. Creative teams may be permanent partnerships or formed on a project-by-project basis. The art director and copywriter report to a creative director, usually a creative employee with several years of experience. Although copywriters have the word "write" in their job title, and art directors have the word "art", one does not necessarily write the words and the other draw the pictures; they both generate creative ideas to represent the proposition (the advertisement or campaign's key message). Creative frequently work with outside design or production studios to develop and implement their ideas. Creative department consist of two key personnel i.e. art director and copywriters. These positions and ad agency is explained below

**Art Directors:** Art Directors in Advertising aren't necessarily the head of an Art Department although the title may suggest it. They typically work in teams with a copywriter. Together the team works on a concept and design for commercials, print advertisements, and any other advertising medium. The art director is mostly responsible for the visual look and feel of the creative product as well as the concept. The Art Director ensures that the end product has the same look and feel as the original concept.

**Copywriter:** A copywriter is a person who writes text, or copy, for clients. Most copywriters work in advertising or marketing, producing copy that's intended to persuade a reader to buy a product or service or otherwise take action. Copywriting involves providing words, which are read or heard in advertisements. This may include slogans or jingles or detailed text for

catalogues, brochures, leaflets and journals. Copywriting also takes the form of script for television and film commercial advertisement.

#### **4.Finance and Accounts**

Money. At the end of the day, that's what ad agencies want. And it's what their clients want, too. At the center of all the money coming into, and going out of, the agency is the finance and accounts department. This department is responsible for handling payment of salaries, benefits, vendor costs, travel, day-to-day business costs and everything else you'd expect from doing business.

It's been said that approximately 70 percent of an ad agency's income pays salary and benefits to employees. However, this figure varies depending on the size and success of the agency in question.

#### **5.Media Buying**

The Media Department of an advertising agency is responsible for the planning and placement of advertising time and space. It is a function that in recent years has undergone considerable change. The proliferation of media forms and the escalating cost of media time have brought a new focus to the Agency Media Department.

It is the function of the media buying department to procure the advertising time and/or space required for a successful advertising campaign. This includes TV and radio time, outdoor (billboards, posters, guerrilla), magazine and newspaper insertions, internet banners and takeovers, and, well, anywhere else an ad can be placed for a fee. This usually involves close collaboration with the creative department who came up with the initial ideas, as well as the client and the kind of exposure they want. This department is usually steered by a media director.

#### **Functions of the Media Department Media Planning**

The Media Department is responsible for the preparation and the actual presentation of the media plan. This department recommends media and media vehicles that in the agency's opinion best fulfill the client's marketing and advertising objectives. The recommendations are based on a careful assessment of the client's strategic requirements and the subsequent matching against these of the various available media forms. In the process there is great reliance on research and the known strengths and weaknesses of various media.

Media Buying: Once a media plan has been approved by a client, it must then be purchased. The procedures for this vary according to the medium under consideration. In print media, for

example, most purchases are made on the basis of rate cards issued by various newspapers or magazines. In broadcast, however, negotiation is involved. The objective of this negotiation is quite simple - to achieve maximum media efficiencies in obtaining the most for the least, or, in other words, the most audience for the least amount of money.

**Media Estimating:** Every single purchase made by the Media Buyer must be recorded in advance of the actual running of the advertisement. This is to enable the agency to bill the client for monies spent on their behalf and to check the invoices submitted by the media. This document is called an estimate.

#### Marketing Research Department

Marketing research is three things:

- The identification of information needs (i.e. defining the problem)
- The systematic gathering, recording, analyzing and interpreting of data about problems
- relating to the marketing of goods and services (i.e. providing a solution to the problem)
- The analysis and evaluation of action taken on the basis of information (i.e. monitoring and modifying the initial solution).

The single most important reason then for doing marketing research is to guide the marketer in the analysis, planning, implementation and control of marketing and communications programs to satisfy both customer needs and organizational goals. It does this by providing decision-makers with information necessary to choose between alternative courses of action.

## **5. PRINT PRODUCTION DEPARTMENT**

Print Production, more than any other agency department, relies on graphic art technology to help give birth to an ad. If there are to be no complications in the ad's delivery to the printed page, then strict technical rules must be followed. Responsibilities of a Print Production People

- Print production people:
- Meet deadlines. Publications insist on strict deadlines and it's crucial that production pay strict heed to them.
- Use sophisticated technology. To ensure that those deadlines are met, the Production Manager must possess a solid working knowledge of the latest graphic art technology.
- Co-ordinate and manage. The Print Production department's job is to ensure that print



advertising is reproduced correctly whether in colour or in black and white. This means exact attention to detail and it is up to the Production Manager to provide the specifications to suppliers. The advertising process for professional staff and faculty positions involves five basic steps:

1. Writing an Ad
2. Getting Approval for the Text of the Ad
3. Estimating the Cost of the Ad
4. Placing Ads & Posting Announcements
5. Paying for Ads

## **6. Production**

Ideas are just ideas until they're made real. This is the job of the production department. During the creative process the production department will be consulted to talk about the feasibility of certain ideas. Once the ad is sold to the client, the creative and account teams will collaborate with production to get the campaign produced on budget. This can be anything from getting original photography or illustration produced, working with printers, hiring typographers and TV directors, and a myriad of other disciplines needed to get an ad campaign published. Production also works closely with the media department, who will supply the specs and deadlines for the jobs.

## **7. Other Departments That Vary From Agency to Agency**

- While the six departments above are standard for most agencies, some of the larger agencies may break them down into sub-departments, or departments in their own right.

These will often include:

- Human Resources & Facilities
- Research
- Online Development
- I.T.
- Traffic
- Human Resources and Facilities

Most businesses, whether they're related to advertising or not, will have an HR department. This is the department responsible for the nuts and bolts of hiring and firing employees, dealing with state and federal employee laws, monitoring vacation and sick time, and the overall wellbeing of

the staff. They are often rolled in with the facilities department, which is responsible for building maintenance, and keeping everything in the office working, safe, and up to code.

**Research :** Larger agencies will rely heavily on their own research department to provide a wealth of data on current and future clients. This is the department responsible for focus groups and testing, analyzing and interpreting data, and helping the creative and account teams focus on new market trends.

**Online Development :** Once relegated to a designer who knew a bit of coding, this is a fast growing department and deals with everything from website and mobile design, to apps and interactive experiences. This department may have its own creative director that specializes in web and online design, including UX, and will have a staff that could rival the size and strength of the creative department.

**I.T. (Information Technology) :** The I.T. department is no longer just a couple of nerds in a basement (thank you The IT Crowd). It can be a huge department, especially in agencies that have a large creative presence. Most I.T. companies in advertising agencies will specialize more in Mac than PC, as most creative departments run on Apple products.

**Traffic:** In small to mid-sized agencies, traffic is rolled up into the production department. It is the job of traffic to get each and every job through the various stages of account management, creative development, media buying and production in a set timeframe. Traffic will also ensure that work flows through the agency smoothly, preventing jams that may overwhelm creative teams and lead to very long hours, missed deadlines and problematic client relationships.

Traffic keeps the agency's heart beating.

## **UNIQUE SELLING PROPOSITION (USP)**

Unique Selling Proposition (USP) is an offer an advertiser makes to his target customers which is unique in relation to competing offers and promises to deliver a certain distinctive benefit or satisfaction. Unique selling proposition is a creative approach and style which was originated at the Ted Bates Advertising Agency in the early 1940s. Its originator, author and copy-writer was Rosser Reeves. He developed this central idea of Unique Selling Proposition (USP). This concept has been adopted by many agencies all over the world. It is the combination of three words - (i) Unique, (ii) Selling, and

Proposition. In order to make the concept clear, the meaning of these three words is given below

**Unique :** The word unique describes an attribute or feature which the product or brand only possesses or no claim of the attribute or feature is currently being made by any other competing brand.

**Selling :** Selling refers to sales value. The claim whatever it is - must be strong enough, important enough, believable enough to convince consumers that it is absolutely in their interest to purchase the product or brand in question.

**Proposition :** Proposition is a promise made by the advertiser that the product, if purchased, will satisfy the needs of the consumers. The proposition should be strong enough to move the mass millions, i.e., pull in new and old customers to your product or brand.

## **MEDIA PLANNING**

Media planning is an exercise to find the best medium or combination of media that will produce the best overall effect relative to the needs of the advertised brand. Media planning in general should involve optimum benefits in the long run. The media mix, in terms of balance of usage for TV, radio and print media or other types of media vehicles, should be such that the best utility of the advertising budget is obtained, and duplication of audience is avoided as far as possible

Media Planning, in advertising, is a series of decisions involving the delivery of message to the targeted audience. Media Plan, is the plan that details the usage of media in an advertising campaign including costs, running dates, markets, reach, frequency, rationales, and strategies.

### **Steps in Development of Media Plan**

#### **Market Analysis**

Every media plan begins with the market analysis or environmental analysis. Complete review of internal and external factors is required to be done. At this stage media planner try to identify answers of the following questions:

- Who is the target audience?
- What internal and external factors may influence the media plan?
- Where and when to focus the advertising efforts?

The target audience can be classified in terms of age, sex, income, occupation, and other variables. The classification of target audience helps media planner to understand the media consumption habit, and accordingly choose the most appropriate media or media mix.

**Establishing Media Objective :** Media objectives describes what you want the media plan to

accomplish.

There are five key media objectives that an advertiser or media planner has to consider

- reach, frequency, continuity, cost, and weight.

- **Reach** - Reach refers to the number of people that will be exposed to a media vehicle at least once during a given period of time.
- **Frequency** - Frequency refers to the average number of times an individual within target audience is exposed to a media vehicle during a given period of time.
- **Continuity** - It refers to the pattern of advertisements in a media schedule. Continuity alternatives are as follows:
  - **Continuous**: Strategy of running campaign evenly over a period of time.
  - **Pulsing**: Strategy of running campaign steadily over a period of time with intermittent increase in advertising at certain intervals, as during festivals or special occasions like Olympics or World-Cup.
  - **Discontinuous**: Strategy of advertising heavily only at certain intervals, and no advertising in the interim period, as in case of seasonal products.
- **Cost** - It refers to the cost of different media
- **Weight** - Weight refers to total advertising required during a particular period.
- **Determining Media Strategies** : Media strategy is determined considering the following:
  - **Media Mix** - From the wide variety of media vehicles, the advertiser can employ one vehicle or mix suitable vehicles.

### **Target Market**

1. **Scheduling** - It shows the number of advertisements, size of advertisements, and time on which advertisements to appear.
2. **Seasonal Pulse**: Seasonal products like cold creams follow this scheduling.
3. **Steady Pulse**: According to this scheduling one ad is shown over a period of time, say one ad per week or one ad per month.
4. **Periodic Pulse**: A regular pattern is followed in such scheduling, as in case of consumer durable, and non-durable.

5. Erratic Pulse: No regular pattern is followed in such scheduling.
6. Start-up Pulse: Such scheduling is followed during a new campaign or a launch of a new product.
7. Promotional Pulse: It is for short time, only for a promotional period.
8. Reach and frequency
9. Creative Aspects - Creativity in ad campaigns decides the success of the product, but to implement this creativity firm must employ a media that supports such a strategy.
10. Flexibility - An effective media strategy requires a degree of flexibility.
11. Budget Considerations - In determining media strategy cost must be estimated and budget must be considered.
12. Media Selection - It covers two broad decisions - selection of media class, and selection of media vehicle within media class.

## **IMPLEMENTATION OF MEDIA PLAN**

The implementation of media plan requires media buying. Media Buying refers to buying time and space in the selected media. Following are the steps in media buying:

- Collection of information: Media buying requires sufficient information regarding nature of target audience, nature of target market, etc.
- Selection of Media/Media Mix: Considering the collected information and ad- budget, media or media mix is selected which suits the requirements of both - target audience and advertiser.
- Negotiation: Price of media is negotiated to procure media at the lowest possible price.
- Issuing Ad - copy to media: Ad-copy is issued to the media for broadcast or telecast
  - Monitoring performance of Media: Advertiser has to monitor whether the telecast or Broadcast of ad is done properly as decided.
- Payment - Finally, it is the responsibility of advertiser to make payment of media bills on time.
- Evaluation and Follow-up Evaluation is essential to assess the performance of any

activity. Two factors are important in evaluation of media plan:

- How successful were the strategies in achieving media objectives?
- Was the media plan successful in accomplishing advertising objective?
- Successful strategies help build confidence and serve as reference for developing media strategies in future, and failure is thoroughly analysed to avoid mistakes in future.

## **STEPS IN MEDIA PLANNING**

The following are the steps in media planning:

- **Decide Target Market** : It is necessary to decide specific market where planned efforts can be directed.
- **Media Objectives** : Media objectives are often stated in term of reach, frequency, gross rating points and continuity.
- **Reach** :It refers to the number of different persons or household exposed to a particular media schedule at least once during a specific time period.
- **Frequency** : It refers to the number of times within the specified time period that an average person or household is exposed to message.
- **Gross Ratings Points** : It refers to the total weight of a media effort in quantitative terms. GRP's are equal to each multiplied by average frequencies. E.g. 80% of the homes watch
- Chitrahara and they are exposed on average 2.5 times within the 4 week period. The total impact or GRP's =  $80 \times 2.5 = 200$ .
- **Continuity** : It refers to the timing of the media insertions.

## **SELECTION OF MEDIA TYPES**

Every media plan requires that specific media types to be selected. There are a number of advertising media available to the advertiser for advertising the goods etc. These may be grouped under the following heads:

- **Press Advertising Media** - (a) Newspapers and (b) Magazines and Journals.
- **Outdoor or Mural Advertising Media** - (i) Posters, (ii) Advertising Boards, (iii) Sandwich

- Boards, (iv) Electric Display, (v) Vehicular, (vi) Sticker, and (vii) Sky Writing.
- Direct Mail Advertising Media - (i) Circulars, (ii) Price-lists, (iii) Booklets, (iv) Leaflets, and Folders, (v) Business Reply Envelops and Cards, (vi) Gift Novelties, and
- Personal Letters.
- Broadcast Advertising Media - (a) Radio, (b) Television
- Promotional Advertising Media - (i) Window Display, (ii) Show- Room, (iii) Exhibitions and Fairs, (iv) Interior Display, (v) Trade Shows, (vi) Samples, Coupons and Premiums etc.
- Miscellaneous Advertising Media - (a) Cinema and Cinema Slides,
- Speciality Advertising, (c) Purchase Point Advertising, and (d) Video Advertising etc.
- Selecting Specific Media Vehicle : Once a decision is made on media types, specific media vehicles within each medium must be chosen.

## **MEDIA MIX**

Once the media selection is decided upon, the next step is to determine the mix of the media one must use. This will be arrived at by considering the advertising company's marketing objectives, its target market, media characteristics, and its matching with the target market. The overall advertising budget also influences the nature of such mix, in addition to the available audience. For example, to achieve certain advertising objectives, one may require to use a mix of 50% newspaper, 25% magazine and the rest 25% television. However, more than one mix may fulfill the advertising objectives, and yet be within the overall budget cost. But one should aim at balanced mix. Some advertisers prefer to concentrate on one media type mix whereas others like to have a widely varied mix. While the former offers the advertiser an opportunity to make a great impact on a specific market segment, the latter, being an assortment of media, can deliver different messages about the same product in different market segments more effectively.

## **MEDIA BUYING :**

The specialist who is the counter part of the media sales representative is the media buyer.

Most of these specialists work for advertising agencies, although some are retained by advertisers and some work for firms of media specialists who offer media buying services to both advertising agencies and advertisers. Media buying service is likely to be more personal and direct. The media buying specialist helps to decide what media should be used for a product, purchases the media, and controls and evaluates the performance of the media purchased. There is growth of Media Buying Units (MBUs) throughout the world. Advertising Agencies merge and form a group and then set up an independent MBU to buy advertising space. The MBU benefits not only the advertising agencies, and the advertisers because of cost-effective rates, but also the media sellers. The media sellers can negotiate for rates, with one media buying unit on behalf of a group of ad agencies.

- Allocation of Funds : The planner should then decide on the amount of funds that would be allocated to each media type and vehicle.
- Media Scheduling : Media scheduling could be used depending upon the requirements of the advertisers.

## **MEDIA-VEHICLE CHOICE**

After indemnifying the various advertising medias, as available for a company, the subsequent managerial task is to evaluate each media vehicle against certain criterion and then only to decide which of the particular vehicles are suitable for him. For such a decision, he has to evaluate the available media vehicles against certain criterion. The major vehicle evaluation criterion are as follows

1. **Coverage** : It is the most important and powerful criterion for evaluating vehicle media. Coverage refers to the number and spread message outlets provided by the media vehicle. When the media vehicle provides large coverage, the changes of message exposure to customers is also greater. Thus a media vehicle providing larger coverage should be more acceptable. For example, in case of a newspaper, the coverage refers to the circulation of that particular newspaper. But this is not enough. We must also consider other criteria which are as follows.
2. **Consumer Confidence** : It is also an important criteria for evaluating the selection of a vehicle media. Consumer confidence refers to the credibility of media in the mind of target



customers. It is a relevant criterion for evaluating a media vehicle since the credibility of advertising message is positively related to the media vehicle credibility. For example, a recent study in India revealed that newspapers and magazines are considered to be the most credible of all media, scoring high on usefulness and information.

3. **Reach** : Reach as an evaluation criterion refers to the vehicle's access to different homes or individuals over a given period of time. In case of press media, it is indicated by readership which is arrived at by multiplying circulation of the paper with the average number of readers per copy.
4. **Cost** : Cost is also an important criterion against which each media vehicle choice should be evaluated. Cost refers to the money spent on using a particular vehicle media. In order to make a decision, it is suggested that the advertiser should make out an inter-vehicle cost comparison.
5. **Timing** : The last but also equally important criterion for evaluating vehicle media choice is the timing of advertisement. The reasons for the importance of the decision may be two-fold - (i) Seasonability of product sales, and (ii) staggered effects of advertising. The advertiser should, after considering these two elements, decide on the scheduling of advertisements to improve the effectiveness.

## **SIGNIFICANCE OF REACH, FREQUENCY AND CONTINUITY IN MEDIA PLANNING**

Media planning means devising a programme in such a manner as to optimally use the advertising space, the broadcast time, or other advertising media, in exposing an advertiser's message to potential consumers. There are basically three concepts that are generally incorporated in most planning processes:

**Reach** : Advertisers are mainly interested in the percentage of the total market that they can reach their messages through the media in a given area of coverage. Reach refers to the total number of households that will be exposed to a message through a particular media vehicle over a set period of time. This period of time may vary from advertiser to advertiser, but generally, four weeks is considered adequate for calculation purposes. Reach is usually expressed as a percentage of the total number of households in a prescribed area that have been proposed to the advertising message.

For example, if there are a total number of 1000 households and 200 of these have been exposed to the message then the reach is calculated to be one-fifth or 20 per cent.

**Objectives of Greater Reach :** The purpose of reach is optimal exposure. The idea behind the strategy for greater reach is that the advertisement be received by as many people as possible in the first instance. A strategy for greater reach would be desirable under the following circumstances :

- When a new product is introduced the idea is to initially expose the product to as wide an audience as possible, irrespective of whether they immediately remember the product or not.
- When introducing a new use for the product in order to expand its share of the market. If a product is already known but a new aspect of the product needs to be advertised, then greater reach is desirable. For example, if a well established brand of toothpaste adds mouthwash ingredients to it, it would call for greater reach so as to inform a wide audience about this additional feature.
- When seeking to increase the recognition of the company through a campaign or to promote the image of the company. For example, the advertising campaigns for Godrej made the name of the Godrej Company, a household name for quality and variety of product.
- When the creative message is so dramatic that most people will react to it and retain the message after only the first exposure. For example, when a famous film star is promoting a product or when the message is unique, eye-catching, attention getter, then reach becomes more important than the frequency.

**Frequency :** Frequency is the average number of times in a given period that each person has been exposed among the target audience by the brand's advertising. If the message reaches the audience by the brand's advertising. If the message reaches the audience just once, is it enough to influence their buying or should they be exposed to the message more than once in order to reinforce the message? If so, then how many times should a household be exposed to the same message? Thus, frequency refers to the number of exposures to the same message that each household supposedly receives. Since the frequency may differ for different sets of households, an average frequency is calculated by the following formula :

Average frequency =  $\frac{\text{Total exposures for all households}}{\text{Reach}}$ . If the total number of

exposures is 400 and the reach is 50 then the average frequency is 8. This means that the average household is exposed to the same message eight times.

**Objectives of Greater Frequency:** Frequency primarily means repetition of the same message and the objective of greater frequency is to promote interest and desire for the product on a continuous basis instead of a simple awareness.

Even though frequency is achieved at the expense of reach, it is advisable to go for frequency under the following situations:

- When the competitor is using high frequency to reach the same segment of the market. For example, in the case of soap and detergent commercials, a competitor has a distinctive edge, if he continuously reinforces the quality and utility of his product in the customers minds by repeated advertisements. This offensive can only be countered by frequency of advertising rather than reach
- When a reaction is desired within a limited time period. For example, a sale on for just one week would necessitate advertising the same message on the radio or TV repeatedly or in daily newspapers everyday. Continuous repetition of a message that includes the warning „sale ends on Friday “, provides a sense of urgency. Similarly, the message accompanied by „first come, first served“ would excite more immediate sales for a given product.
- When the message is not easy to remember, for example, if the advertising message consists of prolonged explanation of the product“ s features, then the audience should be exposed to the message a number of times so that people become aware of all aspects of the product.
- If the product or brand is not sufficiently differentiated from products and brands of competitor. For example, a distinctive brand of Maruti of Premier can does not necessarily require greater frequency. But a specific brand of soap or toothpaste that does not have any distinguishing characteristics does require greater frequency.

