



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: COP 412

COURSE TITLE: COOPERATIVE MARKETING

COURE GUIDE

COURSE: COP 412 COOPERATIVE MARKETING (2 UNITS)

Course Leader: Dr. O. J. Onwe

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INTRODUCTION

The object of co-operative marketing is for producers to sell products surplus to their own needs and those of their immediate neighbours. The great majority of marketing co-operatives deal with agricultural produce, though some handle fish (which raises very similar problems) or the output of cottage industries. The reason for setting up a marketing co-operative may be that the farmers or fishermen) who wish to become members have hitherto produced only for themselves and their own village, but that, with improved methods, they could produce more if they had any means of getting their crop to market and selling it at a profit; it may be that they are already selling, but to middlemen who exploit them by giving false weights paying low prices, or advancing money at high rates of interest; or it may be that the existing marketing system though it may not exploit the producer is out of date, involves rehandling by too many middlemen and fails to give the producer the best return possible.

It follows from this that, in almost every case, the marketing co-operative has not only to provide an alternative to the merchant, who is already in business, but has to provide a service which is noticeably more efficient. If it is only about as efficient as the merchant, there may be some profit to divide among members but such profits may not be as large as the members expect if it is less efficient there may be nothing to divide at all.

WHAT YOU WILL LEARN IN THE COURSE

During this course, you will be learning about:

- Cooperative marketing concept
- Cooperative pricing
- Customer relationship management
- Cooperative marketing in the new millenium
- Farm supply cooperative
- Wholesale marketing
- Marketing strategy
- New product development
- Branding cooperative marketing
- Market segment
- Marketing mix
- Sales in cooperative marketing
- Advertising
- Contemporary issues on advertising
- Direct marketing

COURSE AIM AND OBJECTIVES

This course aims at:

- Explain Cooperative marketing concept
- Discuss Cooperative pricing
- Analyze Customer relationship management
- Effect Cooperative marketing in the new millenium
- Use Farm supply cooperative
- Wholesale marketing
- Articulate Marketing strategy
- Learn New product development
- Understand Branding cooperative marketing
- Explain Market segment
- Discuss Marketing mix
- Apply Sales in cooperative marketing
- Use Advertising
- Analyze Contemporary issues on advertising
- Effect Direct marketing

When all the above aims are considered, we can conclude that the major aim of the course is to expose you to various areas of cooperative marketing so as to enhance the effective performance among members, employees, suppliers, buyers and other stakeholders.

WORKING THROUGH THIS COURSE

For you to complete this course successfully, you are required to read the study units, reference books, and other resources that are related to the unit. Each unit of the course contains Tutor Marked Assignment.

The Tutor Marked Assignment (TMA) is to be done immediately and submitted to your tutorial lecturer/course facilitator for assessment.

The medium to be used and the time to submit the TMA will be specified to you later. This course is a 2-credit course. As such you are expected to spend a minimum of two hours every week studying the course. You are expected to complete the entire course outline within a period of 18-25 weeks.

COURSE EVALUATION

As stated before every unit of this course has an assignment attached to it. You are required to keep an assignment file. After every unit the assignment should be done. At the end of the course, the evaluation shall be as follows:

Assignment – 30 %
Examination – 70%
Total =100%

Out of all the assignment you will do, each one shall be marked and converted to 3%. At the end of the best 10 shall be selected so as to make up to 30%. The examination at the end of the course shall cover all aspect of the course.

COURSE UNITS

In this course, we have discussed the topic of the course content titled Consumer Cooperatives under different topics. Based on this, the following units have been designed for the course.

UNIT	TITLE
5.0	COOPERATIVE MARKETING CONCEPT
6.0	COOPERATIVE PRICING
7.0	CUSTOMER RELATIONSHIP MANAGEMENT
8.0	COOPERATIVE MARKETING IN THE NEW MILLENNIUM
9.0	FARM SUPPLY COOPERATIVE
10.0	WHOLESALE MARKETING
11.0	MARKETING STRATEGY
12.0	NEW PRODUCT DEVELOPMENT
13.0	BRANDING COOPERATIVE MARKETING
14.0	MARKET SEGMENT
15.0	MARKETING MIX
16.0	SALES IN COOPERATIVE MARKETING
17.0	ADVERTISING
18.0	CONTEMPORARY ISSUES ON ADVERTISING
19.0	DIRECT MARKETING

These units must be treated sequentially; as a logical link exists in the arrangement. Every previous unit lays a foundation for subsequent ones. A maximum period of one week is required for every unit.