**Continuity :** The message should be relayed continuously to the potential households. A long period of abstinence from advertising (that is, lack of exposure) will jeopardize the advertisement investment of the firm. It is necessary to have a continuous programme of advertising. When customers continue to hear about the product and the company at the time of „need.“ Continuity has

a cumulative effect of advertising on the customer. Continuity refers to the length of time the advertisement runs, or whether it is periodic.

#### TYPES OF MEDIA ADVERTISING

1. Transit Advertising
2. Satellite television.
3. Cable television
4. FM channel.
5. Video advertising.

1. Transit Advertising : Transit advertising also called vehicular advertising. We find advertising in the mainline trains, suburban trains, buses, taxis, auto-rickshaws, etc. Suburban railways in Mumbai have allowed outside compartments of local trains for advertising purpose. BEST buses carry advertising messages in the buses. They generate revenue to the advertiser. Thus advertising in any form through transit media is called transit advertising.
2. Satellite Television : With satellite TV, and plethora of new channels, Indian viewership base is expanding. It is estimated that the viewers would have more than 500 satellite channels by 2010 A.D. The following are the main advantages of satellite television.
  - Global Recognition : Satellite television has provided global recognition to Indian business. It has facilitated global publicity of domestic goods.
  - Global Contacts : Satellite television has brought Indian business community within the functional life of the whole world.
  - Open Door Policy : Satellite television accepts advertisement of products which are banned on doordarshan such as cigarette and liquor.
  - Mass Appeal : Satellite television has become very popular among the masses because of contents and coverage.
  - Prime Time : It was generally believed that television has prime time viewership, but the experience of satellite television has shown that a television channel can broadcast all 24 hours.
  - Variety of Programmes : Satellite television provides a variety of programmes.
  - They include serials, shows, teleplay, children programmes, talk shows, game shows, fashion shows, chat shows etc.

**Limitations :**

There are several problems associated with satellite television.

- The first one is the lack of talent. Since the TV explosion is so recent, the competent people happen to be with the existing houses. This has led to a lot of turnover involving huge spurts in manpower costs.
- The second difficulty is to assess what the consumers want. It is difficult to get a clear picture of the target audience their attitude and likings.
- Another important problem of satellite television is the entry of groups with virtually no synergy with media operations. For examples from the diversified Chennai based NEPC group to the London based hinduja group all are new to the field.

**Cable Television**

Cable Television (CATV) stands for community antenna television and is popularly referred to as cable television. It was introduced to provide good video reception for people who could not otherwise receive signals well. The concept of cable television is also changing. Originally, it paid a copy right charge, picked up net work and independent stations' broadcasts and delivered them to home that were Wired for cable for a subscription fee. As cable systems grew in size and sources they acquired the rights to movies, television reruns, and sporting events which they transmitted to their subscribers. These offerings usually took the form of pay television – subscribers paid a special fee for programmes without commercials.

Advertising expenditure for cables is increasing day by day and the cable TV has opened up various avenues for the advertisers to promote their products. Most of the advertising currently on cable is in the form of spots sold to national advertisers. Cable offers the local advertisers an opportunity to create innovative advertisements. In future cable advertising will be extensively used by regional and national advertisers for promoting their products.

**Limitations :**

The following are the limitations of Cable television:

- C-TV is at its infancy. It has not been developed as an organised activity in India.

- Each new entrant encounters a series of reach restricting filters.
- The ability of the cable operators to receive beams from the particular satellite.
- The willingness of the operator to expand their capacity to actually deliver the service.
- The major problem remains with the TV set itself. More than half of the TVs in metro centres can tune in to only 12 channels.

### **FM broadcasting :**

FM broadcasting is a broadcast technology pioneered

by Edwin Howard Armstrong that uses frequency modulation (FM) to provide high-fidelity sound over broadcast radio. The term "FM band" is effectively shorthand for "frequency band in which FM is used for broadcasting". This term can upset purists because it conflates a modulation scheme with a range of frequencies.

### **Video advertising**

It is now considered as the latest media of advertising. Under this method, video-cassettes ad-films are prepared. Nearly

22 million people around the world watch Indian films on video. India alone has video-audience of about 30 millions which is increasing day by day. There are more than 50,000 video-libraries and about 1 lakh video-parlours/clubs in India. The video-cassettes released in India are also being screened in thousands of luxury buses. Besides the feature film they contain advertisements which are displayed at short intervals.

### **MARKETING THROUGH SOCIAL SITES**

Marketing on social networks require the use of Facebook, MySpace or private label social networks. Social Networks are attractive because consumers are connecting with other consumers and the trust tends to be higher. There is a tremendous amount of buzz from the media for this newest form of marketing. There is lots of folks using social networks.

**The main objectives of marketing campaigns on social networks are as follows:**

1. Meets a business objective: First and foremost, any marketing campaign or activity should match with a business objective, regardless of the tools being used.
2. Supports Community Goals: Every community is different, and each has unique goals (from supporting products, to each other, or to just be entertained) the campaign focus should therefore meet the needs of the community, before the needs of the marketer. Effective campaigns will first understand the core drivers, interests, and rituals of the community and learn how to meet those desires.
3. Member Interaction: The most successful social networking campaigns and efforts involve the audience.
4. Quickly scale: Social networks are designed for information to quickly move from member to member, so campaigns that lean on these capabilities perform the best. These attributes known as Velocity, Virality, and Spread are key.
5. Utilize Media: In some campaigns, the best way to get members to return is to offer them media. Depending on demographics and community needs, this could be audio, videos, or demos
6. Self-expression or communication: Members in social networks like to communicate with each other, or self-express. As a result, campaigns should satisfy these needs with the appropriate tools
7. User satisfying: This encompasses the overall experience of the campaign, the content and navigation items should be where expected, the language familiar to the audience, and overall look and feel of the site appealing.
8. Provide longer term utility: Successful campaigns have a longer term value, rather than a short term 'disposable campaign'. These campaigns add value by being a useful application to the members, rather than just quick dose of entertainment.
9. Enhance Value as Community participants: As more people contribute or interact with the campaign, the value is increased. This can be in the form of content that is created by the community, contests, voting, or games.
10. Integration with other marketing activities: Successful marketing campaigns aren't single channel, in fact they utilize multiple channels and mediums to enhance the overall activity. The same thing applies to marketing campaigns on social networks, those that are promoted from other locations such as (corporate websites, email newsletter, blogs, podcasts)

outside of the social network have a great chance for success.

11. Maintain agility during the campaign: Social networks are living, breathing organisms made up

of real people connecting with each other. Marketing campaigns also should share these attributes and show be flexible to change in-flight, yield to legitimate requests or complaints of the community. Those campaigns that reflect the same dynamic behavior as human interaction have a higher chance to be interacted -and accepted -by the community.

12. Company Participation: In some cases, companies that participate in the discussions or conversations will yield to a more successful marketing campaign. Activities can range from recognition, company interaction, or attention to members perhaps from a community manager. tones, which distinctively sets apart one brand to another. In their websites, they also start advertising by supplying freely downloadable ring tones of popular songs or melodies. They did it either with a very low service charge or absolutely for no charge at all. This leads to an increase in their rating and popularity among the mass.

- Also mass media campaign contributed greatly in terms of content advertising. This form of advertising drew attraction of the mass just within a limited time phase.

- The first known operator to execute brand advertising campaign was none other than AIS in collaboration with Honda, the first international advertiser using the mobile's idle screen to display advertisement.

- The current trend includes the ad-supported content advertising to the phone service model. Almost all renowned network service providers offer their users to experience subsidized service in exchange of viewing a specific amount of advertisements in their mobile phones.

13. The content advertising method is continuously evolving and it incorporates different features including approaches like 'one person per presentation' or 'persons standing near'. In both of the cases the objective is to provide the advertiser multiple views per presentation within a specific demographic area, however, the processes are somehow different.

14. In today's world, we can see that mobile phone has become a potential diamond mine for advertisers through which the advertisers are able to reach to the potential customer following the most personal and intimate way.





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## **SCHOOL OF MANAGEMENT STUDIES**

**UNIT 3 –ADVERTISING MANAGEMENT AND SALES  
PROMOTION - SBAA7010**

## **UNIT 3 -ADVERTISING BUDGETS AND CONTROLLING**

**Advertising budget definition - objectives – approaches to an ad- budget-Factors influencing an Ad-Budget- Determining the size of the budget- Methods of measuring advertising effectiveness- Pre& Post testing techniques, Advantages of measuring advertising effectiveness- Difficulties in measuring advertising effectiveness.**

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### **Advertising Budgets**

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 realised within a given time frame.

It is a statement of proposed advertising expenditure; a guideline for allocating the available funds to the various functions and activities of advertising.

The nature of the advertising budget, advertising appropriation, allocating advertising budget and retail advertising budget are the main decision areas of the advertising budget.

An advertising budget is the money a company is willing to set aside to accomplish its marketing objectives. When creating the advertising budget, a company must weigh the trade-offs between spending one additional advertising dollar with the amount of revenue that dollar will bring in as revenue.

Advertising Budget is the amount of money which can be or has to be spent on advertising of the product to promote it, reach the target consumers and make the sales chart go on the upper side and give reasonable profits to the company.

### **FACTORS TO BE CONSIDERED TO ENSURE THAT THE BUDGET IS IN LINE WITH THEIR PROMOTIONAL AND MARKETING GOALS:**

**Target consumer:** Knowing the consumer and having their demographic profile can help guide advertising spend.

**Type of media that is best for the target consumer:** Mobile or internet advertising—via social media—may be the answer, although traditional media, such as print, television, and radio may be best for a given product, market, or target consumer.

**Right approach for the target consumer:** Depending on the product or service, consider if appealing to the consumer's emotions or intelligence is a suitable strategy.

**Expected profit from each dollar of advertising spending:** This may be the most important question to answer, as well as the most difficult.

## **APPROACHES TO ADVERTISING BUDGET**

### **1. Traditional Approach**

The traditional approach believes that money spent on Advertising is an Expenditure. The traditional approach is that money spent on advertising should be treated as an expenditure and hence should be debited to Profit and Loss Account of the business enterprise at the end of each year. Advertisers treat the cost of advertising like other costs appearing on the debit side of the Trading and Profit and Loss Account in order to earn more profits during a given period. That is why most accountants list the advertising expenditure as a business expense and the revenues authorities do accept this view for income purposes also. They further argue that press, radio and television advertisements have short life span and thus why the money spent on advertisement should not be debited to Profit and Loss Account in the same accounting year. The fruits of the advertisement have already been derived in the form of increase in sales during the concerning accounting year. In their opinion there is no rational reasoning in carrying forward the advertising expenditure onwards for a number of years.

2. Modern Approach - Money Spent on Advertising is an Investment: The modern and the correct approach about the money spent on advertising is that it is an investment because (i) advertising contributes not only the current sales but the future sales also; (ii) Creates image of the product or brand and of the advertiser; (iii) builds goodwill and confirms acceptance for future products also; and (iv) consequently serves as an investment towards future profits also. Joel Dean, a leading business economist, considered advertising as a capital investment rather than a current expenditure. Like other capital assets, the advertising provides larger returns in future also.

## **PROCESS OF ADVERTISING BUDGET**

Advertising budget is prepared by the advertising manager of the company. The advertising budget process includes the following major steps:

### **1. Collection of Data and Preparation of Advertising Budget :**

The starting point of any advertising budget process is the determination of the size of advertising appropriation. The requisite information keeping in view with the products, packaging, target markets, advertising copy, new product introductions, types of consumers, extent of competition along with the competitors' strategy, media selection etc. is gathered. Having decided upon the above variables, the advertising manager takes a decision on the very important issue „ how much to spend“ for advertising. Once the total expenditure is arrived at, the next step is the apportionment of this fund among various advertising units over a period. By advertising unit, we mean a specific advertisement delivered through various media vehicles. The fund allocation has to take into account the market potential within various segments, the time period and the geographical areas over which advertising will be spread in accordance with the overall advertising strategy.

## **2. Presentation and Approval of the Budget :**

After the preparation of advertising budget, the next step in a budget making process, is to present the same before the top management through the chief of the marketing division for necessary approval. In some organizations, there is a separate budget committee, comprising of the representatives of the financial and other functional areas. The budget committee or the top management, as the case may be, will evaluate such proposed expenditure to achieve the targeted sales in a given budgeted period. Since advertising budget is employed to increase sales, the advertising budget must be compatible with the sales goals of the company. Besides increasing sales, it should be adequate enough for the new product to make a successful entry in the chosen segment of the market. After considering all these factors if satisfied, the budget committee or the top management, as the case may be, will finally accord his approval over the budget proposals and thus will return the same to the advertising manager for execution.

## **3. Budget Execution :**

After the approval, the next step in budget making process is the execution of the budget. During the execution of the budget, the advertising manager has to exercise monitoring control so that the funds that have been allocated are spent in accordance to the approval plan and in economical manner. Whenever there are critical changes in the marketing situation, necessitating an adjustment in the advertising support, the necessary modifications should be effected in the advertising budget. That is why, advertising budgets should be flexible and

provision is made for the contingency account to face the critical changes in the marketing environment. The advertising manager should be duly authorized by the budget committee or the top management for making the required modifications etc. as and when required.

#### **4. Control of Budget :**

The fourth and the last step in the budget making process is to have a control over the budget. It is the prime duty of the advertising manager to see whether the actual expenditure coincide with the budgeted expenditure or not. The advertising manager should also see that the amount appropriated for advertising is being used only on the item and activity as expressed in the budget.

#### **5. Determining Advertising Appropriation**

Advertising appropriation is that part of company's budget which is to be spent or, say, invested on media, men and other advertising material so as to impersonally communicate with the target-prospective customers. Determining the appropriation advertising outlay is essential for the development of creative media strategies because in a large measure the tempo and tenor of the advertising campaigns depend on how much is available for spending. However, from the managerial point of view, it is the most difficult work. Cost factor is one of the deciding factors in determining the advertising appropriation. A cost analysis study of different media of advertisement and their effectiveness should be considered while determining the advertising appropriation.

### **FACTORS INFLUENCING AN ADVERTISING BUDGET**

Before finalizing the advertising budget of an organization or a company, one has to take a look on the favorable and unfavorable market conditions which will have an impact on the advertising budget. The market conditions to watch out for are as follows:

#### **1. Frequency of the Advertisement**

This means the number of times advertise has been shown with the description of the product or service, in the granted time slots. So here, if any company needs more advertising frequency for its product, then the company will have to increase its advertising budget.

#### **2. Competition and Clutter**

The companies may have many competitors for its product. And also there are plenty of advertisements shown which is called clutter. The company has to then increase their advertising budget.

### **3. Market Share**

To get a good market share in comparison to their competitors, the company should have a better product in terms of quality, uniqueness, demand and catchy advertisements with resultant response of the customers. All this is possible if the advertisement budget is high.

### **4. Product Life Cycle Stage**

If the company is a newcomer or if the product is on its introduction stage, then the company has to keep the budget high to make place in the market with the existing players and to have frequent advertisements. As the time goes on and product becomes older, the advertising budget can come down as then the product doesn't need frequent advertising. When the market conditions are studied thoroughly, then the company has to set up its advertising budget accordingly. For setting advertising budget, there are four methods:

### **5. Corporate objectives:**

Using the objective task method, linkage between advertising expenditure and corporate objective will be established. The advertising expenditure varies depending upon corporate philosophy and priorities. For example in India, we find that public sector corporations such as BEST or the Mahanagar Telephone Nigam Ltd spend less on advertising than private sector companies such as Reliance Industries or Tata Industries.

### **6. The product Life Cycle:**

This has a very important influence on the ad budget and companies use the brand history method for deciding how to spend on the product.

### **7. The budgeting period:**

Usually companies have a yearly budget but some may prepare long term budget that match the long-term objectives.

### **8. The competitors strategies:**

Product categories, which have stiff competition, witness a greater expenditure on advertising. For example, in India television manufacturers spend more than

the manufacturer of ear buds.(manufactured mainly by Johnson & Johnson ).  
When competitors increase their advertising expenditure others are forced to follow them.

#### **9. Affordability:**

While the affordability level depends upon the advertisers priorities ceilings on how much to spend is fixed by the advertisers in order to avoid overspending.

#### **10. Crisis management:**

Even the best-laid plans can be affected by the changes in the marketplace. Advertisers have to keep aside contingency funds that can be used to tackle unexpected market challenges.

#### **11. The type of product:**

Consumer products need more advertising than industrial products. Among consumer products shopping items such as toothpaste, shampoo and soaps need to be advertised consistently in order to maintain their brand position. Such products will have a higher budget appropriation.

#### **12. Importance of middlemen:**

In product categories where middlemen or retailers have to push the product, manufacturers may prefer to spend more on dealer commission than advertising. For example Sumeet washing machines and kitchen mixers and food processors are not advertised heavily. This is because the brand name Sumeet is familiar to consumers who have accepted the product image of quality and after sales service. The company prefers to use retailers to push the brand. In most common durables such as televisions, VCRs, microwave ovens and so on, the influence of retailers is very strong. Unlike impulse purchase products such as chewing gums, chocolate and ice cream, which therefore use more of advertising.

#### **13. Scope of the market:**

If the advertiser wants to approach the national market his budget has to be much more than that required for local or regional market.

#### **14. The quality of the campaign:**

When the advertising campaign is striking and is unusually creative, it is immediately noticed by consumers. In this case the advertisers need not spend on buying media, time and

space. To compensate on poor quality campaign an advertiser may have to spend more on media, in order to enjoy the same degree of visibility. For example the Cherry Blossom ad, which used a Charlie Chaplin

### **TYPES OF ADVERTISING BUDGETS ARE:**

The process of budgeting is a decision making process that divides the total appropriation under different expenses heads. For example if the total advertising budget for launching a new product is rupees two-three crores, then deciding that 1.5crores will be spent on the national media, is a budgeting decision.

The various methods, which are used, for setting advertising budgets are:

1. Percentage of sales method
2. Unit of sales method
3. Task and objective method
4. The competitive parity method
5. Brand history method
6. All you can afford method
7. The break even method
8. The quantitative method
9. Share of voice method

Each of these methods has certain advantages and disadvantages. In reality, a combination of these methods **will be used**.

#### **1. Percentage of Sales Method:**

The percentage of sales method is the most widely used widely used method of setting the appropriation, althou it has been criticized by many. The percentage is based on the past years' sales or on estimated sales for the coming year or on some combination of these two. This is simplest method, as it requires little decision making. Many companies in India use this method to arrive at a tentative budget appropriation. But this method suffers from a basic drawback in that it does not take into account any specific need of the market situation. Moreover, when past sales are used to arrive at the current year's budget, the figure may have more histo historical value rather than current utility. Advertising leads



to sales and the amount of advertising expenditure depends upon the sales target and therefore, when the percentage of future sales is used the estimates are more realistic. In conclusion one can say that this method is not appropriate as market situations change rapidly and past sales alone are not an effective indicator of the company's communication needs.

## **2. Unit of Sales Method:**

The unit sales method also relates the advertising expenditure of sales. In this approach, a percentage of the price of each unit of the item sold is allocated to advertising. Thus a soap manufacturer might budget that a cake of soap costing Rs.6/- will have Rs.1.50 as the advertising expenditure. Thus, if the manufacturer sells one lakh units, his expenditure on that brand will be Rs. 1.5 lakh. This approach is useful as it links the price of a brand with its advertising expenditure. This approach is simple to plan and execute. However, it does not lead to efficient marketing since past sales determine how much a firm should spend on advertising, when in fact advertising is a tool to create sales and expand markets. This also assumes that the advertiser is satisfied with the current rate of growth in sales. This is rarely so, as every advertiser aims at improving the rate of growth.

In an extreme situation if sales go down, a firm following this method will also reduce advertising expenditure. This will be disastrous for the company as it may lose its market rapidly to competitors. In conclusion the unit of sales and percentage of sales method are not suitable to a dynamic market situation. However they are useful guides to give direction to planners who use them as a basis for deciding the ad budget, in combination with other methods.

## **3. Task Objective Method:**

This method is gaining more popularity because it provides a more logical basis for deciding advertising appropriation. The objective task method concentrates on the marketing/advertising objectives that are pre-decided and ask these

questions: what is the role of advertising in obtaining these objectives? How much should we spend to achieve these objectives?

Thus under this method a company launching a new product will decide to spend more money as it has to create immediate awareness amongst consumers.(for example Ranbaxy will spend more on its new product Olesan). For an existing well know brand, the company may spend less on advertising (for example Ranbaxy will spend less to advertise its product Garlic Pearls.) As it is obvious in the above example, the objective task approach directs the efforts of manufactures to think through the objective while setting the budget.

There is one problem involved in the use of this method of setting the appropriation and that is: how does one determine just how much advertising and what type of advertising will achieve the stated objectives. The present methods of research do not give a direct link between advertising expenditures and achievement of the objectives. Until more sophisticated methods are developed managers will have to face this problem of uncertainty while deciding the optimum budget.

#### **4. The Competitive Parity Method:**

This is the most controversial method and few executives admit that they use it while preparing the budget. In this approach an advertiser bases his budget decision primarily on the expenditures of competitors. That is they try to keep pace with their competitor's advertising budgets. This method could be useful in deciding individual brand ad expenditures. It has the advantage of recognizing the importance of competitors and ensure that the competitors do not increase their ad expenditure to a level that affects the advertiser's sales. But the approach has disadvantages. Firstly your objective may be different from that of your competitors. And secondly it assumes that your competitors are spending optimally. It also maintains the present market position rather than bringing any positive change for the company. If you want to overtake your competitors you may have to spend more than them and spend this money more efficiently.

#### **5. Brand History Method:**

Under this method the brand's product life cycle is considered while setting the budget. Thus a brand at the introductory or pioneering stage will use more advertising appropriation than an established brand. Brands that are facing a decline may also use more advertising to add new life into it. For example Close Up, the toothpaste manufactures by Hindustan Lever had a stagnating market share till recently. In 1990 its spent Rs. 3.45 crore on television advertising with its new theme close up: "a mouth wash in tingling red and blue colours". The result was that close up has over taken Promise and is now number two in the toothpaste market behind Colgate.

#### **6. All You Can Afford Method:**

This approach means that the advertising budget will be decided on the basis of whatever money is left after all other fixed and unavoidable expenses have been allocated. This method seems to be illogical and unambitious but conservative management use this method as it is safe and ensure that there is no overspending. New entrepreneurs have no other option but to follow this method when they are short of funds.

#### **7. The Break Even Method:**

The break even or the marginal analysis method attempts to quantify the advertising spending level that will offer an organization the highest additional gross profits. That is the firm continues to spend on the advertising as long as the incremental expenditure are exceeded by the marginal revenue they generate, thus maximizing the gross profits of the firm.

This method has an advantage because it helps in diagnosing any problem, that is when the company is overspending or under spending. But it suffers from the disadvantage of limited research techniques that cannot isolate the effect of advertising on marginal revenues and gross profits. Other activities such as personal selling and sales promotions also influence the revenue earned by a company. Moreover, it assumes that there is an immediate effect of advertising expenditure. This is possible in direct mail advertising. In most other advertising there is a carryover effect that is a potential consumer may be influenced by the ad, in the month of June but may make a purchase in December. Advertising may also attract customers who become loyal Customers for several years. The immediate purchase measures up to only a small part

of the value the firm enjoys from such continuous purchases. This drawback can be overcome by using the experimental method.

#### **8. Experimental Method**

In the experimental method varying advertising expenditures are used in different cities. For example the advertising expenditure in Pune may be greater than the advertising expenditure in Hyderabad. Then sales in the two cities are compared to find out which is optimum level of expenditure look alike, was striking television commercial that immediately gained attention

### **ADVERTISING RESEARCH: TESTING VARIOUS TYPES OF ADVERTISEMENTS**

#### **Advertising Research:**

Research can be conducted to optimise advertisements for any medium: radio, television, print (magazine, newspaper or direct mail), outdoor billboard (highway, bus, or train), or Internet.

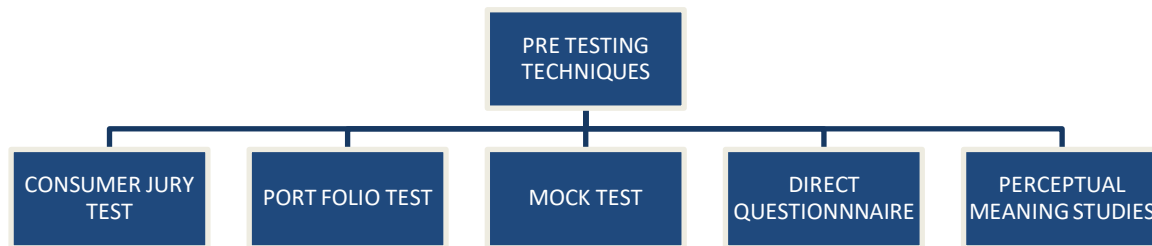
There are primarily two broad types of advertising research viz

- Pre testing
- Post testing .

#### **POST -TESTING**

Pretesting is method used to test advertisements before running it so that the likelihood of preparing most effective ads, by allowing an opportunity to detect and eliminate weaknesses or flaws increases.

Pre-testing, also known as copy testing. It is a form of customized research that predicts in-market performance of an ad, before it airs, by analyzing audience levels of attention, brand linkage, motivation, entertainment, and communication, as well as breaking down the ad's Flow of Attention and Flow of Emotion. Pretesting is also used to identify weak spots within an ad to improve performance, to more effectively edit 60's to 30's or 30's to 15's, to select images from the spot to use in an integrated campaign's print



### **Pre-tests for Print Media Advertisements:**

#### **Consumer Jury Test:**

Few consumers form a group and act as jury to show their preferences for one or two ads out of several being considered. The jury members rank the ads and respond to the questions like which was the most impressive ad or which ad provoked you most to go ahead and buy the product or which ad did you notice first and so on.

This test is conducted by two methods namely Order of Merit Rating and Paired Comparison test.

- In the Order of merit rating test the jury the jurors rank the advertisements as per their preference. The consensus emerges about the best ad copy at the end. But the best may be the best amongst the worst ones.
- In the paired comparison test at a time two ad copies are compared one-to-one. Every single ad is compared with all others. Sources are recorded on cards. They are summed up. The winner gets the highest score. This technique is easier than order of merit. Till ten copies, there is good accuracy; which later decreases. The number of comparisons one is required to make with the help of the following formula:

$$n. (n-1) / 2$$

Where n= the number of ads to be tested.

#### **Portfolio Test:**

**Along** with the regular advertisements some dummy copies are kept in a folio. Then the consumer-sample sees the folio. The consumer is then asked about what he has seen in each ads. The ad giving minimum playback is considered the best. But then it is necessary to observe whether the chosen advertisement is dummy or regular. If found dummy the actual one is improved on the same lines.

### **Mock Magazine Test:**

Unlike the above method of keeping the advertisements in a folio, test ads are introduced in a real magazine to an experimental group to read. The control group is also exposed to the same magazine, but is without test ads. Later a recall test is conducted to assess the effectiveness of test ads.

### **Direct Questioning:**

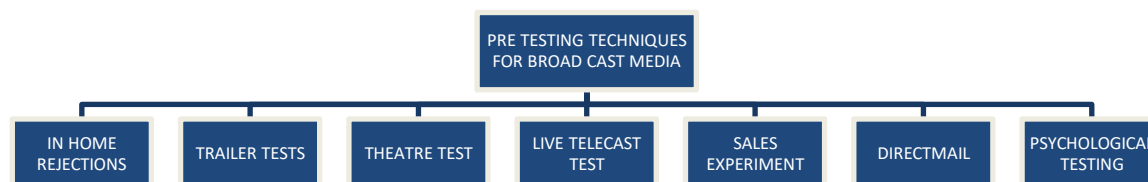
A consumer jury is formed and either the whole ad or its different elements are tested by asking direct questions. Sometimes there is one single question only and sometimes an elaborate questionnaire is prepared to assess attention strength, read-through strength, affective strength and behaviour strength of the ad. For each component the copy is allotted some points. Each ad is rated from the best to the worst.

### **Perceptual Meaning Studies (PMS):**

In this method the respondent is exposed to test the ads for a limited time period. Tachistoscope is an instrument that may be used in this test. After the respondent sees the advertisement, he is subjected to a recall test for the product, brand illustration and the main copy.

### **Pre-tests for Broadcast Media**

All the above methods can be applied to broadcast media also. In addition, some special methods are available to pre-test broadcast media ads – TV and radio ads. The techniques used are:



### **In Home Projection Tests:**

A movie projector screen is installed at consumer's home to show him the test commercials. He is questioned before and after the exposure to the advertisements. The questions are related to the ad and the change it causes after exposure. The strong and weak points of the ads can be assessed.

**Trailer Tests:**

Two groups of customers are considered. Both are given discount coupons to purchase the brand under consideration and are invited to shop in a real life shopping environment, a departmental store, a shopping centre etc. The prospects are invited to the display their products. Now one group is shown the test ads whereas the other group is not. The redemption rate of coupons is measured for both groups which may give an idea about the effectiveness of test ads.

**Theatre Test:**

A group of people who could be a captive audience for an entertainment programme is considered and a questionnaire is sent to them. The free tickets are later sent to them for the programme where the test ads are run. On viewing these, they are asked to fill up another questionnaire. It assesses product, brand and its theme.

**Live Telecast Test:**

The advertisements are put on air either by narrow casting or live telecasting. These ads are test ads, and not the regular ads. Later, viewers are interviewed to know their reactions.

**Sales Experiment:**

Before a product advertisement is launched nationally, a small ad campaign of one or more advertisements is run. Two or more test centres are selected to do so. The ads are run for a fixed period say one to four months and then the sales responses are noted. It is a very useful and effective measure for FMCG items and those ads who aim to motivate buyers to take an immediate sales action.

**Direct Mail Tests:**

A group of prospects are selected from the mailing list randomly and are sent different test ads. Then to measure the response, the orders against each lot are noted.

**Physiological Testing:**

In this test, rather than what respondents say, what is considered more important is the physiological reaction of the respondents. Three principal instruments to do so are:

➤ **Eye Movement Camera:**

It measures how the eye moves over the layout of test ads. The route taken by the eye and also the pauses are noted so that the areas of interest and attention can be judged.

➤ **Galvanometer:**

It measures skin responses to ad stimuli like perspiration by gland activity through palm. More perspiration decreases the resistance and faster current passes. The tension is generated. The greater it is, the more effective the ad is. The technique is of limited use for ads of a very sensitive nature.

➤ **Perceptoscope or Pupilometric Devices:**

They record changes in pupils dilatation. Dilatation indicates reading and attention. Contraction shows dislike of the respondent to what is being read. It evaluates interesting appealing visual stimuli. It is developed by Eekhard Hess and James Polk. Left eye is photographed to record dilatation.

## **POST-TESTING.**

**Post-testing is the process of testing advertisements once it is run on the media. This is more expensive and elaborate but most realistic as well because the advertisements are tested in real life setting.**

### **Uses of of the data acquired from Post testing of an advertisement**

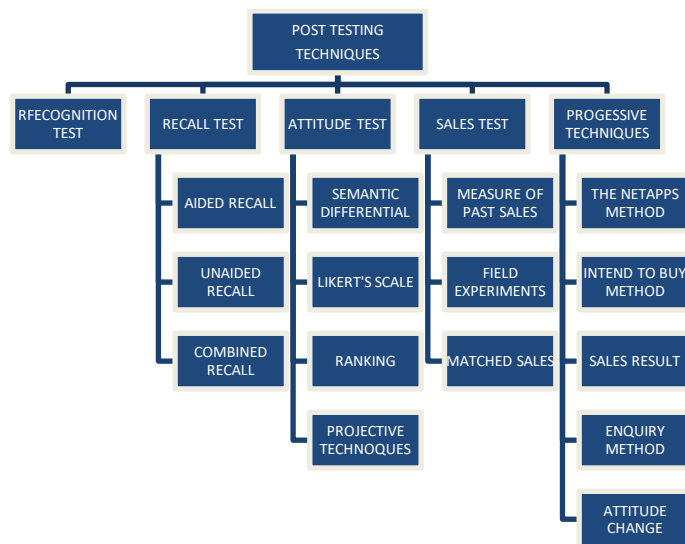
- a. Decision Analyst
- b. Top of mind brand awareness
- c. Unaided brand awareness
- d. Aided brand awareness
- e. Brand fit
- f. Brand image ratings
- g. Brand trial
- h. Repeat purchase
- i. Frequency of use
- j. Purchase intent



- k. Price perceptions
- l. Unaided advertising awareness
- m. Aided advertising awareness
- n. Unaided advertising message recall
- o. Aided advertising message recall
- p. Aided commercial recall
- q. Ad wear out
- r. Promotion awareness and usage
- s. Market segment characteristics
- t. Media habits
- u. Lifestyle/Psychographics
- v. Demographics

## POST-TESTING METHODS

It is applied after the advertisement has ended to find out how far advertising has been successful. The objective of advertising is to arouse consumer awareness, his interest, desire and develop his attitude to the product. These are recognition tests, recall tests, attitude change, sales and recognition tests



**1.Recognition test:** It is developed by Danial Starch. It measures the readership of printed advertisements. It is also called the readership test. It is based on the assumption that there is a high correlation between the reading of the advertisement and the purchase of the product. A particular advertisement may be examined by sending the whole newspaper or magazine wherein it is published. Afterwards readers are approached to find out whether they have read the advertisements or not. The percentage of readership who have seen the advertisement and remember it, who recall seeing or reading any part of it, identifying the product and brand, and who reported reading at least one half of the advertisement is calculated. The relationship between readers per rupee and the median readers per rupee can be established. The advantage is that it measures something which has been realized under normal conditions. The recognition tests show the importance of each type of advertisement on the basis of the readership test. This is an uncontrolled interview and suffers from the problems of uncontrolled techniques of examination.

## **2.Recall Tests**

A recall test depends on the memory of the respondents. This test is applied to measure the impression made by an advertisement on the reader's mind. It is classified into two types – aided recall and unaided recall. Some have combined the two and made it a combined recall test.

- i. **Aided Recall:** It is used to measure the reading memory of magazine advertising impressions. It is necessary to use a large sample size for statistical reliability. The aided test measures television advertising. The interviewer may approach the respondents over the telephone or in person to find out something about their recall of the commercial. A radio advertisement may be given the aided recall test followed by an unaided question. For example: "What products have been advertised during the last two days?" Then the recall aid is provided by asking: 'Have you heard the advertisements of brand X? "The recall test may be administered immediately or two or three days after the exposure.
- ii. **Unaided Recall:** Under this method, little or no aid is given. The purpose is to measure the penetration of the advertisement. Respondents are asked whether the advertisements included a particular picture or message. The name of the product is not given to the

audience. They have to recall it themselves. If they do remember, it is established that there was some impact of the advertisement.

This is a kind of recall test where the respondents are not given any clue to recall the ad. This proves to be more demanding than the aided recall, as respondents recalling the brands without help shows a greater degree of penetration of the ad.

**Types of Unaided Recall:**

Day-After- Recall (DAR): One day after the advertisement appears the readers or viewers are questioned after that.

Total Prime Time (TPT): Here the main item of research is viewer's television viewing time.

Triple-Association Test (TAT): This test measures how much a viewer or reader has learnt about the brand from the advertisement. The respondent is told about some product feature or benefit and he is to find the brand name for that. For example if a respondent is asked that which toothpaste ad shows that it has salt in it and the respondent says Colgate active salt we understand that the learning objective of the advertisement is successful.

- iii. **Combined Recall Tests:** It includes aided as well as unaided recall tests. This test was developed by Gallup and Robinson. Respondents are asked whether they have read the magazine or newspaper, or listened to the radio or watched television. This technique involves following steps. The respondents should recall and describe correctly at least one editorial feature in the magazine or newspaper. They are handed a group of cards on which are printed the names of brands- advertised in the issue. They are asked which of the brands were advertised in that issue. The respondents are questioned in depth to evaluate the accuracy of their recall. A copy of the magazine is given to the respondents. They are asked whether they have seen the advertisement: for the first time or seen it a second or third time. The reply that they have seen it a second time or more often is discarded from the recall test because they are included under the Proven Name Registration (PNR). The information on age, sex, education, occupation, etc. may establish a relationship between these factors and recall. This method measures the recall of qualified readers to assess the depth of penetration achieved by the advertised message. The limitation of the test is the heavy cost involved in the study. It is affected by the variation in human memory. The audience may recall because it has seen

the previous advertisements of the product.

### 3. Attitude Change

There are several techniques for the measurement of attitude change after the advertising has ended. These techniques are as follows:

- Semantic differential,
- Likert scale,
- Ranking techniques and
- Projective technique.

- i. **Semantic Differential:** It is used to measure attitude in the field of marketing and advertising research. It uses a bi-polar (opposite) adjective statement about the subject of evaluation. The attitude is measured in the light of some objectives. The two-way scale is used for the purpose. The neutral is mid-point, while the three points on both the sides of the neutral point, on the same scale, provide the degree of favourable and unfavourable characteristics. The semantic differential is illustrated below.

#### SEMANTIC DIFFERENTIALS

Known ----- unknown Informative.-----  
-----, Un informative Realistic-----  
----- Unrealistic Persuasive -----  
-----Not persuasive Instructive -----  
-----Destructive Effective -----Ineffective  
Useless-----Useful

The above points are merely illustrative. Depending upon the characteristics and features of an advertisement more number of points may also be used.

- ii. **The Likert Scale:** The Likert scale is used to measure audience attitude to advertisements. A series of statements are described to measure the attributes of the advertisement. Only the relevant statements are used for the purpose. Each statement is measured on a five-point scale. It is being illustrated as follows:

## THE LIKERT SCALE

Particulars	Strongly	Agree	Neutral	Disagree	Strongly
Radio advertising has been heard by a majority of the population.					
Nirma Advertisement appealed to people who have accepted it.					
Repetition of advertisement has reminded people about the product					

- iii. **Ranking techniques:** The preferences to several types of advertisements are ranked to find out the place of a particular advertisement among the several advertisements. An advertisement of one product can be measured with the advertisements of other products taken together. This is done to find out the effectiveness of the advertisement in a competitive atmosphere. The winner may be given rank 1 and loser is given rank 5. The ranking is based on awareness, interest, attitude change, attractiveness, usefulness, entertaining respect, effectiveness, etc. A sufficient number of consumers are selected for a sample survey. The overall rank is summed up to determine the final rank of the advertisement of the brand.
- iv. **Projective Techniques:** It is used to measure attitude change. Association techniques, completion techniques, construction techniques and expressive techniques are used to measure the change in attitude.

## 4. Sales Test

It is designed to evaluate the effects of advertising on the purchase behaviour of the consumer. It is successfully applied to examine the consumer behaviour to advertisements of

consumption goods. Sales are effected after creating an image of and interest in, the product. With the help of sales audit and audience response, it is possible to evaluate the effects of advertising on sales. There are generally three types of sales tests, viz.,

- Measure of past sales,
- Field experiments, and
- Matched samples.

- i. **Measure of Past Sales:** Advertising and sales are correlated by using the past sales data. The past data on sales are diversified and their advertising expenses are correlated to establish their relationship. Sales data for the past ten years as well as the advertising expenses are collected and tabulated to establish the correlation between the sales volume and advertising expenses. All other factors influencing sales are also correlated with the sales. The differences between their correlations show the importance of each individual factor influencing sales.
- ii. **Field Experiments:** Field experiments may show the extent to which a particular advertising campaign has affected sales. The whole market may be divided into test and control areas. One treatment may be randomly administered to each area to know how a particular factor has influenced the sales in that area. The different treatments may be used to eliminate irrelevant variables. The results of each variable are recorded for different periods. These figures give the total impact of advertising on sales.
- iii. **Matched Samples:** The respondents belonging to the same age, educational status, occupation, sex, etc. are selected for comparison of advertising effectiveness. They are matched in every respect but not for the test treatment. One group has seen the advertisements and other group has not seen the advertisements. The sales of the treated group should be higher than those of the not-treated group. This would show the difference between the sale of the advertised products and of the non-advertised products.

## **5. Progress Tests:**

These tests assess the total sales effect from the ad and hence is also called sales effect test. In other words, the various stages through which a customer passes and finally purchases are because of the advertisement or not is analysed. Though the increase of sales due to advertisement is slightly difficult to be measured, yet we have the following established methods

- **The Netapps Method:** Netapps stands for Net-Ad-Produced-Purchases. Daniel Starch and Staff Company developed this method. It takes a sample population of which some have read or viewed the advertisement and others have not. In each group those who did and did not purchase the brand under investigation are found and analysed as to what percentage bought under the influence of the advertisement.
- **Intend-to-buy Test:** The readers or viewers of the advertisement are asked about their intention to buy. For positive responses further investigations are done to find the strong influences in the advertisement because of which they decide to buy.
- **Sales Result Tests:** Following are some of sales results tests which measure the additional sales generated by the ads. Past Sales before and after the ad are recorded and the difference is accounted for as an impact of advertisement. An audit may be run on the dealers inventory before and after the advertisement.
- **Enquiry Tests:** Some consumer durables companies issue coupons as a part of the advertisement copy and when they are circulated to the customers, they are supposed to fill it up and send it back to the company. So when the customers are filling in the coupons they are seeing the ad copy as well. So from the number of coupons received estimation can be made as to the number of the readership of the advertisement.
- **Attitude Tests:** The change in attitude of the customers after the advertisement campaign is measured and marketers observe whether there has been any change in the customers' attitude towards the brand under investigation. Further they assume that a positive attitude towards their brand may lead to further purchases. Generally the attitude is measured by rating it on a scales like Likert Scale, Thurstone scale, Differential Scale, Guttman Scale etc.

Thus like any other aspect of market research, advertising research also aims towards the investigation of various real facts from the market. It attempts to measure and evaluate the effectiveness of the communication efforts of the organizations. On these evaluations, many important strategic communication decisions depend. Hence it proves to be a very important area as today the organizations know that apart from the sales figures, brand image and goodwill are also very important which depends a lot on the advertising efforts. Advantages of Measuring the Advertising Effectiveness

- **It acts as a Safety measure:** Measuring advertising effectiveness 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:** Measuring advertising effectiveness 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 effectiveness helps in estimating the results in order to avoid complete loss.
- **To justify the Investment in Advertising:** The expenditure on advertisement is considered to be 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 general public, and existing and prospective consumers, various information about the product and the company. It is therefore desirable to seek post measurements of advertising in order 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 program. 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.