REFERENCE MATERIAL AND OTHER SOURCES

As was earlier mentioned, materials relevant to the course include not only the ones below but also others that you can lay your hand on. But for now, the following references are recommended.

- ligh, Philip; Douglas Turk (2004). *CRM unplugged – releasing CRM's strategic value*. Hoboken: John Wiley & Sons. ISBN0-471-48304-4.
- Paul H. Selden (1997). *Sales Process Engineering: A Personal Workshop*. Milwaukee, WI: ASQ Quality Press. p. 23.
- Dyche, 2002, Managing Your CRM Project
- Gartner, Inc (2008-09-12). Gartner Says Worldwide Customer Relationship Management Market Grew 23 Percent in 2007. Press release. <http://www.gartner.com/it/page.jsp?id=715308>. Retrieved on 2008-08-15.
- Gartner, Inc. (22 June 2007) Commonly Deployed CRM Application Vendors in 2006

Datamonitor (22 August 2007). Datamonitor suggests Oracle, SAP likely to remain at top CRM market

PRESENTATION SCHEDULE

Specific dates for particular activities, such as submission of assignment, tutorial schedules and examination dates shall be made available to you on a later date. This will enable you plan your activities in the same line. The method of submitting your assignment and receiving other course materials shall be agreed upon on a later date. You should endeavour not to be falling behind the schedule whenever it is given.

CONCLUSION

By the time you exhaust this course, you will find it useful to join or be a promoter or be a consultant of any cooperative marketing in your environment and society at large.

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**COOPERATIVE MARKETING
(2 UNITS)**

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UNIT ONE: COOPERATIVE MARKETING CONCEPT

1.0 INTRODUCTION

The object of co-operative marketing is for producers to sell products surplus to their own needs and those of their immediate neighbours. The great majority of marketing co-operatives deal with agricultural produce, though some handle fish (which raises very similar problems) or the output of cottage industries. The reason for setting up a marketing co-operative may be that the farmers or fishermen) who wish to become members have hitherto produced only for themselves and their own village, but that, with improved methods, they could produce more if they had any means of getting their crop to market and selling it at a profit; it may be that they are already selling, but to middlemen who exploit them by giving false weights paying low prices, or advancing money at high rates of interest; or it may be that the existing marketing system though it may not exploit the producer is out of date, involves rehandling by too many middlemen and fails to give the producer the best return possible.

It follows from this that, in almost every case, the marketing co-operative has not only to provide an alternative to the merchant, who is already in business, but has to provide a service which is noticeably more efficient. If it is only about as efficient as the merchant, there may be some profit to divide among members but such profits may not be as large as the members expect if it is less efficient there may be nothing to divide at all.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- Discuss knowledge of commodities
- Analyse Market Finance
- Examine Contracts to deliver
- Articulate Weighing and grading
- Organise Movement and storage of produce
- Plan Processing

3.0 MAIN CONTENT:

3.1 Knowledge of commodities

In setting up a marketing co-operative the first need is for a knowledge of the commodity to be handled. This may be anything within a very wide range of produce—grain: dairy produce in all its forms: livestock or meat; eggs and poultry: fruit and vegetables (either fresh or dried): fibres such as cotton, silk or wool: coffee: cocoa: wine: sugar: tobacco: oil—seeds and other items of less importance. Before these can be handled successfully, someone must be found who knows how to judge the qualities of rice, tobacco or wool, and grade deliveries as they come in. This person must also know what the usual grades are likely to be in the district, what quantities are likely to be available and at what times of the year; whether the product is perishable and what conditions it can be stored; what the existing system of marketing is, whether producers are paid in advance or after sale, before or after grading; what happens to the produce when it leaves the district; whether it is processed, and, if so, when and where; who are the final consumers, and what are their tastes. Most of this information can be obtained from a well-conducted market survey. Additional data may be obtained from municipal, town and corporate authorities, government

economic surveys and university departments. On the basis of information of this kind it is possible to plan a co-operative enterprise which will be able to handle one or more stages in the marketing process.

How much should be attempted will depend partly on the commodity and partly on the resources—especially the financial resources—which the co-operative can command. In the most developed form of marketing the “long arm” of the producer can be extended through a system of vertical integration. Here the producer gains part-ownership of a co-ordinated network that begins with the local co-operative society which in turn has part-ownership of a secondary and possibly an apex co-operative. Through this extended system, the producer acquires the benefits of the best equipment, of well-qualified manpower, and of adequate capital resources to minimise marketing risks. The simplest form of marketing calls for little equipment besides a building with a good floor and roof, A weighing machine and some containers—sacks, boxes or baskets—in which the crop can be shipped on to the consumer it may be worth while having a lorry either to collect produce or to take it to the railway, or both. The staff may be confined to a manager-grader, a secretary-accountant, a driver and one or two other workers.