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## **SCHOOL OF MANAGEMENT STUDIES**

**UNIT 4 –ADVERTISING MANAGEMENT AND SALES  
PROMOTION - SBAA7010**

## **UNIT 4- PROMOTION**

**Promotion -Sales promotion – Nature –Importance –Objectives –Role- forms of sales promotion –trade oriented sales promotion &Sales force oriented sales promotion. Tools for sales promotion-Developing sales promotion programme, pretesting implementation, evaluation of results and making necessary modifications.**

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### **SALES PROMOTION**

Sales promotion is one of the most loosely used terms in the marketing vocabulary. We define sales promotion as demand. Stimulating devices designed to supplement advertising and facilitate personal selling. In other words, sales promotion signifies all those activities that supplement, co-ordinate and make the efforts of personal selling and advertising more effective.

Sales promotion efforts are directed at final consumers and designed to motivate, persuade and remind them of the goods and receives that are offered. Sales persons adopt several techniques for sales promotion.

**Definitions of Sales Promotion** According to American Marketing Association “ Those marketing activities other than personal selling advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows and exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine.”

W.J. Stanton defines sales promotion as all those activities other than advertising, personal selling, public relations and publicity that are intended to stimulate customer demand and improve the marketing performance of sellers.

#### **Sales Promotion Definition**

Sales promotion is a marketing strategy where the product is promoted using short-term attractive initiatives to stimulate its demand and increase its sales.

This strategy is usually brought to use in the following cases –

- to introduce new products,
- sell out existing inventories,
- attract more customers, and

to lift sales temporarily.

## CONCEPT OF SALES PROMOTION

Sales promotion consists of diverse collection of incentive tools, mostly short-term designed to stimulate quicker and / or greater purchase of a particular product by consumers or the trade. Where as advertising offers a reason to buy, sales promotion offers an incentive to buy.

Sales promotion includes tools are used for

- Consumer promotion (for example samples, coupons, prizes, cash refund, warranties, demonstrations, contest);
- Trade promotion (for example buying allowances, free goods, merchandise allowances, co-operative advertising, advertising and display allowances, dealer sales contests);
- Sales-force promotion (for example bonuses, contests, sales rallies).

### Importance Of Sales Promotion

Sales promotion is a handy technique to fulfil the short term sales goals by persuading potential customers to buy the product. It is an important promotional strategy to –

**Spread information about the brand** to new customers or new market

**Stabilize sales volume** and fulfill short-term sales goals

**Stimulate demand** for a short term by making the product look like a great deal.

## PURPOSE OF SALES PROMOTION

Sales promotion tools vary in their specific objectives. A free sample stimulates consumer trial, while a free management advisory service cements a long-term relationship with a retailer.

From the marketer's perspective, sales promotion serves three essential roles it **informs, persuades and reminds** prospective and current customers and other selected audiences about a company and its products. The relative importance of those roles varies according to the circumstances faced by a firm.

### 1. Inform:

The most useful product or brand will be a failure if no one knows it is available! Because distribution channels are often long, a product may pass through many lands between a producer and consumers. Therefore, a producer must **inform** middlemen as well as the ultimate consumers or business users about the product. Wholesalers, in turn must inform retailers and retailers must inform consumers. As the number of potential customers grows and the geographic dimensions of a market expand, the problems and costs of informing the market increase.

## 2. Persuasion

The intense competition among different industries, puts tremendous pressure on the promotional programmes of sellers. In India, even a product designed to satisfy a basic physiological need requires strong persuasive promotion, because consumers have many alternatives to choose from. In the case of luxury product, for which sales depend on the ability to convince consumers that the products benefits exceed those of other luxuries, persuasion is even more important.

## 3. Reminding

Consumers also must be **reminded** about a product's availability and its potential to satisfy. sellers bombard the market place with hundreds of messages every day in the hope of attracting new consumers and establishing markets for new products. Given the intense competition for consumers' attention, even an established firm must constantly remind people about its brand to retain a place in their minds. Much of a firm's sales promotion may be intended simply to offset competitors marketing activity by keeping its brand in front of the market.

## OBJECTIVES OF SALES PROMOTION

1. **To introduce new products** To induce buyers to purchase a new product, free samples may be distributed or money and merchandise allowance may be offered to business to stock and sell the product.
2. **To attract new customers** :New customers may be attracted through issue of free samples, premiums, contests and similar devices.
3. **To induce present customers to buy more** :Present customers may be induced to buy more by knowing more about a product, its ingredients and uses.
4. **To help firm remain competitive** : Sales promotions may be undertaken to meet competition from a firm.
5. **To increase sales in off season** :Buyers may be encouraged to use the product in off seasons by showing them the variety of uses of the product.
6. **To increase the inventories of business buyers** : Retailers may be induced to keep in stock more units of a product so that more sales can be effected.

## **RATIONALE OF SALES PROMOTION**

Rationale of sales promotion may be analysed under the following points.

1. Short-term results : Sales promotion such as coupons and trade allowances produce quicker, more measurable sales results. However critics of this strategy argue that these immediate benefits come at the expense of building brand equity. They believe that an over emphasize on sales promotion may under mine a brand's future.
2. Competitive Pressure: If competitors offer buyers price reductions, contest or other incentives, a firm may feel forced to retaliate with its own sales promotions.
3. Buyers' expectations :Once they are offered purchase incentives, consumers and channel members get used to them and soon begin expecting them.
4. Low quality of retail selling: Many retailers use inadequately trained sales clerks or have switched to self service. For these outlets, sales promotion devices such as product displays and samples often are the only effective promotional tools available at the point of purchase.

## **CHARACTERISTICS OF SALES PROMOTION:**

1. Irregular and non-recurring activity – Sales promotion is an irregular and non-recurring effort to increase the sales. In other words, the routine activities of marketing efforts are not included in it. The technique is used on certain specific circumstances, such as decline in demands, fall in profits, acute competition in the market, or when a new product is to be introduced in the market.
2. Sales promotion is a supplementary effort to advertising and personal selling. It does not include advertising and personal selling, publicity and public relations.
3. Motivation – It is an effort by which the consumers, traders and sales force are motivated towards maximum sales.
4. Various marketing activities – It includes all such activities to attract the consumers at the selling points, such as the use of decorations, displays, premium offers, etc.
5. Objective – The objective of sales promotion is to establish better coordination between the activities like advertising, personal selling, publicity's, etc. In the words of Stanton, "Really the major function of sales promotion is to bridge the gap between advertising and personal selling; so that efforts of these two areas could be supplemented and coordinated."

6. Universal activity – It is an universal activity adopted by all the economies of the world in their sales efforts.
7. Investment – Money spent on sales promotion is not a waste, but an investment. It will bring return on the investments in future.
8. Short-period effect – The sales promotion techniques have a short term effect of the consumers, but it is an objective oriented tool to get maximum sales during a short period of time.
9. Tripartite activity – It is a tripartite activity involving the distributors/middlemen, consumers, consumers and salesmen of the company to achieve the desired goals.
10. Means of marketing communication – It is an important means of communication by which views and ideas of the consumers about the products and services are exchanged with the producers regularly.
11. Personal and impersonal nature – Sales promotion is both, a personal and impersonal activity. Certain promotional tools such as premium, samples, demonstration, training, repairing, etc. are of personal nature, whereas certain other tools such as contests, decorations, trade fairs, etc. are of impersonal nature.
12. An element of promotion mix – Sales promotion is one of the important elements of promotion mix, other than advertising, personal selling and publicity.
13. Aim – The aim of sales promotion is goal-oriented to achieve sales/marketing objectives, which are short-term and immediate.
14. Variation with product category – The distinction between short-term and long-term results often may vary with the product category and the particular industry.
15. Viewed as a non-recurrent selling activity – The sales promotion has been traditionally viewed as a non-recurrent selling activity and has been defined as such in some definitions. However, this does not portray the present day, intensely competitive market conditions.
16. Maximum effect at minimum cost – When the nature of promotion objective is such that it can best be achieved by sales promotion, rather than advertising alone, and the objective is achieved at minimum cost.

17. Motivates consumers to buy now – Successful sales promotions induce a sense of urgency to buy now and avoid postponing purchase. The consumer is moved to take immediate action and gets involved in the transaction.
18. Offers what the consumers want – Sales promotion must not attempt to push any offer that is not regarded as desirable by target consumers. They cannot attract consumers towards offers that are not perceived as interesting, exciting and valuable to them.
19. The promotion should be clear and uncomplicated – It offers a single but powerful incentive to engage in transaction. Any subsidiary offer stems from or is closely related to the main offer. In a simple and clear language, it communicates how consumers can take advantage of the promotional offer. Too many hurdles discourage consumers to participate.
20. Promotion should be highly visible – The offer must draw attention of target consumers. The media selection is important. Effective promotion draws attention from high visibility and from creative qualities.
21. Promotion should benefit all concerned – Usually promotions involve cooperation of sales force and channel members. They need to be motivated to make the efforts successful.
22. Promotion must be believable and honest – It makes reasonable and believable claims, tells the truth, there are no exaggerations, and it respects public's intelligence.
23. Promotion must be legal – The marketers must check the legality of promotion before announcing it.
24. Promotion must be implemented efficiently – In some types of promotions, handling houses and premium suppliers are involved. Proper arrangements must be made with these outside parties to avoid any complication.

## **TYPES OF SALES PROMOTION**

- Types of sales promotion directed at consumers.
- Types of sales promotion directed at dealers and distributors.

## **CONSUMER PROMOTION TOOLS**

The main consumer promotion tools include samples, coupons, cash refund offers, price packs, premiums, prizes, patronage rewards, free trials, product warranties, tie-ins, and point of purchase displays and demonstrations.

1. **Samples :** Samples are offers of a free amount or trial of a product to consumers. The sample might be delivered door to door sent in the mail, picked up in a store, found attached to another product or featured in an advertising offer. Sampling is the most effective and most expensive way to introduce a new product.
2. **Coupons :** Coupons are certificates entitling the bearer to a stated saving on the purchase of a specific product. Coupons can be mailed, enclosed in or on other products or inserted in magazine and newspaper advertisements. Coupons can be effective in stimulating sales of a mature brand and inducing early trial of a new brand.
3. **Cash Refund Offers or Rebates** These are like coupons except that the price reduction occurs after the purchase rather than at the retail shop. The consumer sends a specified “proof of purchase” to the manufacturer, who in turn „refunds“ part of the purchase price by mail. Cash refunds have been used for major products such as automobiles as well as for packaged goods.
4. **Price Packs** These are offers to consumers of savings off the regular price of a product, flagged on the label or package. They may take the form of a reduced-price pack which is single packages sold at a reduced price (such as two for the price of one) or a banded pack, which is two related products banded together (such as a tooth brush and tooth paste). Price packs are very effective in stimulating short term sales, even more than coupons.
5. **Premiums or Gifts** These are merchandise offered at a relatively low cost or free as an incentive to purchase a particular product. Sometimes the package itself, is a reusable container may serve as a premium. A self-liquidating premium is an item sold below its normal retail price to consumers who request it.
6. **Prizes :** These are offers of the chance to win cash, trips or merchandise as a result of purchasing something. Pepsi-cola offered the chance to win cash by matching numbers under the bottle cap with numbers announced on television. Sometimes the prize is a person, offering the winner either cash or dinner with actor Sharuk Khan.
7. **Patronage Awards :** These are values in cash or in other forms that are proportional to one’s patronage of a certain vendor or group of vendors. Most airlines offer “frequent flyer plans” providing points for miles traveled that can be turned in for free airline trips. Cooperatives pay their members dividends according to their annual patronage. Le Meridian adopted an “honoured guest” plan that awards points for users of their hotels.



- 8. Free Trials:** Free trials consist of inviting prospective purchasers to try the product without cost in the hope that they will buy the product. Thus, often we see, auto dealers encourage free test drives to stimulate purchase interest.
- 9. Product Warranties :** These are an important tool, especially as consumers become more quality sensitive. When My TVS offered a two year car warranty, substantially longer than other competitors" customers took notice. They inferred that My TVS quality must be good or else the company would be in deep trouble. Companies must carefully estimate the sales-generating value against the potential costs of any proposed warranty programme.
- 10. Tie-in Promotions:** These are becoming increasingly popular. In a tie in promotion two or more brands or companies team up on coupons, refunds and contests to increase their pulling power. Companies pool funds with the hope of broader exposure, while several sales forces push these promotions to retailers, giving them a better shot at extra display and ad space.
- 11. Point-of-Purchase :** Displays These take place at the point of purchase or sale. Display of visible mark or product at the entrance of the store is an example. Unfortunately many retailers do not like to handle the hundreds of displays, signs and posters they receive from manufacturers. Hindustan Lever often use this tool to promote its products in the retail market.
- 12. Product Demonstrations :** Products are being shown in action. Consumers can visit the store and see the usage of product in live action so that doubts of the consumers can be clarified in the store itself. When a new product is introduced in the market, the sales promotional tool is often used. For example ultra modern grinder mixie being used by the company to demonstrate its speciality than the other product.

#### **TRADE PROMOTIONAL TOOLS :**

Tools More sales promotion rupees are directed to the trade than to consumers. Manufacturers seek the following objectives in awarding money to the trade: i. Trade promotion can persuade the retailer or wholesaler to carry the brand. ii. Trade promotion can persuade the retailer or wholesaler to carry more than it normally carries. iii. Trade promotion can induce the retailers to promote the brand through featuring, display, and price reduction. iv. Trade promotion can stimulate retailers and their sales clerks to push the product. Manufacturers use several promotion tools. Some of which are mentioned below:

1. **Price – Off** :Manufacturers may offer a price – off, which is straight discount off the list price on each case purchased during a stated period of time. The offer encourages dealers to buy a quantity or carry a new item that they might not ordinarily buy. The dealers can use the buying allowance for immediate profit or price reductions.
2. **Allowance** : Manufacturers may offer an allowance in return for the retailer's agreeing to feature the manufacturer's products in some way. An advertising allowance compensates retailers for advertising the manufacturer's product. A display allowance compensates them for carrying a special display of the product.
3. **Free Goods**: Manufacturers may offer free goods, which are extra cases of merchandise to middlemen who buy a certain quantity of items.
4. **Push Money**: Manufacturers may offer push money which is cash or gifts to dealers or their sales force to push the manufacturer's goods.
5. **Speciality Advertising** : Items Manufacturers may offer free specialty advertising items to the retailers that carry the company's name such as pens, pencil, calendars, paper weights, and memo pads. As the number of competitive sales promotions have increased, friction has been created between the company's sales force and its brand managers. The sales force says that the retailers will not keep products on the shelf unless they receive more trade promotion money, while the brand managers want to spend their funds on consumer promotion and advertising.

## **SALES FORCE PROMOTION TOOLS**

Sale force is linking pin between customers and the firm. Energetic efforts on the part of salesmen may make the firms competitive position sound.

### **Sales Force Promotion**

Sales promotion directed towards the sales people is referred to as sales force promotions.

These schemes are intended to motivate sales people to put in more efforts to increase sales, increase distribution, promote new or seasonal products, sell more deals to resellers, book more orders, develop prospects lists and build up morale and enthusiasm.

Some of these activities are meant to prepare the sales people to do their jobs well and include sales meetings and manuals, training programmes, sales presentations, film and slide shows etc. Prize distribution to winners is the more tangible aspect of any such programme.

**Objectives of sales force promotion schemes are:**

1. Increase sales volume
2. Introduce a new product
3. Reducing selling costs
4. Offset competitive promotions
5. Improve working habits
6. Develop new prospect lists etc.

**SALES FORCE PROGRAMMES USED BY COMPANIES TO ENCOURAGE SALES FORCE**

1. **Bonus :** The firm fixes a quota of sale per sales person per period of time and also a rate of bonus to be paid when the actual sales exceed the quota. This induces the sales person to augment the sales.
2. **Sales Force Contests:** Sales contests are organized by the manufacturer in this scheme and rewards are provided to salesmen who have achieved exceptional targets. Contests are used to motivate
3. **Salesforce.** A certain sales quota is fixed for the salesman and those who exceed the quota by a specified margin are awarded cash or a certificate.
4. **Sales Training Manuals:** Material such as manuals, visual aids, flip charts, programmed learning books, etc. are useful to salespeople. These manuals help on spot decisions and make the task of salesmen easier.
5. **Sales Meetings:** Sales meetings are generally organized for salespeople from one area, region, or district. These meetings are considered as a popular way of educating salespeople. Sales meetings generally focus on product knowledge and motivation of the salespeople.
6. Formal lectures, film and slide shows, written and oral Quiz Contests are used in these meetings
7. **Packets with Promotional Material :** Under this scheme, promotional materials are provided to salesman fulfilling certain targets. Training materials such as manuals, visual aids and learning books are most useful for salespeople

8. **Sales Conferences:** These are organized by the manufacturers to educate the sales force for new products and novel selling techniques.

## **SALES PROMOTION STRATEGIES AND PRACTICES**

The sales promotion strategy is an important element in overall marketing strategy. Sales promotion strategy involves identification of objectives, effective communication for attracting attention, allocation of budget, determining the correct promotional mix, introduction of strategic approach and finally evaluation. We shall study about each one of them briefly here.

**1. Objectives:** The marketer should determine his sales promotion objectives. He should determine what is to be accomplished and what kind of buyer responses are desired. Sales promotion tasks should be objective oriented. These tasks are informing, persuading and reminding the customers about the products. The sales manager should inform consumers about his product and should highlight its special features. He has not only to inform the customers but persuade them to buy it.

**2. Communication :** Sales promotion should attract the attention of the target audience. If the prices, discounts, off season facilities etc, are not adequately and effectively communicated, the effort of sales promotion would be wasted. A point to be noted here is that the audience evaluates not only the message but also the source of the message in terms of its credibility. The purpose of communication is to persuade potential customers to purchase the product. The sales manager determines the message to be aimed at the target market to gain product acceptance. The overall marketing objectives define the role of communication in sales promotion. Identifying the target audience is the main task of a sales promotion communication. The audience's response to the message source helps determine the effectiveness of the message.

**3. Medium of Reach :** Sales promotion may adopt different methods for approaching people. Strategic variables are taken into account while deciding a particular method of sales promotion. Consumer promotion has been considered a very effective mode of sales promotion; potential consumers are offered samples, coupons, etc; to promote sales. The point of purchase display is a silent strategy to trigger off buying decisions. Retailers rely on in-store displays to familiarize customers with their product. A showroom display makes it easy for prospective buyers to familiarize themselves with the different features of the product.

4. **Trade promotion** : through buying allowance, free goods, merchandise allowances, push money etc; help to enhance sales by retailers and traders. Packaging is another important form of promotion, particularly for consumer goods. It may carry selling messages and information about the product. A good package design attracts the shopper's attention away from other products. It is a proper blend of colour, design and shape.

### **SALES PROMOTION BUDGET**

One of the most difficult marketing decisions facing companies is how much to spend on promotion. It is not surprising that industries and companies vary considerably in how much they spend on promotion. It is important to determine sales promotion budgets before resorting to sales promotion activities. The resources and sales potentials are estimated before the formulation of budgets. Sales promotion budgets should be adequate so that they achieve the promotion objective.

1. **Affordable method**: Many companies set the promotion budget at what they think the company can afford. This method of setting budgets completely ignores the role of promotion as an investment and the immediate impact of promotion on sales volume. It leads to an uncertain annual promotion budget, which makes long range market planning difficult.
2. **Percentage of sales method** : Many companies set their promotion expenditures at a specified percentage of sales or of the sales price. Automobile companies typically budget a fixed percentage for promotion based on the planned can price. A number of advantages are claimed for this method.
  - Percentage-of-sales method means that promotion expenditures are likely to vary with what the company can afford – which satisfies the financial managers, who feel that expenses should bear a close relation to the movement of corporate sales over the business cycle.
  - This method encourages management to think in terms of the relationship between promotion cost, selling price and profit per unit.
  - The major drawback of this method is that it does not provide a logical basis for choosing the specific percentage except what has been done in the past or what competitors are doing. It also does not encourage building up the promotion budget by determining what each product and territory deserves.

- 3. Competitive – Parity Method :**Some companies set their promotion budget to achieve share-of-wice parity with their competitors. Two arguments are advanced for this method. One is that the competitors“ expenditures represent the collective wisdom of the industry. The other is that maintaining a competitive parity helps prevent promotion wars. There are no grounds for believing that the competition knows better than the company itself what it should be spending on promotion. Company reputations, resources, opportunities, and objectives differ so much that their promotion budgets are hardly a guide. Further more, there is no evidence that budgets based on competitive parity discourage promotional wars from breaking out.
- 4. Objective-and-Task-Method :** The objective-and-task method calls upon marketers to develop their promotion budgets by defining their specific objectives, determining the tasks that must be performed to achieve these objectives and estimating the costs of performing these tasks. This method has the advantage of requiring management to spell out its assumptions about the relationship between rupees spent, exposure levels, trial rates and regular usage.
- 5. Promotional Mix :**Companies face the task of distributing the total promotion budget over the four promotion tools of advertising, sales promotion, publicity and sales force. With in the same industry, companies can differ considerably in how they allocate their promotional budget. Companies are always searching for ways to gain efficiency by substituting one promotional tool for another as its economics become more favourable. Many companies have replaced some field sales activity with ads, direct mail and telemarketing. Other companies have increased their sales promotion expenditures in relation to advertising, to gain quicker sales. The trial and error method, past performance and corporate policies may influence the appropriate promotional mix. Many firms have increased their sales with the application of appropriate combinations of the promotion media, sales promotion and personal selling are supported with publicity. The promotion mix is a variable in the marketing strategy. It should be clearly decided how fare a particular element should be used in combination with other promotional methods.
- 6. Strategic Approach:** The kind of promotional mix employed determines the promotional strategy. Generally speaking a particular combination, type or amount of sales promotion, personal selling, publicity and advertising are brought into the promotional mix, which

becomes the promotional strategy in the course of implementation. The marketing strategy as much guides the determination of the promotional strategy, which may be divided into sale promotion strategy, personal selling strategy, publicity strategy and advertising strategy. The strategies, sustaining promotional strategy, developmental promotional strategy or promotional appropriation.

- 7. Push and Pull Strategies :** The push and pull promotional strategies may be used to enhance sales. The push strategy concentrates on middlemen or retailers who push the sale of the product to the final consumers. This strategy covers cooperative advertising, attractive terms of sale, coupons and discount facilities.
- i. The pull strategy is directed toward the final buyers. It persuades the buyers to go to the sellers to buy. Sales promotion, particularly customer promotion, is an important form of the pull strategy. Customer promotion, may call for the offer of samples, money-refund offers, prices-off, premiums and so on.
  - ii. The push strategy asks the sellers or retailers to attract the layers. Trade promotion is thus the main form of the push strategy. Trade promotions refers to buying allowances, free goods, co-operative advertising, push money, sales contests and so on. The marketing manager has to adopt both these strategies to promote sales.

## **SALES PROMOTION AND PRODUCT LIFE CYCLE**

- The promotional tools vary in their cost effectiveness at different stages of the product life cycle.
- In the **introduction stage**, advertising and publicity have high cost effectiveness, followed by sales promotional to induce trial and personal selling to gain distribution coverage.
- In the **growth stage**, all the tools can be toned down because demand has its own momentum through word-of-mouth.
- In the **maternity stage**, sales promotion, advertising and personal selling all become more important in that order.
- In the **decline stage**, sales promotion continues strong, advertising and publicity are reduced and sales people give the product only minimal attention.

## **CROSS PROMOTION**

Under this sales promotion strategy, the manufacturer may use all the potential tools such as advertisement, personal selling and sales promotion to hit the market simultaneously so that the buyer will be induced to buy a product. For example when Deccan Chronicle, a daily newspaper, was introduced in Chennai, the management had used all promotional activities, such as display, holding, price off and media to influence the reader to buy the paper. This promotional strategy is called cross promotion.

## **SURROGATE SELLING**

Under this strategy, when the manufacturer is unable to sell his product in the market he may handover the product to a well known organization to sell on behalf of the manufacturer. This strategy is called surrogate selling. For example, shampoo products are manufactured at Puducherry by a number of small and medium manufactures. But they find it difficult in selling the product in the market. What they have done was, handing over the finished product to Hindustan Lever, Proctor and Gamble who have sufficient logistics in selling the product, there by relieving the burden of converting the product into cash. They have in fact act as a surrogate in selling their merchandise in the market.

## **BAIT AND SWITCH ADVERTISING**

Bait means something that is meant to tempt someone. Under this strategy, the marketing manager use AIDAS formula to tempt someone to look the advertisement and influence him to buy a product. For example, Bharat Sanchar Nigam Limited has used 10 paise prominently in its advertisement to bring the attention of its users in mind which will influence them to go for using the BSNL service. This way of tempting the viewer to opt for BSNL is called Bait advertising.

Switch means a device that is pressed or turned to stop or start something working especially by electricity. Switch advertising means when an advertisement is released, it should ignite the minds of the buyer to notice the advertisement and take a decision to buy the product. For example during festival times manufacturer may offer some discount on cash price to the buyer on some selected products. So he has put this in the local newspaper-which would have ignited the minds of the buyers. Buyers will certainly be influenced to buy the product. This strategy is called switch advertising strategy.



## **DESIGNING A SALES PROMOTION CAMPAIGN**

### **Step 1 :Define the purpose of the campaign**

Most campaigns begin with a clear sense of purpose, and a sales promotion is no different. A sales promotion should support marketer sales strategy, so spell the business objectives in the clearest possible terms. Sales promotions are done for different reasons, so a marketer might find his/herr team fine-tuning an idea once it's "out there" for debate. For example, if marketer goal is to "get people talking" in a community, this sales promotion would most likely be different from a sales promotion designed to invigorate weekend sales.

### **Step 2 :Identify the target audience**

Few sales promotions are targeted to everyone on a business' radar. Yet it is a fact that the narrower the targeted audience are , the more effective is the sales promotion may be. For example, think of the difference between a sales promotion targeted to females in general vs. one targeted to females under the age of 30. In this case, marketer promotion could break out with "millennial fever" that could make it a hit on social media platforms.

### **Step 3 :Select the promotion**

For most people, this is the "funnest" part: combing through a treasure trove of promotional ideas, which might include more traditional sales promotions like buy-more-save-more offers, coupons, discounts, product giveaways, refer-a-friend deals and two-for-one offers. But just give them time and watch flash sales and exclusive, invitation-only events catch up to this crowd.

Either way, it may be tempting to fall back on the sales promotion that produced results last year. But try to experiment with a new idea; it can get people talking, even if they don't participate. And word-of-mouth is valuable to marketer business, too.

### **Step 4 :Set the promotion budget**

As if you needed more proof that storing information pays off: It can be a real time-saver as the **process of running a sales promotion** proceeds to the budgetary phase. Reviewing a sales promotion through the prism of volume, cost and projected payback has a way of adding a sense of urgency to a campaign, too.

### **Step 5 :Compile a checklist**

Before you wade deeply in the **process of running a sales promotion**, compile a checklist of every task that must be done before launch day. Then watch that list grow, as it should, as the

campaign takes shape. For starters, copy must be written and approved, photography must be submitted and reviewed and employees must be trained to run the sales promotion. You can write a simple checklist or, for a more complex promotion, expand it to include deadlines, responsible parties and “next steps.”

This way, even a quick glance at marketer checklist ought to be enlightening – and provide some peace of mind. Be sure to factor in some “fudge time” for problems and unforeseen delays; they're bound to occur, and bracing for them now will make them less likely to throw you off-balance later.

#### **Step 6 :Choose the medium of the sales promotion campaign.**

The media people on marketer team will probably say that this is the “funnest” part of running a sales program: deciding which media you’re going to use to promote it. Marketer website will probably play a role. After this, it’s smart to review step 2 for clues. In other words, where is marketer target audience most likely to see and hear of marketer sales promotion? Timing plays a role in this step, too, and it can be tricky. Publicize a promotion too early and people may forget about it; publicize it too late and they may miss it. If you can’t aim in the middle, it makes sense to err on the side of caution.

#### **Step 7 :Plan a supportive communications strategy**

Here's the step that time-pressed people may be tempted to skip but shouldn't. It's true that you may not have time to go “all out” on a communications plan that augments and supports marketer sales promotion. But you shouldn't ignore it completely, either. For example, you may not have time to place ads in key publications.

But you should have more than enough time to send an email blast, hang posters, post social media messages or conduct some good, old-fashioned field marketing. And don't forget the strategic alliances you've forged with other small businesses. They can help tout marketer sales promotion, maybe in exchange for you doing the same when they need marketer help.

#### **Step 8 : Identify the challenges now**

It's called being proactive. Or maybe you call it being preemptive. Either way, it's smart to troubleshoot potential challenges and problems so you can head them off at the pass. Here's where the last step in the process of planning a sales promotion – the evaluation step – can pay huge dividends.

In other words, look back at records of previous sales promotions and see what challenges took you by surprise. For example, if a competitor got wind of marketer sales promotion and stole marketer thunder with one of his own, take steps now to keep this promotion under wraps.

#### **Step 9 :Double-check the creative**

At this point, you've been so busy orchestrating the campaign that it's probably been a while since you took a good, long look at the promotion itself. That's good. With a fresh pair of eyes, you should be able to assess whether the promotion is interesting, engaging and easily understood. If it passes these three criterion, marketer campaign should be ready to roll.

If you have second thoughts, though, run it by someone who is representative of marketer target customer. Once you're this deep in the marketing mix, you should feel comfortable running a focus group of one.

#### **Step 10 :Evaluate the sales promotion campaign**

As soon as possible after marketer sales promotion is over, take the time to evaluate it. Time is of the essence because marketer thoughts and experiences will be fresh, and the lessons you learned should still be resonating with you. As important as it is to chronicle all the good moves you made, be sure to elaborate on what you would have done differently. When you learn from marketer sales promotions, you virtually guarantee that they'll only get better in time. Sales promotions can be a great way to boost sales in the short term, but you probably know you don't want to overdo a good thing. As much as customers may love “freebies,” discounts and other deals, they can also become leery of a company that gives away too much, too often. It's called “brand dilution,” and it's and it's one of the last things a seller wants for his business.

### **EVALUATION OF SALES PROMOTION CAMPAIGN**

Sales promotions result in an upward bump in sales during the promotion period. Because customers buy during sales promotions for reasons that may affect their purchases before and after the promotion, the company should evaluate the volume of sales for the sales promotion period plus an equal period before, and at least two equal periods after, the promotion. If the sales promotion lasts a week, the evaluation period should be at least four weeks, including one week before and two weeks after the promotion. This methodology catches possible dips before the promotion, if customers are waiting for the sale, as well as any continuing increase

or decrease in sales volume after the promotion. The evaluation must also include the costs of the promotion over the evaluation period. If the company wishes to evaluate brand awareness, it must include a customer survey in the evaluation.

**Sales :**To determine the increase in sales due to the sales promotion, the company must establish the level of sales that would have taken place without the promotion. Such a base level must avoid the effects of any variation in sales volume during the evaluation period. The best estimate is usually the average level of sales of the months prior to the evaluation period, adjusted for seasonal factors obtained from previous years. The company must compare this estimated level of sales to the actual sales that took place over the evaluation period to get the increase resulting from the sales promotion.

**Profits:** Sales promotions can generate increased profits. The volume of additional sales must be large enough to generate profits greater than the cost of the sales promotion. This cost has several components. There are the costs of producing the promotional signs, coupons and publicity. There are additional costs for processing the coupons, discounts or other incentives. Finally, there are the costs of the promotion itself, such as a discount or rebate. The company must subtract these costs from the additional profits generated by the extra sales to get the true net additional profit that can be attributed to the sales promotion.

**Brand Awareness:** Sometimes sales promotions are good public-relations vehicles, and can generate interest and return customers. They may be able to add to consumer brand awareness at a lower cost than other promotional means. In this case, the goal is not additional profits but rather additional sales over the long term, as more consumers become familiar with the advantages of the particular brand.

**Customer Satisfaction :** Customer surveys to determine brand familiarity before and after the sales promotion and satisfaction towards the campaign to give an accurate evaluation of the immediate success of the promotion. In the longer term, though, the measure of success must be continued higher sales. Such sales increases should already appear following the sales promotion, and a continued evaluation of the level of sales will give a good indication of the success of the promotion as far as brand awareness is concerned.

**Advantages of Sales Promotion:**

1. It facilitates easy introduction of new products and brands in the market.
2. At the recessionary phase of an economy customers become more price sensitive. Marketers can sort out this problem with the help of promotional tools like offering gift or discount coupons, gifts, contests, sweepstakes, etc., to the customers.
3. It has the potential to change consumer behaviours to a large extent.
4. A company seeks to obtain greater co-operation from its retailers. It helps in earning the goodwill of dealers and distributors.
5. It can be used effectively with other promotional tools.
6. It can be regarded as an excellent approach to boost sales in a short period.

**Disadvantages of Sales Promotion:**

1. Brand image and profit can be hurt by over use of price related sales promotion tools.
2. The second criticism is that such discounts are not real, since the prices of the products are already inflated.
3. There is a feeling that such seasonal sales promotional activities are mainly intended to sell sub-standard product.
4. May have only short-term impact.
5. These activities have a short time span, so the results realised are also short-lived. As soon as these activities offering of various concessions, free gifts, etc., are withdrawn, the demand also goes down rapidly.
6. Effective sales promotions are easily copied by competitors.



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## **SCHOOL OF MANAGEMENT STUDIES**

**UNIT 5 –ADVERTISING MANAGEMENT AND SALES  
PROMOTION - SBAA7010**

## **UNIT 5-ETHICS IN ADVERTISING AND SALES PROMOTION**

**Ethics in Advertising –objectives , importance , need , methods, Impact of regulatory advertising industry-Controversial Advertising Economic and Social relevance of advertisements –Advertising research and analysis- Advertising for international market, Ethical aspects of sales promotion-legal environment, laws that affect advertising in India, unfair trade practices and competition act- consumer rights and laws.**

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### **INTRODUCTION TO ETHICS IN ADVERTISING**

Advertising is necessary to make a new product popular in the market and to increase the sales of existing brands. Advertising plays an important role in brand building and informing public about available products so that they can make informed choice among different products or brands.

Advertising is a powerful medium of mass communication. As advertising is a form of mass communication and thus just like other popular forms it too have some social responsibilities associated with it. However, the question is whether advertising fulfill its social responsibilities or not.

**Ethics means a set of moral principles which govern a person's behavior or how the activity is conducted. And advertising means a mode of communication between a seller and a buyer.**

**An ethical ad is the one which doesn't lie, doesn't make fake or false claims and is in the limit of decency**

### **Ethical and Moral principles of Advertising**

Advertisers must have sufficient knowledge of ethical norms and principles, so that they can understand and decide what is correct and what is wrong. We can identify several ethical and moral principles that are particularly relevant to advertising. We are speaking briefly of three as follows:-

- Truthfulness in advertising;
- The dignity of the human person; and
- Social responsibility.

### **Truthfulness in Advertising**

- Truth in advertising promotes a highly efficient, functioning economy by:
- Discouraging deceptive business practises;
- Encouraging the provision of accurate and truthful information;
- Enhancing competition by ensuring a level playing field; and
- Enabling informed consumer choice.

### **The Dignity of the Human Person**

- The dignity of human beings should be respected; advertisements should not insult the dignity of human beings;
- Different cultures and ethnic groups should be presented in advertising as equal with the majority of the population;
- Special care should be given to weak and vulnerable groups like - children, poor people, or elderly people.

### **Advertising and Social Responsibility**

Advertising has a strong social responsibility, independent of its known commercial responsibility. Advertisers should have a deeper sense of social responsibility and should develop their own set of ethical and social norms taking into consideration the values of their society.

**Thus ethics in advertising means a set of well defined principles which govern the ways of communication taking place between the seller and the buyer.**

Ethics is the most important feature of the advertising industry. Though there are many benefits of advertising but then there are some points which don't match the ethical norms of advertising.

Nowadays, ads are more exaggerated and a lot of puffing is used. It seems like the advertisers lack knowledge of ethical norms and principles. They just don't understand and are unable to decide what is correct and what is wrong.

The main area of interest for advertisers is to increase their sales, gain more and more customers, and increase the demand for the product by presenting a well decorated, puffed and colorful ad. They claim that their product is the best, having unique qualities than the competitors, more cost effective, and more beneficial. But most of these ads are found to be false, misleading customers and unethical. The best example of these types of ads is the one which shows evening snacks for



the kids, they use coloring and gluing to make the product look glossy and attractive to the consumers who are watching the ads on television and convince them to buy the product without giving a second thought.

**Ethics in Advertising is directly related to the purpose of advertising and the nature of advertising.** Sometimes exaggerating the ad becomes necessary to prove the benefit of the product. For e.g. a sanitary napkin ad which shows that when the napkin was dropped in a river by some girls, the napkin soaked whole water of the river. Thus, the purpose of advertising was only to inform women about the product quality. Obviously, every woman knows that this cannot practically happen but the ad was accepted. This doesn't show that the ad was unethical.

**Ethics also depends on what we believe.** If the advertisers make the ads on the belief that the customers will understand, persuade them to think, and then act on their ads, then this will lead to positive results and the ad may not be called unethical. But at the same time, if advertisers believe that they can fool their customers by showing any impractical things like just clicking fingers will make your home or office fully furnished or just buying a lottery ticket will make you a millionaire, then this is not going to work out for them and will be called as unethical.

### **THREE MORAL PRINCIPLES OF ADVERTISING**

**Recently, the Vatican issued an article which says ads should follow three moral principles - Truthfulness, Social Responsibility and Upholding Human Dignity.**

Generally, big companies never lie as they have to prove their points to various ad regulating bodies. Truth is always said but not completely. Sometimes it's better not to reveal the whole truth in the ad but at times truth has to be shown for betterment.

1. **Pharmaceutical Advertising** - they help creating awareness, but one catchy point here is that the advertisers show what the medicine can cure but never talk about the side effects of that same thing or the risks involved in intake of it.
2. **Children** - children are the major sellers of the ads and the product. They have the power to convince the buyers. But when advertisers are using children in their ad, they should remember not to show them alone doing their work on their own like brushing teeth, playing with toys, or infants holding their own milk bottles as everyone knows that no one will leave their kids unattended while doing all these activities. So showing parents also involved in all activities or things being advertised will be more logical.

3. **Alcohol** - till today, there hasn't come any liquor ad which shows anyone drinking the original liquor. They use mineral water and sodas in their advertisements with their brand name. These types of ads are called surrogate ads. These type of ads are totally unethical when liquor ads are totally banned. Even if there are no advertisements for alcohol, people will continue drinking.
- **Cigarettes and Tobacco** - these products should be never advertised as consumption of these things is directly and badly responsible for cancer and other severe health issues. These as are already banned in countries like India, Norway, Thailand, Finland and Singapore.
  - **Ads for social causes** - these types of ads are ethical and are accepted by the people. But ads like condoms and contraceptive pills should be limited, as these are sometimes unethical, and are more likely to loose morality and decency at places where there is no educational knowledge about all these products.

**Looking at all these above mentioned points, advertisers should start taking responsibility of self regulating their ads by:**

- Design self regulatory codes in their companies including ethical norms, truth, decency, and legal points
- Keep tracking the activities and remove ads which don't fulfill the codes.
- Inform the consumers about the self regulatory codes of the company
- Pay attention on the complaints coming from consumers about the product ads.
- Maintain transparency throughout the company and system.
- When all the above points are implemented, they will result in:
- Making the company answerable for all its activities
- Will reduce the chances of getting pointed out by the critics or any regulatory body.
- Will help gain confidence of the customers, make them trust the company and their products.

## **ETHICAL PRINCIPLES OF ADVERTISING (ARTICLE 1 TO ARTICLE 25 )**

- 1. Basic principles: All advertising should be legal, decent, honest and truthful.** :Every advertisement should be prepared with a due sense of social responsibility and should conform to the principles of fair competition, as generally accepted in business. No advertisement should be such as to impair public confidence in advertising.
- 2. Decency:** Advertisements should not contain statements or visual presentations which offend prevailing standards of decency.
- 3. Honesty:** Advertisements should be so framed as not to abuse the trust of consumers or exploit their lack of experience or knowledge.
- 4. Social Responsibility: Advertisements** should not condone any form of discrimination, including that based upon race, national origin, religion, sex or age, nor should they in any way undermine human dignity.
  - Advertisements should not (without justifiable reason) play on fear.
  - Advertisements should not appear to condone or incite violence, or to encourage unlawful or reprehensible behaviour.
  - Advertisements should not play on superstition.

### **5. Truthful presentation**

Advertisements should not contain any statement or visual presentation which directly or by implication, omission, ambiguity or exaggerated claim is likely to mislead the consumer, in particular with regard to

- characteristics such as: nature, composition, method and date of manufacture, range of use, efficiency and performance, quantity, commercial or geographical origin or environmental impact;
- the value of the product and the total price actually to be paid;
- delivery, exchange, return, repair and maintenance;
- terms of guarantee;
- copyright and industrial property rights such as patents, trade marks, designs and models and trade names;
- official recognition or approval, awards of medals, prizes and diplomas;
- the extent of benefits for charitable causes.

Advertisements should not misuse research results or quotations from technical and scientific publications. Statistics should not be so presented as to exaggerate the validity of advertising claims. Scientific terms should not be used to falsely ascribe scientific validity to advertising claims.

- 6. Comparisons :** Advertisements containing comparisons should be so designed that the comparison is not likely to mislead, and should comply with the principles of fair competition. Points of comparison should be based on facts that can be substantiated and should not be unfairly selected.
- 7. Unassembled Merchandise :** When advertised merchandise requires partial or complete assembly by the purchaser, the advertising should disclose that fact, e.g., "unassembled," "partial assembly required."
- 8. Testimonials:** Advertisements should not contain or refer to any testimonial or endorsement unless it is genuine, verifiable, relevant and based on personal experience or knowledge. Testimonials or endorsements that have become obsolete or misleading through passage of time should not be used
- 9. Portrayal or imitation of personal property:** Advertisements **should not portray or refer to any persons**, whether in a private or a public capacity, unless prior permission has been obtained; nor should advertisements without prior permission depict or refer to any person's property in a way likely to convey
- 10. Exploitation of goodwill :** Advertisements should not make unjustifiable use of the name, initials, logo and/or trademarks of another firm, company or institution nor should advertisements in any way take undue advantage of another firm, person or institution's goodwill in its name, trade name or other intellectual property, nor should advertisements take advantage of the goodwill earned by other advertising campaign
- 11. Imitation: Advertisements should not be imitated in the following aspects**
  - Advertisements should not imitate the general layout, text, slogan, visual presentation, music and sound effects, etc., of any other advertisements in a way that is likely to mislead or confuse the consumer.
  - Where advertisers have established distinctive advertising campaigns in one or more countries, other advertisers should not unduly imitate these campaigns in the other

countries where the former may operate, thus preventing them from extending their campaigns within a reasonable period of time to such countries.