3.2 Market Finance

The scheme just described sounds not only simple but also cheap, but it fails to take account of a very important financial question which is sometimes forgotten by co-operative beginners. Farmers who sell their produce almost always expect to be paid immediately. Some may be

prepared to accept, say, two-thirds of the price and wait for the remainder until the crop has found its final purchaser.

Many more, on the other hand, expect to receive an advance, perhaps when the seed is barely in the ground and the fruit unformed on the tree. However, will have to wait for its money it may not be able to sell immediately and the crop will have to be stored. It may be selling in a distant market and there will be transport costs. It may have to undertake processing and there will be fuel and labour costs. It may sell to retailers who are slow payers. Capital to cover this waiting period and the costs that may go with it is one of the most serious needs of the marketing co-operative. It may be met in various ways. If the members are enthusiastic, they may subscribe substantial share capital. In time the co-operative will accumulate reserves, and it will be in a position to go to an ordinary bank and Marketing finance ask for an overdraft for a few months. It may obtain this more easily from a co-operative bank or, in some countries, from government funds available for promoting agricultural business. Alternatively, there may be a co-operative credit society in the village, of which the farmers belonging to the marketing society are also members. In such a case the co-operative itself may not make any payment on delivery but may give the member a receipt for the produce received. This receipt can be taken to the credit society, which will make a loan secured on the receipt the latter being deposited at the credit society's office.

There is, however, the further problem that in many countries farmers not only want to be paid in advance but need to borrow for cultivation expenses. Such loans can be obtained from money-lenders, generally at very high rates and on condition that the crop is delivered to the lender for sale. Arrangements of this kind mean that little produce reaches the

marketing co-operative. The co-operative can itself make cultivation loans to members, but if it operates, as is often the case, over a fairly wide area, it will be difficult to supervise the expenditure of the loan as well as to secure deliveries at harvest time. An alternative plan is to link credit with marketing by coming to an arrangement with local co-operative credit societies. Under this arrangement the credit societies become members of the marketing society and make loans to farmers on condition that the crops raised with the loan are delivered for sale to the marketing society. The marketing society is then authorised to repay the loan to the credit society from the proceeds.

The formation of a multi-purpose society is another possibility. Here the members generate funds by purchasing their supplies, marketing their produce and using the thrift and credit facilities of one and the same organisation. This type of co-operative may well provide the most satisfactory solution to the various problems of marketing finance at the local level.

3.3 Contracts to deliver

It is very much to the advantage of the co-operative that it should be able to count on receiving the whole of each member's output. apart. of course, from such produce as may be consumed at home. If the co-operative knows what deliveries to expect and can count on them for a number of years ahead, it can plan its premises processing plant and staff accordingly, and count on full use being made of them. For this reason there are many countries in which the member on joining the co-operative, is either bound by the rules to deliver all produce to the latter or signs a

special contract pledging to do so. There are instances as well where a co-operative will accept no produce beyond what has been contracted for, nor any produce from persons who have not signed a contract beforehand. There is much to be said for this arrangement which, among other things makes it easier for the co-operative to borrow for capital equipment. But there are arguments on the other side. In some countries the law does not allow the enforcement of perpetual contracts of this kind, though it would allow the enforcement of a contract over a few years. Even if the contract was enforceable, it would be impossible for the co-operative to prosecute any considerable number of its own members who might be tempted to break away as a better offer from private merchants. Finally, it has been argued that the assurance of continuity for which no effort has to be made may lead the society to become slack and offer a less than fully "competitive" service.

A rather different method is adopted in some Asian countries. The local credit selects one of its own board members as marketing officer, with the task of supervising the use to which loans are put and ensuring that the crops produced are delivered to the marketing society. This officer is regarded as the agent of the marketing society and receives a small commission on produce delivered. This has been found useful in places where even members of a marketing co-operative and a local credit society are unwilling to abandon the trader to whom they and their forebears have always delivered produce. or where they are in debt to him, or where they are simply careless or self-willed. A more enduring way of assuring the co-operative of an adequate supply of produce is by means of a continuous

and well-organised programme of member education. Generally, persuasion is more powerful than any legal contract.