**12. Identification of advertisements :**Advertisements should be clearly distinguishable as such, whatever their form and whatever the medium used; when an advertisement appears in a medium which contains news or editorial matter, it should be so presented that it will be readily recognized as an advertisement.

**13. Safety and health :** Advertisements should not without reason, justifiable on educational or social grounds, contain any visual presentation or any description of dangerous practices or of situations which show a disregard for safety or health.

**14. Children and young people :**The following provisions apply to advertisements addressed to children and young people who are minors under the applicable national law.

**a. Inexperience and Credulity**

- Advertisements should not exploit the inexperience or credulity of children and young people.
- Advertisements should not understate the degree of skill or age level generally required to use or enjoy the product.
- Special care should be taken to ensure that advertisements do not mislead children and young people as to the true size, value, nature, durability and performance of the advertised product.
- If extra items are needed to use it (e.g., batteries) or to produce the result shown or described (e.g., paint) this should be made clear.
- A product that is part of a series should be clearly indicated, as should the method of acquiring the series.
- Where results of product use are shown or described, the advertisement should represent what is reasonably attainable by the average child or young person in the age range for which the product is intended.
- Price indication should not be such as to lead children and young people to an unreal perception of the true value of the product, for instance by using the word 'only'. No advertisements should imply that the advertised product is immediately within reach of every family budget.

## **b.Avoidance of Harm**

Advertisements should not contain any statement or visual presentation that could have the effect of harming children and young people mentally, morally or physically or of bringing them into unsafe situations or activities seriously threatening their health or security, or of encouraging them to consort with strangers or to enter strange or hazardous places.

### **15. Guarantees**

Advertisements should not contain any reference to a guarantee which does not provide the consumer with additional rights to those provided by law. Advertisements may contain the word "guarantee", "guaranteed", "warranty" or "warranted" or words having the same meaning only if the full terms of the guarantee as well as the remedial action open to the purchaser are clearly set out in the advertisements, or are available to the purchaser in writing at the point of sale, or come with the goods.

### **16. Unsolicited products:** Advertisements should not be used to introduce or support the practice whereby unsolicited products are sent to persons who are required, or given the impression that they are obliged to accept and pay for these products (inertia selling).

### **17. Claimed Results :**Claims as to energy savings, performance, safety, efficacy, results, etc. which will be obtained by or realised from a particular product or service should be based on recent and competent scientific, engineering or other objective data.

### **18. .Layout and Illustrations :**The composition and layout of advertisements should be such as to minimise the possibility of misunderstanding by the reader. For example, prices, illustrations, or descriptions should not be so placed in an advertisement as to give the impression that the price or terms of featured merchandise apply to other merchandise in the advertisement when such is not the fact. An advertisement should not be used which features merchandise at a price or terms boldly displayed, together with illustrations of higher-priced merchandise, so arranged as to give the impression that the lower price or more favourable terms apply to the other merchandise, when such is not the fact.

### **19. Asterisks and Abbreviations :**An asterisk may be used to impart additional information about a word or term which is not in itself inherently deceptive. The asterisk or other reference symbol should not be used as a means of contradicting or substantially changing the meaning of any advertising statement. Information referenced by asterisks should be clearly and prominently disclosed.Commonly known abbreviations may be used in

advertising. However, abbreviations not generally known to or understood by the general public should be avoided.

**20. Environmental behaviour:** Advertisements should not appear to approve or encourage actions which contravene the law, self-regulating codes or generally accepted standards of environmentally responsible behavior

**21. Responsibility**

- Responsibility for the observance of the rules of conduct laid down in the Code rests with the advertiser, the advertising practitioner or agency, and the publisher, media owner or contractor.
- Advertisers should take the overall responsibility for their advertising.
- Advertising practitioners or agencies should exercise every care in the preparation of advertisements and should operate in such a way as to enable advertisers to fulfil their responsibilities.
- Publishers, medium-owners or contractors, who publish, transmit or distribute advertisements should exercise due care in the acceptance of advertisements and their presentation to the public.
- Those employed within a firm, company or institution coming under the above three categories and who take part in the planning, creation, publishing or transmitting of an advertisement have a degree of responsibility commensurate with their positions for ensuring that the rules of the Code are observed and should act accordingly.

**22. Rules apply to entirety of advertisement :** The responsibility for observance of the rules of the Code embraces the advertisement in its entire content and form, including testimonials and statements or visual presentations originating from other sources. The fact that the content or form originates wholly or in part from other sources is not an excuse for non-observance of the rules.

**23. Effect of subsequent redress for contravention :** While an advertiser's subsequent correction and appropriate redress for a contravention of the Code are desirable, they cannot excuse the original contravention of the Code.

**24. Alarmist Marketing :** An advertiser should not engage in speculation or provide information intended to cause alarm and force action. Such actions include overstating the legal implications of a non-defined action.

**25. Substantiation :**Descriptions, claims or illustrations relating to verifiable facts should be capable of substantiation. Advertisers should have such substantiation available so that they can produce evidence without delay to the self-regulatory bodies responsible for the operation of the Code.

## **CODE OF ETHICS FOR ADVERTISEMENT**

Code of Ethics define the legal as well as ethical rules and norms of creating and broadcasting an ad. It restrains an advertiser to promote any product/service through unreliable, false, and immoral information.

Such kind of language and information may damage someone's fundamental right, business reputation, and can stain their honor and dignity. So, the law prevents any sort of ad that infringes on public values, norms, and morality.

Further, it also discourages creation of any sort of ad that contains disrespectful comparison with other similar products (either Advertisemtnof same nature or different) to maintain fair competition.

### **Purpose of Code of Ethics for Advertisement**

While dealing with an advertisement, the most important point that you need to take care is — you need to develop a healthy, promising, and long-lasting public relationships.

The purpose of code of ethics is to maintain fair competition and protect the right of every individual. Code of ethics help advertisers set ethical standards to govern the ways of communication and develop self-regulatory ads. Ethical norms of advertising restrict ads that make false claims and are not within the normal standards of decency.

## **ROLE OF THE ADVERTISING STANDARDS COUNCIL OF INDIA (ASCI)**

**ASCI** is a voluntary self-regulatory council established in 1985 to promote responsible advertising and to enhance public confidence in advertisements. The council's objectives are:

- To ensure the truthfulness and honesty of representations and claims made by advertisements



- To ensure that advertisements are not offensive to generally accepted standards of public decency
- To safeguard against the indiscriminate use of advertising for the promotion of products regarded as hazardous to society or to individuals.
- To ensure that advertisements observe fairness in competition so as to inform the consumer on choices in the marketplace while observing the canons of generally accepted competitive behavior in business

**ASCI** consists of a Board of Governors and a Consumer Complaints Council. The Board of Governors comprises four members from each of the four sections connected with the advertising industry:

- Advertisers
- Advertising Agencies
- Media (owners of press, television, radio etc.)

**Related sectors (e.g. outdoor agencies, PR, market researchers, ad producers, business schools)**

#### **The ASCI Code: Self-Regulation of Advertising**

To regulate advertisement in India, **ASCI** has adopted a **Code for Self-Regulation in Advertising** ("**ASCI Code**"), which applies to all involved in the commissioning, creation, placement, or publishing of advertisements. This **ASCI Code** applies to advertisements read, heard, or viewed in India even if they originate or are published abroad so long as they are directed to consumers in India or are exposed to a significant number of consumers in India.

Though non-statutory, the **ASCI Code** is recognized under various Indian laws in addition to being adopted by advertising-industry bodies. Notably, the **ASCI Code** provides that it is not in competition with any law, its rules, or the machinery through which they are enforced, thus the **ASCI Code** is designed only to complement legal controls under such laws and not to usurp or replace them.

**“THE CODE FOR SELF-REGULATION IN ADVERTISING PERTIENT EXTRACTS” was adopted by “The Advertising Standards Council of India” in November 1985 under the 1**

### **Introduction**

At present in India, there is no central statutory agency or uniform legislation regulating the advertising industry. The Indian advertising market as a whole is regulated and controlled by a non-statutory body, the **Advertising Standards Council of India (ASCI)**. In the absence of uniform integrated legislation, it is necessary for advertisers to ensure that an advertisement is in compliance with all local and national advertisement laws.

### **Laws: Statutory Regulation of Advertising**

Complementing the **ASCI Code** are Indian laws governing specific media, specific populations, and specific goods and services. The most significant of these laws are listed here.

### **Laws Governing Media**

- The Press Council Act 1978
- Cable Television Network Rules, 1994
- Code for Commercial Advertising on Doordarshan and All India Radio
- Electronic Media Monitoring Centre (EMMC)
- Norms for Journalist Conduct issued by the Press Council of India
- Code of Conduct of the News Broadcasters Association

### **LAWS PROTECTING SOCIETY AND THE CONSUMER ( REFERENCE ONLY )**

- Emblems and Names (Prevention of Improper Use) Act, 1950
- Young Persons (Harmful Publications) Act, 1956
- Companies Act, 1956
- Standards of Weight & Measures Act, 1976
- Indecent Representation of Women (Prohibition) Act, 1986
- Consumer Protection Act, 1986
- Laws related to intellectual property rights

## INDUSTRY-SPECIFIC LAWS ( REFERENCE ONLY )

- The Drugs and Cosmetic Act, 1940
  - The Transplantation of Human Organs Act, 1994
  - The Drugs and Magical Remedies (Objectionable Advertisements) Act, 1954
  - The Prenatal Diagnostic Techniques (Regulation and Prevention of Misuse) Act, 1994
  - Advocates Act, 1961
  - Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act, 1992
  - Securities and Exchange Board of India Act, 1992
  - The Prize Chits and Money Circulation Schemes (Banning) Act, 1978
  - Cigarettes and other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003
  - Public Gambling Act, 1867, the Lotteries (Regulation) Act, 1998 and the Prize Competitions Act, 1955
  - Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002
  - The Food Safety & Standards Act, 2006
- 
1. Products and Services Banned From Advertising: Tobacco: The Cigarettes and other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 ("**Tobacco Prohibition Act**") prohibits all direct and indirect advertising of tobacco products in all media.
  2. Human Organs: **The Transplantation of Human Organs Act, 1994:** This law provides for the regulation of removal, storage and transplantation of human organs for therapeutic purposes and for the prevention of commercial dealings in human organs. This law prohibits any advertising inviting persons to supply, offering to supply, any human organ for payment.
  3. Magical Remedies: **The Drugs and Magical Remedies (Objectionable Advertisements) Act, 1954** prohibits advertisement of magical remedies of diseases and disorders.
  4. Services for Pre-Natal Determination of Sex: **The Prenatal Diagnostic Techniques (Regulation and Prevention of Misuse) Act, 1994** prohibits advertisements relating to pre-natal determination of sex.

5. **Infant formula** :Advertising forbidden in order to encourage natural feeding of infants. See details under Food.
6. **Prize Chits and Money Circulation Schemes**: The Prize Chits and Money Circulation Schemes (Banning) Act, 1978 prohibits advertisements relating to prize chit<sup>2</sup> and money circulation schemes.
7. **Physicians** :Under the **Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002**, issued under the **Indian Medical Council Act, 1956**, physicians are not allowed to advertise their services in any form or manner of advertising through any mode, as soliciting of patients directly or indirectly, by a physician, by a group of physicians, or by institutions or organizations is unethical. (A physician refers to a doctor with a qualification of MBBS or MBBS with a postgraduate degree/diploma or with an equivalent qualification in any medical discipline.) However, medical practitioners are allowed to make a formal announcement in press regarding the following:
- On starting practice
  - On change of type of practice
  - On changing address
  - On temporary absence from duty
  - On resumption of another practice
  - On succeeding to another practice
  - Public declaration of charge
  - Legal Services
8. The **Bar Council of India Rules** formulated under the **Advocates Act 1961** strictly enforce the advertisement ban and publicity rules governing law firms' websites. These rules were enacted and enforced to curb the false advertisement of lawyers to gain publicity to attract clients.
- **Regulations Related to Product and Service Advertising: Alcohol (Beer, Wine, and Spirits):** The **Cable Television Network Rules, 1994**, the **Advertising Codes of Doordarshan**, and the **All India Radio and Norms for Journalist Conduct** issued by the **Press Council of India** prohibit any advertisement directly or indirectly promoting the production, sale, or

consumption of cigarettes, tobacco products, wine, liquor, or other intoxicants. However, some states allow advertising through billboards, signboards etc. but subject to many restrictions. Also, the **ASCI Code** prohibits use of minors for advertising alcohol products.

- Professionals such as Chartered Accountants, Company Secretaries & Cost Accountants: These professionals are prohibited from soliciting clients or professional work by advertisement. However, they may issue advertisements about their firm or services of their firm, through any mode of transmission, having *inter alia* details of names of partners, address and website, telephone, mobile, e-mail, fax number of the member, year of establishment, additional recognized qualifications, languages spoken by the partner(s), honours or awards in the field of teaching, research, authorship etc.
  - Firearms, Weapons, and Ammunition: Sale and purchase of such items requires a license from government authorities. Therefore, advertisements related **to such products are not permissible in India under the Arms Act, 1959.**
  - **Food:** As per the **Food Safety & Standards Act, 2006**, no advertisement relating to the standard, quality, quantity or grade-composition, and no representation concerning the need for, or the usefulness of any food can be made which is misleading or deceiving or which contravenes the provisions of this law or rules and regulations made thereunder.
  - **Infant Milk Food:** The **Infant Milk Substitutes, Feeding Bottles and Infant Foods (Regulation of Production, Supply and Distribution) Act, 1992** prohibits the advertising of infant milk substitutes or feeding bottles.
9. Gaming (gambling, games of chance; differentiate between private-sector and "state" lotteries)<sup>3</sup>
10. The federal structure in the **Constitution of India** explicitly gives the States the right to legislate upon "gambling and betting". The Public Gambling Act, 1867 prohibits gambling activities in India. However, the **Public Gambling Act** permits games of mere skill. In April, 2011, the **Information Technology Act, 2000** was also amended to ban Internet gambling and online betting websites. The **Lotteries (Regulation) Act, 1998** gives power to the concerned State government to hold lotteries subject to prescribed conditions. Under section 294-A of the **Indian Penal Code**, advertisements of a lottery unless it is in accordance with the Lotteries (Regulation) Act shall be punishable.

**11. The Prize Competitions Act, 1955** controls and regulates prize competitions in certain parts of India and prohibits the advertisement of unauthorized prize competitions.

- a. Medical Devices:** The authority principally responsible for regulating medical devices in India is the Central Drugs Standard Control Organization ("**CDSCO**") under the provisions of the Drugs & Cosmetics Act, 1940. CDSCO's functions include regulating the medical devices industry by approving for import, manufacture and sale of medical devices in India.
- b. Medical Services:** An institution run by a physician for a particular purpose such as a maternity home, nursing home, private hospital, rehabilitation centre or any type of training institution etc. may be advertised in the lay press, but such advertisements should not contain anything more than the name of the institution, type of patients admitted, type of training and other facilities offered and the fees.
- c. Nutritional Supplements:** It is regulated under the Food Safety and Standards Act, 2006.
- Occult ("Psychic") Services:** These services are not legally recognized in India and are not permissible under the Drugs and Magical Remedies (Objectionable Advertisements) Act, 1954
- d. Pharmaceuticals (over-the-counter and prescription medications):** The phrase over-the-counter (OTC) has no legal recognition in India. All the drugs not included in the list of "prescription-only drugs" are considered to be non-prescription drugs (or OTC drugs). Prescription-only drugs are those medicines that are listed in *Schedules H and X* of the Drug and Cosmetics Rules, 1945.
- e. Tests and Lab Analysis:** The **Drugs and Cosmetic Act, 1940** prohibits advertisements for any drug or cosmetic from using reports of tests or analysis of the **Central Drugs Laboratory** or by a government analyst

## **12. Political Candidates, political platforms, political parties, political issues**

The **Representation of the People (Amendment) Act, 1996** has the following provisions relating to advertisements:

- a. prohibit advertisements for a period of forty-eight hours ending with the hours fixed for conclusion of polling for any elections in a given polling area.

- b. use of displaying posters, signboards etc. for political advertisement in any public place strictly in accordance with the relevant provisions of the local laws.
- c. equitable opportunity to all political parties and candidates to have access to public advertisement space for election related advertisements during the election period.
- d. use of private premises for political advertisement only with the voluntary permission of the occupant.
- e. prohibition of any and all advertisements at the cost of the public exchequer regarding achievements of the political party/ruling government.
- f. The statute provides for a penalty of imprisonment and/or fine for anyone, including advertisers, who contravenes these provisions.

**12. Products Related to Sexuality (condoms, ED drugs, etc.):**Advertisements related to sexuality are allowed with the provision that there should not be any indecent representation of women under the **Indecent Representation of Women (Prohibition) Act 1986**. Products must comply with the **Drugs and Cosmetic Act 1940** and other certification rules under the **Cable Television Network Rules 1994**.

**13. Religion:**Under the **Cable Television Networks Rules 1994, Advertising Codes of Doordarshan & All India Radio** and **Norms for Journalist Conduct** issued by the **Press Council of India**, advertisement based on religion or to hurt religious sentiments are not allowed. Also, such advertisement may be punishable under **Indian Penal Code 1860**

**14. Securities:**The **Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003** issued under section 30 of the **Securities and Exchange Board of India Act, 1992** prohibits fraudulent or unfair trade in securities. These regulations further provide that dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves an advertisement that is misleading or contains distorted information and which may influence the decision of the investors.

**15. Sexual Services:**Advertisement pertaining to sexual services is illegal in India.

**16. Tobacco Products (cigarettes, cigars, snuff, pipe tobacco)**

**17. Toys:**There is no specific restriction on the advertisement of toys provided they are in compliance with other applicable laws.

**18. Advertisement by Companies:**The Companies Act 1956 stipulates that no deposits from the general public should be accepted by public companies (other than non-banking financial companies) without issuing advertisement following the prescribed norms. The Companies Act has also specified various provisions relating to advertisement by Indian companies.

**19. Advertisement Relating to Packaged Goods, etc.**The Standards of Weight & Measures Act, 1976 prohibits issuing advertisements otherwise than in accordance with the provisions of this law.

**20. Regulations Related to Advertising Methodology :**Advertising to Children (advertising during and immediately before and after children's programming) The **Young Persons (Harmful Publications) Act, 1956** prohibits advertisements relating to any harmful publication i.e., any publication that tends to corrupt a young person (person under the age of 18 years) by inciting or encouraging him or her to commit offenses or acts of violence or cruelty or in any other manner whatsoever. According to the **ASCI Code**, advertisements addressed to minors shall not contain anything, whether in illustration or otherwise, which might result in their physical, mental, or moral harm or which exploits their vulnerability. For example, advertisements may not:

- Encourage minors to enter strange places or to converse with strangers in an effort to collect coupons, wrappers, labels or the like
- Feature dangerous or hazardous acts which are likely to encourage minors to emulate such acts in a manner which could cause harm or injury
- Show minors using or playing with matches or any inflammable or explosive substance; or playing with or using sharp knives, guns, or mechanical or electrical appliances, the careless use of which could lead to their suffering cuts, burns, shocks, or other injury
- Feature minors in promoting tobacco or alcohol-based products
- Feature personalities from the field of sports, music, or cinema for products which, by law, either require a health warning in their advertising or cannot be purchased by minors.

**21. Celebrity Endorsements:** No current restrictions :Comparative Advertising (ads that compare the advertiser's product to that of a competitor :The provisions pertaining to comparative representation were part of "Unfair Trade Practice" under the **Monopolies and**



**Restrictive Trade Practices Act, 1969 (MRTP Act)**. After repeal of the MRTP Act, the provisions relating to unfair trade practices were inserted in the **Consumer Protection Act, 1986**. However, a business entity cannot claim relief against unfair comparative advertising under the Consumer Protection Act, as a business entity is not a consumer. This can be taken up only by consumer associations, the central government, or state governments, and it does not provide protection to the business entity equal to the protection under the MRTP Act. Thus, under the existing law, a manufacturer whose goods are disparaged has no standing to seek a remedy. Presently, in the absence of any specific legislative regulating comparative advertising, disputes are decided by various courts on the basis of the facts in each case. However, ASCI code (which is made part of the Cable Television Network Rules, 1994 as well) permits advertisement containing comparisons including those where a competitor is named in the interests of vigorous competition and public enlightenment, provided: It is clear what aspects of the advertiser's product are being compared with what aspects of the competitor's product.

- a. The subject matter of comparison is not chosen in such a way as to confer an artificial advantage upon the advertiser or so as to suggest that a better bargain is offered than is truly the case.
- b. The comparisons are factual, accurate and capable of substantiation.
- c. There is no likelihood of the consumer being misled as a result of the comparison, whether about the product advertised or that with which it is compared.
- d. The advertisement does not unfairly denigrate, attack or discredit other products, advertisers or advertisements directly or by implication.

Presently, **ASCI** is actively taking action against any advertisements making unsubstantiated claims, exaggeration, unfair denigration in violation of ASCI Code.