Arrangements will have to be made for the physical process of delivering produce. Much of it no doubt will be brought in by members themselves, especially in the case of seasonal crops. Where, however, perishable produce has to be delivered daily, often by a certain hour (as in the case of milk or soft fruit) or (eggs) it may be more economical for the co-operative to arrange for collection by lorry. The lorry can cover a good deal of ground in a day, picking up small quantities from a large number of members, and so keep up a steady flow of supplies. It should do away with late and irregular deliveries, which can be as troublesome as no deliveries at all. The lorry may not be able to go to every village, still less to every farm, as many will not be on hard roads. Cans of milk and cases of eggs or vegetables can, however, be brought to collecting points at the roadside, at which simple platforms can be built to make the work of lifting them onto the lorry quicker and easier.

3.4 Weighing and grading

All produce must be weighed on arrival. In some countries local weights and measures are not standardised, and even if government regulations exist they are evaded. A co-operative does its members an important service simply by using weighing machines and standard weights. In most cases produce must also be graded. Sometimes this is a matter of precise semi-scientific testing as, for instance, in the determination of fat content or purity of milk: in other cases - such as determining the weight and freshness of an individual egg - simpler tests will suffice. Sometimes grading operations are mechanized, as in the weight grading of citrus fruit. In other cases

expert graders, trained by long experience, use their eyes, fingers and sometimes their nose. If the quantities delivered are large, they base their judgments on samples. Cereals are judged largely by shape and colour: fibres by length, colour, lustre and strength; livestock by the conformation of the body and evidence of health and age. Division by grades is not wholly a matter of good and bad, sometimes different grades serve different purposes. There is feed barley and malting barley; fine wool goes to the weavers and coarse wool to the carpet makers. Much of the art of marketing lies in recognising the best uses to which a given sample can be put, and knowing the markets in which it can be sold. A few kinds of produce-soft fruits, for instance-are too delicate to bear being handled twice and must therefore be packed before they leave the grower's holding. In such cases members have to be trained to do their own grading and to understand that in the long run they will not do themselves any good by putting the best fruit on the top of the basket.

In all other cases it is very much to the advantage both of the co-operative and of the farmer-member that the produce be not only graded, but also pooled, by the society. Selling large quantities of produce of a uniform grade 'to manufacturers or retailers is much more profitable than selling small lots, each perhaps including produce of different qualities, to wholesalers who will themselves grade pool and take the profit on the operation.

3.5 Movement and storage of produce

Almost all produce moves in containers of some kind-sacks, boxes or baskets (although in highly mechanised countries grain sometimes moves all the way from farm to mill in bulk). Containers will almost certainly have

to be supplied by the co-operative, if not to members on their farms then at least for the movement of produce from the co-operative to mill or market. Sometimes the co-operative can make its own containers, and the making of boxes or baskets from local materials may give some welcome employment to local people. In most cases, however, they will have to be bought, they may be either "returnable" or "non-returnable". A strong box or sack may make several journeys before it falls to pieces, and its life may be lengthened by mending. There is, however, a good deal of trouble involved in seeing that empty containers really are returned some are lost or pilfered, and in any case transport costs have to be paid the tendency now is, wherever possible, to use "non-returnable" containers-strong paper sacks, cardboard boxes, rough nets woven of local materials-and to use them once only. In deciding what kinds of container or packing to use it must, of course, be remembered that some products are liable to damage during transport by being frozen or overheated and must, therefore, be treated accordingly.

Produce, unless it is perishable, will not always be sent to market as soon as it is received, It may indeed be one of the main purposes of the co-operative to store produce immediately after the harvest and release it only gradually, thus preventing a glut and a consequent heavy fall in prices. It is necessary to have some idea of how long a given commodity can safely be held before deterioration sets in. The type of storage required, the desirable temperature and degree of humidity, the facilities for inspecting stocks as well as for receiving and dispatching will vary with the commodity and, to some extent, with the climate. No general rules can be laid down and the best advice available must be taken. It must be faced that some

commodities lose moisture in storage, and therefore the weight will be less after some months than it was when the member delivered his crop and received payment for it. In some cases stocks are taken on consignment, and payment is later thus taking account of shrinkage. Some crops have to be cleaned, and this too may reduce weight and cause an apparent loss.