Contests (games of chance and games of skill)

The Public Gambling Act, 1867 prohibits gambling activities in India. However, the **Public Gambling Act** permits games of mere skill.

### **Deceptive or Misleading Advertising**

Deceptive or misleading advertisements are restricted under the various legislations including the Consumer Protection Act, 1986; Cable Television Network Rules, 1994; Norms for Journalist Conduct issued by the Press Council of India Act and ASCI Code.

**Surrogate Advertising** :The **ASCI Code** provides that advertisements of products whose advertising is prohibited or restricted by law or by the **ASCI Code** must not circumvent such restrictions by purporting to be advertisements for other products the advertising of which is not prohibited or restricted by law or by ASCI Code. To determine if there is an indirect advertisement of prohibited products due attention shall be given to the following:

- a. Visual content of the advertisement must depict only the product being advertised and not the prohibited or restricted product in any form or manner:
- b. The advertisement must not make any direct or indirect reference to the prohibited or restricted products
- c. The advertisement must not create any nuances or phrases promoting prohibited products
- d. The advertisement must not use particular colours and layout or presentations associated with prohibited or restricted products
- e. The advertisement must not use situations typical for promotion of prohibited or restricted products when advertising the other products.
- f. The Cable Television Networks Rules, 1994 has also imposed similar restrictions to curb surrogate advertising.

### **2.Advertorials and Disguised Ads**

The Norms for Journalist Conduct issued by the **Press Council of India**, Cable Television Network Rules, 1994 and Advertising Code of Doordarshan requires that advertisements must be clearly distinguishable from news content carried in the newspaper.

### **3. False Advertising**

False advertisements are restricted under the various legislations including the Consumer Protection Act, 1986; Cable Television Network Rules, 1994; Norms for Journalist Conduct issued by the Press Council of India Act and ASCI Code.

#### **4. "Free" Gifts/Samples**

The Consumer Protection Act 1986, Section 2 (3) (a) states that (i) the offering of gifts, prizes or other items with the intention of not providing them as offered or creating impression that something is being given or offered free of charge when it is fully or partly covered by the amount charged in the transaction as a whole, or (ii) the conduct of any contest, lottery, game of chance or skill, for the purpose of promoting, directly or indirectly, the sale, use or supply of any product or any business interest, is an unfair trade practice.

The Norms for Journalist Conduct issued by the Press Council of India has stated that gift including those given by the advertisement agencies for publication of material relating to their clients or otherwise should not be accepted by the journalist.

#### **5.Free Speech (specific limitations, e.g. personal slurs, defamation, political statements)**

Article 19(1)(a) of the **Constitution of India** protects the right to freedom of speech and expression, which is also extended to advertisements. However, like any other right, this freedom is also subject to reasonable restrictions imposed by Article 19(2) of the Constitution of India. Furthermore, the **ASCI Code** states that no advertisement shall be permitted which:

- Derides any race, caste, color, creed, or nationality
- Tends to incite people to crime or to promote disorder and violence or intolerance
- Presents criminality as desirable or directly or indirectly encourages people, particularly minors, to emulate it or conveys the *modus operandi* of any crime
- Adversely affects friendly relations with a foreign state

### **CONTROVERSIAL ADVERTISING**

**Type of advertisements are considered as illegal/immoral and prohibited by the law**

- **False or Misleading Information** – Any ad must not contain any sort of claim, which is false, deceptive, or ambiguous to public. It includes false promises, partial truth, exaggerated commitment, false price, etc. It is important to know that such kind of content is not limited only to verbal or written claim, but rather it is also applicable to images, video, and other sort of demonstration.

- **Inaccurate Testimonials** – When a person gives his opinion or talks about his experiences regarding any product/service, he must not give fake information. Law discourages false and deceptive testimonials.
- **Provoking Statements** – Any sort of statement, insulting phrase, immoral comparisons, etc. is prohibited. Insulting phrase includes any sort of disrespectful comment regarding a race, nationality, profession, cast, sex, social background, age, religion, language, etc.
- **Offensive Materials** – All material used in an ad such as verbal and textual communication, audio, video, and images must be decent for the general public. Any material used in an ad, which is offensive, obscene, or indecent to the common people is outlawed as per the Standards of Practice.

## **CONSEQUENCES OF BROADCASTING UNSCRUPULOUS AD**

If someone violates the code of conduct and disseminates unscrupulous ad by any means shall be liable to damages caused by the immoral or unlawful ad. He may be punished and ordered to pay –

- A compensation amount (fixed by the court of law) equal to the harm done by him to the wealth, health, or life of a person or to any other legal entity.
- A compensation for moral damage.
- A compensation for all sort of losses.

## **ECONOMIC ROLE OF ADVERTISING**

### **1. Value of Products:**

2. The advertised products are not always the best products in the market. There are some unadvertised products also present which are good enough. But advertising helps increase value for the products by showing the positive image of the product which in turn helps convincing customers to buy it. Advertising educates consumers about the uses of the products hence increasing its value in minds of the consumers. For e.g. mobile phones were first considered as necessity but nowadays the cell phones come with number of features which makes them mode of convenience for consumers.

### **3. Effect on Prices:**

4. Some advertised products do cost more than unadvertised products but the vice versa is also true. But if there is more competition in the market for those products, the prices have to come down, for e.g., canned juices from various brands. Thus some professional like chartered accountants and doctors are not allowed to advertise.
5. But some products do not advertise much, and they don't need much of it and even their prices are high but they are still the leaders in market as they have their brand name. e.g., Porsche cars

### **6. Effect on consumer demand and choices:**

7. Even if the product is heavily advertised, it does not mean that the demand or say consumption rates will also increase. The product has to be different with better quality, and more variety than others. For E.g., Kellogg's cornflakes have variety of flavors with different ranges to offer for different age groups and now also for people who want to loose weight thus giving consumers different choices to select from.

### **8. Effect on business cycle:**

9. Advertising no doubt helps in employing more number of people. It increases the pay rolls of people working in this field. It helps collecting more revenues for sellers which they use for betterment of product and services. But there are some bad effects of advertisements on business cycle also. Sometimes, consumer may find the foreign product better than going for the national brand. This will definitely effect the production which may in turn affect the GDP of the country.
10. The economic aspects are supported by the Abundance Principle which says producing more products and services than the consumption rate which helps firstly keeping consumers informed about the options they have and secondly helps sellers for playing in healthy and competitive atmosphere with their self interest.

## **SOCIAL ROLE OF ADVERTISING:**

There are some positive and some negative aspects of advertising on the social ground. They are as follows.

**Deception in Advertising:** The relation between the buyers and sellers is maintained if the buyers are satisfied with what they saw in advertise and what they got after buying that product. If seller shows a false or deceptive image and an exaggerated image of the product in the advertisement, then the relation between the seller and buyers can't be healthy. These problems can be overcome if the seller keep their ads clean and displays right image of the product.

**The Subliminal Advertising:** Capturing the Minds of the consumers is the main intention of these ads. The ads are made in such a way that the consumers don't even realizes that the ad has made an impact on their minds and this results in buying the product which they don't even need. But "All ads don't impress all consumers at all times", because majority of consumers buy products on basis of the price and needs.

**Effect on Our Value System:** The advertisers use puffing tactics, endorsements from celebrities, and play emotionally, which makes ads so powerful that the consumers like helpless preys buy those products. These ads make poor people buy products which they can't afford, people picking up bad habits like smoking and drinking, and buy products just because their favorite actor endorsed that product. This affects in increased the cost of whole society and loss of values of our own selves.

**Offensiveness:** Some ads are so offensive that they are not acceptable by the buyers. For example, the ads of denim jeans showed girls wearing very less clothes and making a sex appeal. These kinds of ads are irrelevant to the actual product. But then there is some ads which are educative also and now accepted by people. Earlier ads giving information about birth control pills was considered offensive but now the same ads are considered educative and important. But at the last, there are some great positive aspects which help

- Development of society and growth of technologies
- Employment

- Gives choices to buyers with self interest
- Welcomes healthy competition
- Improving standard of living.
- Give information on social, economical and health issues.

## **UNFAIR TRADE PRACTICE**

An unfair trade practice means a trade practice, which, for the purpose of promoting any sale, use or supply of any goods or services, adopts unfair method, or unfair or deceptive practice.

### **Definition of Unfair Trade Practice**

UTPs encompass a broad array of torts, all of which involve economic injury brought on by deceptive or wrongful conduct. The legal theories that can be asserted include claims such as trade secret misappropriation, unfair competition, false advertising, palming-off, dilution and disparagement. UTPs can arise in any line of business and frequently appear in connection with the more traditional intellectual property claims of patent, trademark and copyright infringement. Specific types of UTPs prohibited in domestic law depend on the law of a particular country. The World Bank (WB) and the Organization for Economic Cooperation and Development (OECD) Model Law, for example, lists the following trade practices to be unfair

- Distribution of false or misleading information that is capable of harming the business interests of another firmD
- Distribution of false or misleading information to consumers, including the distribution of information lacking a reasonable basis, related to the price, character, method or place of production, properties, and suitability for use, or quality of goods; false or misleading comparison of goods in the process of advertising;
- Fraudulent use of another's trade mark, firm name, or product labelling or packaging;
- Unauthorized receipt, use or dissemination of confidential scientific, technical, production, business or trade information. The dictionary meaning of 'unfair trade practice' is: a trade practice which, for the purpose of promoting the sale, use or supply of any goods or for the provision of any service, adopts any unfair method or unfair or deceptive.

## **Unfair practices may be categorized as under:**

### **False Representation**

The practice of making any oral or written statement or representation which:

- Falsely suggests that the goods are of a particular standard quality, quantity, grade, composition, style or model;
- Falsely suggests that the services are of a particular standard, quantity or grade;
- Falsely suggests any re-built, second-hand renovated, reconditioned or old goods as new goods;
- Represents that the goods or services have sponsorship, approval, performance, characteristics, accessories, uses or benefits which they do not have;
- Represents that the seller or the supplier has a sponsorship or approval or affiliation which he does not have;
- Makes a false or misleading representation concerning the need for, or the usefulness of, any goods or services;
- Gives any warranty or guarantee of the performance, efficacy or length of life of the goods, that is not based on an adequate or proper test;
- Makes to the public a representation in the form that purports to be-
- a warranty or guarantee of the goods or services,
- promise to replace, maintain or repair the goods until it has achieved a specified result,
- if such representation is materially misleading or there is no reasonable prospect that such warranty, guarantee or promise will be fulfilled
- Materially misleads about the prices at which such goods or services are available in the market; or
- Gives false or misleading facts disparaging the goods, services or trade of another person.

### **False Offer of Bargain Price-**

- Where an advertisement is published in a newspaper or otherwise, whereby goods or services are offered at a bargain price when in fact there is no intention that the same may be offered at that price, for a reasonable period or reasonable quantity, it shall amount to an unfair trade practice.
- The 'bargain price', for this purpose means-



- the price stated in the advertisement in such manner as suggests that it is lesser than the ordinary price, or
- the price which any person coming across the advertisement would believe to be better than the price at which such goods are ordinarily sold.

### **Free Gifts Offer and Prize Schemes**

- The unfair trade practices under this category are:
- Offering any gifts, prizes or other items along with the goods when the real intention is different, or
- Creating impression that something is being offered free alongwith the goods, when in fact the price is wholly or partly covered by the price of the article sold, or
- Offering some prizes to the buyers by the conduct of any contest, lottery or game of chance or skill, with real intention to promote sales or business.

### **Non-Compliance of Prescribed Standards**

- Any sale or supply of goods, for use by consumers, knowing or having reason to believe that the goods do not comply with the standards prescribed by some competent authority, in relation to their performance, composition, contents, design, construction, finishing or packing, as are necessary to prevent or reduce the risk of injury to the person using such goods, shall amount to an unfair trade practice.

**Hoarding, Destruction, Etc.** Any practice that permits the hoarding or destruction of goods, or refusal to sell the goods or provide any services, with an intention to raise the cost of those or other similar goods or services, shall be an unfair trade practice.

## **ADVERTISING RESEARCH**

Advertising Research is done through a process, which involves systematic gathering, recording, and analysis of data related to the effectiveness of an advertisement.

### **Objectives of Advertising Research**

- **To Enhance Awareness** – Through research, it is easy to plan the marketing strategy of any product/service.
- **To Know Attitudinal Pattern** – A thorough research predicts the people's attitude. It analyses the changing attitudinal pattern of a geographic area. Knowing the consumers' attitude is very important before launching a new product and its advertisement.

- **To Know People's Action/Re-action** – Research also records and analyzes people's action or re-action regarding a particular product/service.
- **Analysis** – Based on deep research and analysis, it is simple to design and develop a creative ad, effective enough to influence consumers.

### **Essentials of Advertising Research**

Following are the essentials of advertising research that support researcher to complete the research task successfully –

- **Research Equipment** – It is the basic requirement of advertising research. It includes a skilled person, computer system with internet, and relevant newspapers and magazine. However, field research is also important. For example, interviewing people in the market or their residential places.
- **Media Research** – To determine, which media is the most effective advertisement vehicle, media research is necessary. It helps to reach the potential customers in a short period of time and at lower cost.
- **Marketing Trends** – Knowledge of marketing trends help advertisers to know what products people are buying and what are the specific features of the products, which compels people to buy. With this information, manufacturers can modify their product according to the trend on competitive price.
- **Target Audience** – For any advertising research, it is very important to identify target audience and geographic location.

### **Benefits of Advertising Research**

Conducting research before launching a new product and subsequently developing an ad has the following advantages –

- **Develops creative design and strategy** – Once, all information is available, it is very simple to develop an eye-catching design. It also helps in making a well-defined strategy to develop your business.
- **Identifies Opportunity in the Market** – Research suggests — what is the right time to launch the product. It also tells, which geographical location is the best for the product.
- **Measures Your Reputation** – It is always beneficial to know your competitor's reputation and credit in the market. It helps to develop faultless strategy.
- **Identifies Major Problems** – Research helps to identify the potential problems.

- **Analyzes Progress** – It helps to analyze the performance of your product. Likewise, you can monitor your progress.
- **Minimize the Risk** – If you have done a thorough market research, there is least chance of failure.

## **COSNUMER RIGHTS AND LAWS**

A consumer is defined as someone who acquires goods or services for direct use or ownership rather than for resale or use in production and manufacturing. A consumer is one who decides whether or not to buy an item at the store, or someone who is influenced by advertisement and marketing. Every time someone goes to a shop and buys a thing, they make a decision as a consumer

### **Consumer Advocacy**

Consumer advocacy refers to actions taken by individuals or groups to promote and protect the interests of the buying public. Historically, consumer advocates have assumed a somewhat adversarial role in exposing unfair business practices or unsafe products that threaten the welfare of the general public. Consumer advocates use tactics like publicity, boycotts, letter-writing campaigns, and lawsuits to raise awareness of issues affecting consumers and to counteract the financial and political power of the organizations they target.

### **Consumerism**

**The term "consumerism" refers to the resistance of consumers to misleading advertising, sales techniques and products.**

- The term "consumerism" had been first used in the year 1915 and referred to "advocacy of the rights and interests of consumers" defined in Oxford English Dictionary but here in this article the term "consumerism" means the sense which was first used in 1960, "emphasis on or preoccupation with the acquisition of consumer goods'.
- Consumerism is a social as well as economic order which encourages the buying of goods and services in ever-greater amounts. This term is sometimes associated with critics of consumption beginning with Thorstein Veblen. Veblen's topic of examination, the newly emerging middle class coming up at the threshold of the twentieth century, is coming to full fruition by twentieth century end through the globalization process.

- At some places, the term "consumerism" refers to the consumerist's movement, consumer activism or consumer protection which seeks to defend and inform consumers by having required these practices as honest advertising and packaging, product guarantees, and enhanced standards of safety. In this regard it is a movement or an array of policies having a mission of regulating the products, methods, services, and standards of sellers, manufacturers and advertisers in the buyers' interests.
- As per economics, consumerism means economic policies laying emphasis on consumption. In a sense, it is believed that the consumers are free to make choice and should dictate the society's economic structure.

### **Consumer Law**

India has developed specific routes for asserting the rights of consumers.

The Consumer Protection Act of 1986 defines consumer law in India. This legislation helps to protect consumers from any kind of exploitation by availing the means for hearing and considering and finally settling disputes. This Act also stipulates the goods and service providers' responsibilities. In the year 1987, the provisions of this Act became binding legally.

### **Consumer Courts**

To lessen the time period taken to sort out consumer disputes, the Act permits the creation of quasi-judicial bodies to be formed at district level, state as well as central government levels. There are at present 604 District Forums along with 34 State Commissions, with the National Consumer Disputes Redressal Commission functioning at the final level. India boasts itself to be the only country having specific courts for hearing consumer grievances as per the CUTS Centre for Consumer Action Research and Training.

### **Growth of Consumerism**

The development of consumer power took place in the USA between 1889 and 1925 when consumers developed their strength and realized the need for resisting misleading and unrealistic advertising. Women's organizations developed to resist "black" sales. In India, consumer power developed during the Swadeshi Andolan in 1922, which continued till 1950. The second period of growth of consumerism was between 1926 and 1959 in the USA" Many books, articles and seminars were held on consumerism. Consumers' Union, Drug Control, etc., came into being during this period. In India, the growth of consumerism took place between 1951 and 1985. The third period, i.e. the surge of modern consumerism, started in India in 1986 when various

organizations developed to protect the interests of the consumer. The consumers' Safety Act was enacted in 1989. In America, consumers insisted on the right to safety, the right to be informed, the right to choose and the right to be heard. Many books on consumerism were written, which brought pressure to bear on manufacturers and traders so that there might be the right type of packaging, true labeling, truth in credit and substantiation of claims of deceptive products.

### **Consumerism in India**

In India, many voluntary organizations were formed to protect the interests of consumers. The misleading activities of advertisers were brought to the notice of the public. The government was apprised of the widespread practice of adulteration. Consumerism in India developed rapidly. Women's organizations have become very active in India to educate people about misleading advertising and products. There has been a great pressure on the government to enact suitable legislation to protect the interests of consumers. Advertising is criticized vehemently.

### **ADVERTISING LAWS**

Knowledge of the various statutes affecting advertising law helps us to make sure that the advertising campaign gets off on the right foot. In addition, because of your knowledge, we will be more in a position of fine-tuning the ad campaign, save a significant amount in legal billing costs.

**The basic laws to be known by an advertiser are as follows:-**

#### **1. Section 5 of the Federal Trade Commission Act:**

Federal Trade Commission Act provides a comprehensive framework that enables FTC to carry out its law enforcement initiatives. Under Section 5 of the FTC Act (15 U.S.C. Section 45(a)(1), "unfair or deceptive acts or practices in or affecting commerce, are hereby declared unlawful". FTC relies on Section 5 and on other more specific consumer protection laws in carrying out its mission. Advertising a product or service certainly fits under this category.

**Under Section 5, FTC will find that a representation, omission, or practice is deceptive**

- if it's likely to mislead consumers acting reasonably under the circumstances;
- and material, that is, likely to affect consumers' conduct or decisions with respect to the product at issue.
- In August 1994, Congress amended Section 5 of the FTC Act to provide that an act or practice is unfair if the injury it causes or is likely to cause to consumers is:
  - Substantial;

- Not outweighed by countervailing benefits to consumers or to competition; and
- Not reasonably avoidable by consumers themselves.

## **2. Telemarketing and Consumer Fraud and Abuse Prevention Act**

The Telemarketing and Consumer Fraud and Abuse Prevention Act requires FTC to promulgate regulations as follows

- Defining and prohibiting deceptive telemarketing acts or practices;
- Prohibiting telemarketers from engaging in a pattern of unsolicited telephone calls that a reasonable consumer would consider coercive or an invasion of privacy;
- Restricting the hours of the day and night when unsolicited telephone calls may be made to consumers; and
- Requiring disclosure of the nature of the call at the start of an unsolicited call made to sell goods or services.
- The law expressly authorizes ftc to include within the rules' coverage entities that "assist or facilitate" deceptive telemarketing practices.

## **3. Telephone Disclosure and Dispute Resolution Act of 1992**

The Telephone Disclosure and Dispute Resolution Act of 1992 requires FTC to promulgate regulations concerning advertising for, operation of, and billing and collection procedures for, pay-per-call or "900 number" telephone services. The regulations must include certain provisions, such as price disclosure requirements, mandatory warnings on services directed to children, and required disclosures in billing statements. The Act also directs FTC to promulgate a regulation extending to pay-per-call services the billing dispute provisions of the Fair Credit Billing Act, 15 U.S.C. Section 1666 et seq.

## **4. Do-Not-Call Registry Act of 2003**

The Do-Not-Call Registry Act of 2003 authorized FTC under section 3(a)(3)(A) of the Telemarketing and Consumer Fraud and Abuse Prevention Act, 15 U.S.C. Section 6102(a)(3)(A), to implement and enforce a do-not-call registry. The Act also ratified the do-not-call registry provision of FTC's Telemarketing Sales Rule, 16 C.F.R. 310.4(b)(1)(iii), which became effective on March 31, 2003.

## **5. Do-Not-Call Implementation Act**

The Do-Not-Call Implementation Act authorizes FTC to collect fees to implement and enforce a do-not-call registry. The Act allows fees to be collected for fiscal years 2003 through 2007. The Act further requires the Federal Communications Commission (FCC) to issue a compatible do-not-call registry rule and directs FTC and FCC to submit an annual report on the registry to the House Committee on Energy and Commerce and the Senate Committee on Commerce, Science, and Transportation for fiscal years 2003 through 2007.

## **6. Federal Cigarette Labeling and Advertising Act of 1966**

The Federal Cigarette Labeling and Advertising Act of 1966 requires FTC to submit annual reports to Congress as to:

- (a) the effectiveness of cigarette labeling,
- (b) current practices and methods of cigarette advertising and promotion, and
- (c) recommendations for legislation.

The statute was amended by the Comprehensive Smoking Education Act of 1986 (Pub. L. No. 98-474, 98 Stat. 2200), which establishes the text of four health-related warning labels and requires that cigarette packages and advertisements carry these warnings on a rotating basis.

## **7. Comprehensive Smokeless Tobacco Health Education Act of 1986**

The Comprehensive Smokeless Tobacco Health Education Act of 1986:

- Requires manufacturers, packagers, and importers of smokeless tobacco products to place one of three statutorily prescribed health warning labels on product packages and in advertisements,
- Bars advertising of smokeless tobacco products on radio and TV.
- Directs FTC to require that the label warnings be displayed on a rotating basis, and that they be placed conspicuously on smokeless tobacco packages and in advertisements.

## **8. CAN-SPAM Act**

The CAN-SPAM Act establishes requirements for those who send unsolicited commercial email. The Act bans false or misleading header information and prohibits deceptive subject lines. It also requires that unsolicited commercial email provide recipients with a method for opting out of receiving such email and must be identified as an advertisement. In addition to enforcing the statute, FTC must issue rules involving the required labeling of sexually explicit commercial email and the criteria for determining the primary purpose of a commercial email.

The Act also instructs FTC to report to Congress on the feasibility of a National Do-Not-E-Mail Registry, as well as requiring reports on the labeling of all unsolicited commercial email, the creation of a "bounty system" to promote enforcement of the law, and the effectiveness and enforcement of the statute.

### **9. Wool Products Labeling Act**

Under the Wool Products Labeling Act, the manufacture, introduction, sale, transportation, distribution, or importation of misbranded wool is a violation of the FTC Act. The Act was amended, by the Drug Price Competition and Patent Term Restoration Act of 1984, Pub. L. No. 98-417, Section 301-307, 98 Stat. 1585, 1603, to require that wool product labels indicate the country in which the product was processed or manufactured, and mail order promotional materials clearly and conspicuously state whether a wool product was processed or manufactured in the United States or was imported.

### **10. Textile Fiber Products Identification Act**

The Textile Fiber Products Identification Act deals with mandatory content disclosure in the labeling, invoicing, and advertising of textile fiber products. Under the Act, misbranding is unlawful, as is falsely or deceptively invoicing or advertising textile fiber products. The Act also directs the Commission to establish a generic name for each man-made fiber that does not as yet have such a name.

The statute was amended by the Drug Price Competition and Patent Term Restoration Act of 1984 (Pub. L. No. 98-417) to require (1) that any textile fiber product processed or manufactured in the United States be so identified, and (2) that mail order promotional materials clearly and conspicuously indicate whether a textile fiber product was processed or manufactured in the United States or was imported.

### **11. Fair Packaging and Labeling Act**

The Fair Packaging and Labeling Act directs FTC to issue regulations requiring that all consumer commodities other than food, drugs, therapeutic devices, and cosmetics be labeled to disclose net contents, identity of commodity, and name and place of business of the product's manufacturer, packer, or distributor. The Act authorizes additional regulations where necessary to prevent consumer deception (or to facilitate value comparisons) with respect to descriptions of ingredients, slack fill of packages, use of "cents-off" or lower price labeling, or characterization of package sizes.



## **12. Fur Products Labeling Act**

The Fur Products Labeling Act requires that articles of apparel made of fur be labeled, and that invoices and advertising for furs and fur products specify, among other things, the true English name of the animal from which the fur was taken, and whether the fur is dyed or used. The Act also requires FTC to issue a Fur Product Name Guide.

## **LEGAL ASPECTS OF CONSUMER PROTECTION ACT**

Act is formulated to make sure that there is fair competition in the market and free flow of correct information from goods and services providers to the ones who consume them. In fact, the degree of consumer protection in any country is regarded as the right indicator of the progress of the country. There is high level of sophistication gained by the goods and services providers in their marketing and selling practices and different types of promotional tasks viz. advertising resulted in an increasing requirement for more consumer awareness and protection. The government of India has realized the condition of Indian consumers therefore the Ministry of Consumer Affairs, Food and Public Distribution has incorporated the Department of Consumer Affairs as the nodal organization to protect the consumer rights, redress the consumer grievances and promote the standards governing goods and services provided in India.

- If there is infringement of rights of consumer then a complaint can be made under the following circumstances and reported to the close by designated consumer court:
- The goods or services purchased by a person or agreed to be purchased by a person has one or more defects or deficiencies in any respect
- A trader or a service provider resort to unfair or restrictive practices of trade
- A trader or a service provider if charges a price more than the price displayed on the goods or the price that was agreed upon between the parties or the price that was stipulated under any law that exist
- Goods or services that bring a hazard to the safety or life of a person offered for sale, unknowingly or knowingly, that cause injury to health, safety or life.

## **ETHICS IN ADVERTISING**

Ethics means a set of moral principles which govern a person's behavior or how the activity is conducted. And advertising means a mode of communication between a seller and a buyer.

**Thus ethics in advertising means a set of well defined principles which govern the ways of communication taking place between the seller and the buyer.** Ethics is the most important

feature of the advertising industry. Though there are many benefits of advertising but then there are some points which don't match the ethical norms of advertising.

**An ethical ad is the one which doesn't lie, doesn't make fake or false claims and is in the limit of decency.**

Nowadays, ads are more exaggerated and a lot of puffing is used. It seems like the advertisers lack knowledge of ethical norms and principles. They just don't understand and are unable to decide what is correct and what is wrong.

The main area of interest for advertisers is to increase their sales, gain more and more customers, and increase the demand for the product by presenting a well decorated, puffed and colorful ad. They claim that their product is the best, having unique qualities than the competitors, more cost effective, and more beneficial. But most of these ads are found to be false, misleading customers and unethical. The best example of these types of ads is the one which shows evening snacks for the kids, they use coloring and gluing to make the product look glossy and attractive to the consumers who are watching the ads on television and convince them to buy the product without giving a second thought.

**Ethics in Advertising is directly related to the purpose of advertising and the nature of advertising.** Sometimes exaggerating the ad becomes necessary to prove the benefit of the product. For e.g. a sanitary napkin ad which shows that when the napkin was dropped in a river by some girls, the napkin soaked whole water of the river. Thus, the purpose of advertising was only to inform women about the product quality. Obviously, every woman knows that this cannot practically happen but the ad was accepted. This doesn't show that the ad was unethical.

**Ethics also depends on what we believe.** If the advertisers make the ads on the belief that the customers will understand, persuade them to think, and then act on their ads, then this will lead to positive results and the ad may not be called unethical. But at the same time, if advertisers believe that they can fool their customers by showing any impractical things like just clicking fingers will make your home or office fully furnished or just buying a lottery ticket will make you a millionaire, then this is not going to work out for them and will be called as unethical.

**Recently, the Vatican issued an article which says ads should follow three moral principles - Truthfulness, Social Responsibility and Upholding Human Dignity.**

Generally, big companies never lie as they have to prove their points to various ad regulating bodies. Truth is always said but not completely. Sometimes its better not to reveal the whole truth in the ad but at times truth has to be shown for betterment.

4. **Pharmaceutical Advertising** - they help creating awareness, but one catchy point here is that the advertisers show what the medicine can cure but never talk about the side effects of that same thing or the risks involved in intake of it.
5. **Children** - children are the major sellers of the ads and the product. They have the power to convince the buyers. But when advertisers are using children in their ad, they should remember not to show them alone doing there work on their own like brushing teeth, playing with toys, or infants holding their own milk bottles as everyone knows that no one will leave their kids unattended while doing all these activities. So showing parents also involved in all activities or things being advertised will be more logical.
6. **Alcohol** - till today, there hasn't come any liquor ad which shows anyone drinking the original liquor. They use mineral water and sodas in their advertisements with their brand name. These types of ads are called surrogate ads. These type of ads are totally unethical when liquor ads are totally banned. Even if there are no advertisements for alcohol, people will continue drinking.
  - **Cigarettes and Tobacco** - these products should be never advertised as consumption of these things is directly and badly responsible for cancer and other severe health issues. These as are already banned in countries like India, Norway, Thailand, Finland and Singapore.
  - **Ads for social causes** - these types of ads are ethical and are accepted by the people. But ads like condoms and contraceptive pills should be limited, as these are sometimes unethical, and are more likely to loose morality and decency at places where there is no educational knowledge about all these products.

**Looking at all these above mentioned points, advertisers should start taking responsibility of self regulating their ads by:**

- Design self regulatory codes in their companies including ethical norms, truth, decency, and legal points
- Keep tracking the activities and remove ads which don't fulfill the codes.

- Inform the consumers about the self regulatory codes of the company
- Pay attention on the complaints coming from consumers about the product ads.
- Maintain transparency throughout the company and system.
- When all the above points are implemented, they will result in:
- Making the company answerable for all its activities
- Will reduce the chances of getting pointed out by the critics or any regulatory body.
- Will help gain confidence of the customers, make them trust the company and their products.

## **ETHICAL PRINCIPLES OF ADVERTISING (ARTICLE 1 TO ARTICLE 25 )**

- 1. Basic principles: All advertising should be legal, decent, honest and truthful.** :Every advertisement should be prepared with a due sense of social responsibility and should conform to the principles of fair competition, as generally accepted in business. No advertisement should be such as to impair public confidence in advertising.
- 2. Decency:** Advertisements should not contain statements or visual presentations which offend prevailing standards of decency.
- 3. Honesty:** Advertisements should be so framed as not to abuse the trust of consumers or exploit their lack of experience or knowledge.
- 4. Social Responsibility: Advertisements** should not condone any form of discrimination, including that based upon race, national origin, religion, sex or age, nor should they in any way undermine human dignity.
  - Advertisements should not (without justifiable reason) play on fear.
  - Advertisements should not appear to condone or incite violence, or to encourage unlawful or reprehensible behaviour.
  - Advertisements should not play on superstition.

### **5. Truthful presentation**

Advertisements should not contain any statement or visual presentation which directly or by implication, omission, ambiguity or exaggerated claim is likely to mislead the consumer, in particular with regard to

- characteristics such as: nature, composition, method and date of manufacture, range of use, efficiency and performance, quantity, commercial or geographical origin or environmental impact;
- the value of the product and the total price actually to be paid;
- delivery, exchange, return, repair and maintenance;
- terms of guarantee;
- copyright and industrial property rights such as patents, trade marks, designs and models and trade names;
- official recognition or approval, awards of medals, prizes and diplomas;
- the extent of benefits for charitable causes.

Advertisements should not misuse research results or quotations from technical and scientific publications. Statistics should not be so presented as to exaggerate the validity of advertising claims. Scientific terms should not be used to falsely ascribe scientific validity to advertising claims.

1. **Comparisons** : Advertisements containing comparisons should be so designed that the comparison is not likely to mislead, and should comply with the principles of fair competition. Points of comparison should be based on facts that can be substantiated and should not be unfairly selected.
2. **Unassembled Merchandise** : When advertised merchandise requires partial or complete assembly by the purchaser, the advertising should disclose that fact, e.g., "unassembled," "partial assembly required."
3. **Testimonials** : Advertisements should not contain or refer to any testimonial or endorsement unless it is genuine, verifiable, relevant and based on personal experience or knowledge. Testimonials or endorsements that have become obsolete or misleading through passage of time should not be used.
4. **Portrayal or imitation of personal property** : Advertisements **should not portray or refer to any persons**, whether in a private or a public capacity, unless prior permission has been obtained; nor should advertisements without prior permission depict or refer to any person's property in a way likely to convey
5. **Exploitation of goodwill** : Advertisements should not make unjustifiable use of the name, initials, logo and/or trademarks of another firm, company or institution nor should

advertisements in any way take undue advantage of another firm, person or institution's goodwill in its name, trade name or other intellectual property, nor should advertisements take advantage of the goodwill earned by other advertising campaigns.

**Imitation: Advertisements should not be imitated in the following aspects**

- Advertisements should not imitate the general layout, text, slogan, visual presentation, music and sound effects, etc., of any other advertisements in a way that is likely to mislead or confuse the consumer.
- Where advertisers have established distinctive advertising campaigns in one or more countries, other advertisers should not unduly imitate these campaigns in the other countries where the former may operate, thus preventing them from extending their campaigns within a reasonable period of time to such countries.

**Identification of advertisements :**Advertisements should be clearly distinguishable as such, whatever their form and whatever the medium used; when an advertisement appears in a medium which contains news or editorial matter, it should be so presented that it will be readily recognized as an advertisement.

- 1. Safety and health :** Advertisements should not without reason, justifiable on educational or social grounds, contain any visual presentation or any description of dangerous practices or of situations which show a disregard for safety or health.
- 2. Children and young people :**The following provisions apply to advertisements addressed to children and young people who are minors under the applicable national law.

**a).Inexperience and Credulity**

1. Advertisements should not exploit the inexperience or credulity of children and young people.
2. Advertisements should not understate the degree of skill or age level generally required to use or enjoy the product.
3. Special care should be taken to ensure that advertisements do not mislead children and young people as to the true size, value, nature, durability and performance of the advertised product.
4. If extra items are needed to use it (e.g., batteries) or to produce the result shown or described (e.g., paint) this should be made clear.

5. A product that is part of a series should be clearly indicated, as should the method of acquiring the series.
6. Where results of product use are shown or described, the advertisement should represent what is reasonably attainable by the average child or young person in the age range for which the product is intended.
7. Price indication should not be such as to lead children and young people to an unreal perception of the true value of the product, for instance by using the word 'only'. No advertisements should imply that the advertised product is immediately within reach of every family budget.

**b) Avoidance of Harm**

Advertisements should not contain any statement or visual presentation that could have the effect of harming children and young people mentally, morally or physically or of bringing them into unsafe situations or activities seriously threatening their health or security, or of encouraging them to consort with strangers or to enter strange or hazardous places.

**c) Guarantees**

Advertisements should not contain any reference to a guarantee which does not provide the consumer with additional rights to those provided by law. Advertisements may contain the word "guarantee", "guaranteed", "warranty" or "warranted" or words having the same meaning only if the full terms of the guarantee as well as the remedial action open to the purchaser are clearly set out in the advertisements, or are available to the purchaser in writing at the point of sale, or come with the goods.

3. **Unsolicited products:** Advertisements should not be used to introduce or support the practice whereby unsolicited products are sent to persons who are required, or given the impression that they are obliged to accept and pay for these products (inertia selling).
4. **Claimed Results :**Claims as to energy savings, performance, safety, efficacy, results, etc. which will be obtained by or realised from a particular product or service should be based on recent and competent scientific, engineering or other objective data.
5. **Layout and Illustrations :**The composition and layout of advertisements should be such as to minimise the possibility of misunderstanding by the reader. For example, prices, illustrations, or descriptions should not be so placed in an advertisement as to give the impression that the price or terms of featured merchandise apply to other merchandise in the advertisement when

such is not the fact. An advertisement should not be used which features merchandise at a price or terms boldly displayed, together with illustrations of higher-priced merchandise, so arranged as to give the impression that the lower price or more favourable terms apply to the other merchandise, when such is not the fact.

6. **Asterisks and Abbreviations** :An asterisk may be used to impart additional information about a word or term which is not in itself inherently deceptive. The asterisk or other reference symbol should not be used as a means of contradicting or substantially changing the meaning of any advertising statement. Information referenced by asterisks should be clearly and prominently disclosed. Commonly known abbreviations may be used in advertising. However, abbreviations not generally known to or understood by the general public should be avoided.
7. **Environmental behaviour:** Advertisements should not appear to approve or encourage actions which contravene the law, self-regulating codes or generally accepted standards of environmentally responsible behavior
8. **Responsibility**
  - Responsibility for the observance of the rules of conduct laid down in the Code rests with the advertiser, the advertising practitioner or agency, and the publisher, media owner or contractor.
  - Advertisers should take the overall responsibility for their advertising.
  - Advertising practitioners or agencies should exercise every care in the preparation of advertisements and should operate in such a way as to enable advertisers to fulfil their responsibilities.
  - Publishers, medium-owners or contractors, who publish, transmit or distribute advertisements should exercise due care in the acceptance of advertisements and their presentation to the public.
  - Those employed within a firm, company or institution coming under the above three categories and who take part in the planning, creation, publishing or transmitting of an advertisement have a degree of responsibility commensurate with their positions for ensuring that the rules of the Code are observed and should act accordingly.
9. **Rules apply to entirety of advertisement** :The responsibility for observance of the rules of the Code embraces the advertisement in its entire content and form, including testimonials and



statements or visual presentations originating from other sources. The fact that the content or form originates wholly or in part from other sources is not an excuse for non-observance of the rules.

10. Effect of subsequent redress for contravention :While an advertiser's subsequent correction and appropriate redress for a contravention of the Code are desirable, they cannot excuse the original contravention of the Code.
11. **Alarmist Marketing** :An advertiser should not engage in speculation or provide information intended to cause alarm and force action. Such actions include overstating the legal implications of a non-defined action.
12. Substantiation : Descriptions, claims or illustrations relating to verifiable facts should be capable of substantiation. Advertisers should have such substantiation available so that they can produce evidence without delay to the self-regulatory bodies responsible for the operation of the Code.

## **UNFAIR TRADE PRACTICE**

An unfair trade practice means a trade practice, which, for the purpose of promoting any sale, use or supply of any goods or services, adopts unfair method, or unfair or deceptive practice.

### **Definition of Unfair Trade Practice**

UTPs encompass a broad array of torts, all of which involve economic injury brought on by deceptive or wrongful conduct. The legal theories that can be asserted include claims such as trade secret misappropriation, unfair competition, false advertising, palming-off, dilution and disparagement. UTPs can arise in any line of business and frequently appear in connection with the more traditional intellectual property claims of patent, trademark and copyright infringement. Specific types of UTPs prohibited in domestic law depend on the law of a particular country. The World Bank (WB) and the Organization for Economic Cooperation and Development (OECD) Model Law, for example, lists the following trade practices to be unfair

- Distribution of false or misleading information that is capable of harming the business interests of another firmD
- Distribution of false or misleading information to consumers, including the distribution of information lacking a reasonable basis, related to the price, character, method or place of

production, properties, and suitability for use, or quality of goods; false or misleading comparison of goods in the process of advertising;

- Fraudulent use of another's trade mark, firm name, or product labelling or packaging;
- Unauthorized receipt, use or dissemination of confidential scientific, technical, production, business or trade information. The dictionary meaning of 'unfair trade practice' is: a trade practice which, for the purpose of promoting the sale, use or supply of any goods or for the provision of any service, adopts any unfair method or unfair or deceptive.

**Unfair practices may be categorized as under:**

### **False Representation**

The practice of making any oral or written statement or representation which:

- Falsely suggests that the goods are of a particular standard quality, quantity, grade, composition, style or model;
- Falsely suggests that the services are of a particular standard, quantity or grade;
- Falsely suggests any re-built, second-hand renovated, reconditioned or old goods as new goods;
- Represents that the goods or services have sponsorship, approval, performance, characteristics, accessories, uses or benefits which they do not have;
- Represents that the seller or the supplier has a sponsorship or approval or affiliation which he does not have;
- Makes a false or misleading representation concerning the need for, or the usefulness of, any goods or services;
- Gives any warranty or guarantee of the performance, efficacy or length of life of the goods, that is not based on an adequate or proper test;
- Makes to the public a representation in the form that purports to be-
- a warranty or guarantee of the goods or services,
- promise to replace, maintain or repair the goods until it has achieved a specified result,
- if such representation is materially misleading or there is no reasonable prospect that such warranty, guarantee or promise will be fulfilled
- Materially misleads about the prices at which such goods or services are available in the market; or

- Gives false or misleading facts disparaging the goods, services or trade of another person.

#### **False Offer of Bargain Price-**

- Where an advertisement is published in a newspaper or otherwise, whereby goods or services are offered at a bargain price when in fact there is no intention that the same may be offered at that price, for a reasonable period or reasonable quantity, it shall amount to an unfair trade practice.
- The 'bargain price', for this purpose means-
  - the price stated in the advertisement in such manner as suggests that it is lesser than the ordinary price, or
  - the price which any person coming across the advertisement would believe to be better than the price at which such goods are ordinarily sold.

#### **Free Gifts Offer and Prize Schemes**

- The unfair trade practices under this category are:
  - Offering any gifts, prizes or other items along with the goods when the real intention is different, or
  - Creating impression that something is being offered free alongwith the goods, when in fact the price is wholly or partly covered by the price of the article sold, or
  - Offering some prizes to the buyers by the conduct of any contest, lottery or game of chance or skill, with real intention to promote sales or business.

#### **Non-Compliance of Prescribed Standards**

- Any sale or supply of goods, for use by consumers, knowing or having reason to believe that the goods do not comply with the standards prescribed by some competent authority, in relation to their performance, composition, contents, design, construction, finishing or packing, as are necessary to prevent or reduce the risk of injury to the person using such goods, shall amount to an unfair trade practice.
- **Hoarding, Destruction, Etc .Any practice** that permits the hoarding or destruction of goods, or refusal to sell the goods or provide any services, with an intention to raise the cost of those or other similar goods or services, shall be an unfair trade practice.