Although the technical details about the type and method of storage will vary widely according to the nature of goods being held, what remains true in every case is that education and training of staff is essential. Management must instil a sense of urgency about maintaining stocks in the best possible condition. The farmer counts every kernel because the family's livelihood depends on it. Staff must learn to regard goods in their care with the same concern. Both management and staff must be trained to avoid pesticides that are dangerous to health or, if they must be used, to use them with extreme caution to prevent contamination of the goods in storage. Basic cleanliness in the storage area is important but is too often considered to be a secondary matter. To ensure that the area is kept in good order, the general manager should establish a procedure to be followed by the staff. The staff should be trained in the procedure and regularly inspected. Any departure from procedure should be followed by action. Managers themselves must be taught to appreciate the extent of financial loss involved in careless handling of goods, and to realise that damaged stock of any kind is money lost.

3.6 Product Processing

The line between preserving and processing is difficult to draw. It might be said that processing begins when the raw product is turned into something recognizably different. This happens when milk is made into butter or grapes into wine, though, as a matter of history, a process like cheese-making must originally have been a of preserving milk. Many agricultural products lend themselves to processing, sometimes into more than one article. There may be a series of processes: the grapes are pressed for wine, what is left after pressing is distilled into pure alcohol, the pips are crushed to extract oil for soap-making, and the final are dried and used for fertilizer. Or there may be alternatives: milk may be converted into butter or cheese, or it may be condensed or dried. Skim milk may be dried and used as calf-feed, or it may be made into casein and end up as a button an umbrella handle. In the case of the palm tree, different parts of the same plant may the put to a great many uses, either all at once or as alternatives, it is part of the skill of marketing co-operatives to understand, and have the equipment to undertake, as many of these processes as possible. In the first place, it is important see that nothing is wasted. In the second, market demands fluctuate. They may at some point be good for butter and had for condensed milk, good for canned fruit and had or jam. It is the business of the manager of a marketing co-operative to watch these changes, to try to forecast what the position will be in three months, six months or a years time, and to decide accordingly whether to sell the commodity fresh or to process it arid, if it is to be processed, into what article. Processing does riot always increase the value of the product. It may only be undertaken as a way of preserving that part of a perishable product for which there is no local or no immediate market. If only a small quantity is handled by the co-

operative, the cost of processing or transport may be too high to allow a profit. In that case, it might be better to sell the surplus raw product to a secondary co-operative or to a commercial processor working on a large scale.

The whole question of whether a co-operative should go in for processing as well as simple marketing is tied up with calculations of this kind, which involve planning not months but years ahead. Such decisions are also influenced by the fact that the mere marketing of a raw material on its first removal from the farm gives the producer only a little more control over his or her own produce than if it had been sold at the farm gate. The farmer will still be dependent on cotton ginners, sugar refiners and the proprietors of slaughter houses and condensaries, who will continue to dictate prices. The desire to extend the member's control over his product further along the road to the consumer is at least as strong a motive for taking up processing as is the need to offer different forms of the product in different markets. Both must be taken into account before a decision is reached.

4.0 CONCLUSION

In conclusion, information on knowledge of commodities to be marketed can be obtained from a well-conducted market survey. Additional data may be obtained from municipal, town and corporate authorities, government economic surveys and university departments,

5.0 SUMMARY

This unit discussed the following: knowledge of commodities, Market Finance, Contracts to deliver, Weighing and grading, Movement and storage of produce, and finally products Processing

6.0 REFERENCES

1. Bligh, Philip; Douglas Turk (2004). *CRM unplugged – releasing CRM's strategic value*. Hoboken: John Wiley & Sons. ISBN 0-471-48304-4.
2. Paul H. Selden (1997). *Sales Process Engineering: A Personal Workshop*. Milwaukee, WI: ASQ Quality Press. p. 23.
3. Dyche, 2002, Managing Your CRM Project
4. Gartner, Inc (2008-09-12). Gartner Says Worldwide Customer Relationship Management Market Grew 23 Percent in 2007. Press release. <http://www.gartner.com/it/page.jsp?id=715308>. Retrieved on 2008-08-15.
5. Gartner, Inc. (22 June 2007) Commonly Deployed CRM Application Vendors in 2006
6. Datamonitor (22 August 2007). Datamonitor suggests Oracle, SAP likely to remain at top CRM market

7.0 TUTOR MARKED ASSIGNMENT

1. Briefly discuss market finance in cooperative marketing?
2. What do you understand by product processing in cooperative marketing?

UNIT TWO: COOPERATIVE PRICING

1.0 INTRODUCTION

When a product, either raw or processed, is ready for sale, there are several alternative ways of disposing of it. For raw produce the co-operative may operate a retail shop, or it may hold an auction on its own premises with an auctioneer appointed by the society. The latter method is frequently used in European and North American countries for the sale of livestock, fresh fruit and vegetables, and sometimes eggs or wool. The produce of each member is offered for sale separately and sold to the highest bidder, who is responsible for removing his purchases and paying on the same day. The system places minimum financial responsibility on the co-operative or its members, but success depends on attracting a large number of buyers to the auction and on the skill of the auctioneer in preventing the formation of buyers rings.

If only local buyers are present, the ring may seem unbreakable, but an enterprising society should be able to bring in buyers from other areas, so that competition is restored and prices once more begin to move freely. On the other hand, buyers may try to boycott the co-operative auction altogether. In such a case an alternative arrangement, such as a direct sale to exporters, may have to be devised, if only as a temporary measure to bring buyers to reason.

In some countries it is customary to allow credit for a week or two to traders who buy at auctions, in such cases the co-operative retains custody of the produce until the debt is discharged. The position is further safeguarded by allowing credit only to "approved customers" selected by the board of the

society, which also fixes the limits within which credit may be very to each. In addition, buyers have to deposit 25 per cent of their proposed bid before taking part in the auction. A variation in the auction system is purchase by lender.

Auctioning is less often used for the sale of perishable products, and it is not the only way even for perishables. Fresh milk, for instance, goes to retailers (generally after pasteurization and probably bottling) and is distributed by them direct to the consumer. Fresh fruit and vegetables often move in the same way, but generally pass first through (the hands of a wholesaler or wholesale agent, to whom they are sold by "private treaty" or bargaining which takes place at a meeting, by correspondence or over the telephone. Alternatively, or in addition the society may open its own wholesale or retail depot either at its headquarters or, perhaps, in quite distant centres of consumption. This method has been used both for agricultural products and for the output of cottage industries. Such a society may purchase the goods outright from its member societies, but it may do all or part of its business on commission so as to avoid being caught on a falling market with large stocks in its warehouses.

The marketing of products which cannot be consumed in their natural state is often complicated. The co-operative which does the processing itself may sell its butter or cheese, its wine or canned tomatoes direct to wholesalers or retailers, including consumers' co-operatives. It may, on the other hand, carry on only the first of several processes: it may gin cotton but not spin or weave, mill flour but not bake bread. In that case, it must sell the half-finished product to a manufacturer who will complete its transformation. Most manufacturers specialise in certain grades of products. It is a large part of the business of marketing to know all the

different buyers, to establish good relations with them and to understand their special requirements. Consumer taste varies between different countries, and even between different parts of the same country: the north may like fat meat and the south lean: certain foods may only be eaten in hot weather or on certain least days: some foods are luxuries which cannot be sold except to hotels or in districts where the standard of living is high. Again, it is essential to make a market survey well in advance of investment.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- Explain markets and prices

- Examine Federal Marketing Cooperative

- Analyze Marketing boards and government controls

3.0 MAIN CONTENT:

3.1 Markets and prices

Unless they are subject to close government control, prices vary greatly from one market to another, and in the same market at different times of the year or even from day to day. They depend largely, but not wholly, on the quantity of the commodity being offered for sale or likely to be offered in the near future. They may depend on the volume of imports as well as of home-grown produce. Buyers will not pay a high price for scarce home-grown fruit if they know that a ship bringing quantities of the same fruit at much lower prices has just docked and that the fruit will be in the market tomorrow. Prices and the way in which they are influenced by supplies, by normal ups and downs during the year and by the kind of forecasts which

can be made about them, have long been the subject of expert study. Special information services, public or private, as well as sections of commercial and financial journals are devoted to various forms of market intelligence. The business of marketing, then, is not a simple one. It calls for skilled professional staff with a flair for business, as well as complete honesty, and such people are neither easy to find nor cheap to employ. The complications of marketing and the demands on managerial skill are increased when the buyer-manufacturer, wholesaler, retailer or consumer lives in a different country, perhaps in a different continent from the one in which the commodity is produced. This raises questions of transport, shipping space, export and import licences, customs, currency regulations and exchange rates. Correspondence and other business contacts may have to be carried on in one or more foreign languages. Personal visits may have to be made in order to see the exact type of product which customers require, and for which they are prepared to pay the highest price. Technological improvements in international communications through computer hook-ups, telex and satellite networks have not altered the basic complexities of the business nor have they lessened the need for skilled professional staff. They have merely made everything happen faster.

3.2 Federal marketing co-operatives

International marketing is likely to be beyond the resources and the experience of local co-operative marketing societies, though some of these do attempt to sell direct to neighbouring countries. Few, however, are likely to have the necessary expert knowledge of markets or the volume of trade necessary to secure the best prices or the best transport rates. Besides, if a number of local societies were all attempting to sell in the same foreign or

indeed national) market they would compete with one another and those who would gain would be the buyers who would play one co-operative off against another. The answer to this problem is the co-operative marketing federation, of which all local co-operatives handling a particular commodity become members. In some large countries, especially those in which communication is difficult, there are state, district or provincial federations which in turn unite to form a national organisation. The system then is that each local or primary co-operative is free to sell locally as much of its output as can be consumed by individuals, retailers or factories. Anything which cannot be sold locally is transferred to, or at an rate put at the disposal of the district federation. This in turn sells whatever can be absorbed by the province which may include industrial areas or important population centres. The rest and this may easily be the greater part of the producers' output — is for the national federation to handle, often by way of export, and sometimes through sales inside the country in areas where the commodity is not produced in sufficient quantities to meet local demand. The national federation is in a much better position to do this than any primary or district co-operative for the following reasons:

It can specialise and become expert in a single commodity.

It commands a larger volume of produce which, if the primary societies have done their job, should be uniformly graded and properly packed.

It has offices and probably warehouses, perhaps cold storage facilities, in the principal trading city, probably a port, which deals with the commodity.

It is in touch with banks, whether co-operative, private or state run, and be in a position to negotiate temporary loans, so that primary societies

and their members can be paid while the federation waits for distant buyers to settle their accounts.

It has the resources to employ well-paid, well-qualified staff with experience various markets, prices, foreign buyers and government regulations.

The principle of federation may go further still and the co-operative marketing federations of more than one country may join together to establish an office in centre of world trade such as London or New York, where they can jointly sell their produce. They will be able to employ and share expert services; they will avoid competing with one another, and if the product is a seasonal one they may, if they have different harvest seasons, be able to keep up a continuous supply all year round, thus avoiding slack periods during which they would lose touch with customers and well-paid stall' would remain idle.

3.3 Marketing boards and government controls

Marketing does not take place under conditions of completely free private but is subject to various controls. Apart from the international customs and currency restrictions already mentioned, there are a large number of internal controls covering quality, hygiene, methods of handling, and quantities which may be placed on the market at any one time, With these the manager of a marketing must become familiar. They affect plans for disposing of the crop and a breach of them incurs penalties. In the case of certain commodities on which heavy taxes are paid, especially alcohol and tobacco, the control is particularly strict, both for revenue and social reasons, and in some countries the only buyer a state monopoly to which co-operatives must sell their whole output.

A rather different development is that of the marketing board or export board which controls either all sales or all exports of a given commodity or group of commodities. Some of these boards are government institutions, though of producers wholesalers and exporters are usually invited to sit on them, at least in an advisory capacity. In other cases the boards are elected by the producers themselves, generally after a preliminary poll in which the latter that they wish a board to be set up. To this extent a marketing board bears some resemblance to a marketing co-operative. Unlike the ordinary kind of co-operative, however, a marketing board once established is vested with statutory powers by which all producers, whether they voted for the establishment of the board or not, are compelled to sell their produce as and when the board directs. The board itself may or may not act as a merchant or hold auction sales. Very occasionally powers of

this kind have been given to a co-operative — generally when the co-operative already had the support of the great majority of producers, with only a minority threatening to undercut prices or lower quality by ignoring established grades.

The relations between co-operatives and marketing boards vary from one country to another, or even within a given country depending upon the type of commodity handled. In some countries co-operatives have welcomed the setting up of a national board as providing the best possible guarantee of stability for the industry concerned, while the board on its side has made the fullest use of existing co-operatives as its local agents and has promoted the formation of anew co-operatives in districts where they did not exist. Elsewhere marketing boards have ignored or even superseded existing co-operatives and have preferred to use private traders or to set up collecting and processing centres of their own. Others, again, have taken a strictly neutral attitude. It is important, in any country where marketing boards have been or are being set up, for co-operatives and their advisers to study very carefully what their own position is or will be in relation to the boards. If possible, those who run the board should be persuaded that without local co-operative organisation they can never run a national marketing scheme to the advantage of the producer or even in the most economical and efficient manner. At the very least there should be an assurance that co-operatives will be given room to grow and that producers will enjoy some freedom to send their crop to a co-operative rather than to a private buyer or if necessary to form a new co-operative for themselves.

In some countries co-operatives are or have been used as agents or government purchases of staple crops. Whether or not this helps the co-operative depends on whether purchases are made at current market rates

or above or below these rates. In the first two cases purchases on behalf of the government may well stimulate interest in co-operation (though purchases at a subsidised price will hardly stimulate its own efficiency). In the third case the co-operating will lose in the end by becoming unpopular with its own members, who will look upon it as a kind of disguised tax collector.

4.0 CONCLUSION

Conclusively, the managers of marketing co-operatives will have to seek out information of this kind relating to their own commodities. Such information, together with the local experience which will gradually be gained, will help them to decide what to sell, where, when, to whom and at what price.

5.0 SUMMARY

This unit focused on the following areas: markets and prices, Federal marketing cooperative, and finally discussed marketing boards and government controls.

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7.0 TUTOR MARKED ASSIGNMENT

1. What do you understand by market and prices?
2. Discuss marketing boards and government controls?

UNIT THREE: CUSTOMER RELATIONSHIP MANAGEMENT

1.0 INTRODUCTION

Customer relationship management (CRM) consists of the processes a company uses to track and organize its contacts with its current and prospective customers. CRM software is used to support these processes; information about customers and customer interactions can be entered, stored and accessed by employees in different company departments. Typical CRM goals are to improve services provided to customers, and to use customer contact information for targeted marketing.

While the term CRM generally refers to a software-based approach to handling customer relationships, most CRM software vendors stress that a successful CRM effort requires a holistic approach. (Malthouse and; Bobby , 2005). CRM initiatives often fail because implementation was limited to software installation, without providing the context, support and understanding for employees to learn, and take full advantage of the information systems. (Rigby et al, 2002) CRM can be implemented without major investments in software, but software is often necessary to explore the full benefits of a CRM strategy.

Other problems occur (Paul 1996) when failing to think of sales as the output of a process that itself needs to be studied and taken into account when planning automation (Paul, 2000).

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- Understand customer relationship management (CRM)
- Examine types / variation of CRM
- Use strategy

3.0 MAIN CONTENT:

3.1 Overview of Customer Relationship Management (CRM)

From the outside, customers interacting with a company perceive the business as a single entity, despite often interacting with a number of employees in different roles and departments. CRM is a combination of policies, processes, and strategies implemented by an organization to unify its customer interactions and provide a means to track customer information. It involves the use of technology in attracting new and profitable customers, while forming tighter bonds with existing ones.

CRM includes many aspects which relate directly to one another:

Front office operations — Direct interaction with customers, e.g. face to face meetings, phone calls, e-mail, online services etc.

Back office operations — Operations that ultimately affect the activities of the front office (e.g., [billing](#), [maintenance](#), planning, [marketing](#), [advertising](#), [finance](#), [manufacturing](#), etc.)

Business relationships — Interaction with other companies and partners, such as suppliers/vendors and retail outlets/distributors, industry networks (lobbying groups, trade associations). This external network supports front and back office activities.

Analysis — Key CRM data can be analyzed in order to plan target-marketing campaigns, conceive business strategies, and judge the success of CRM activities (e.g., market share, number and types of customers, [revenue](#), [profitability](#)).

Perhaps it is important to note that while most consumers of CRM view it as a software "solution", there is a growing realization in the corporate world that CRM is really a customer-centric strategy for doing business; supported by software. Along these lines, CRM thought leaders like Dick Lee of High Yield Methods define CRM as "CRM adds value to customers in ways that add value back to the company

3.2 Types/Variations of CRM

There are several different approaches to CRM, with different software packages focusing on different aspects. In general, Customer Service, Campaign Management and Sales Force Automation form the core of the system (with SFA being the most popular

Operational CRM

Operational CRM provides support to "front office" business processes, e.g. to sales, marketing and service staff. Interactions with customers are generally stored in customers' contact histories, and staff can retrieve customer information as necessary.

The contact history provides staff members with immediate access to important information on the customer (products owned, prior support calls etc.), eliminating the need to individually obtain this information directly from the customer. Reaching to the customer at right time at right place is preferable.

Operational CRM processes customer data for a variety of purposes:

- Managing campaigns
- Enterprise Marketing Automation
- Sales Force Automation
- Sales Management System

Sales (SFA)

Sales Force Automation automates sales force-related activities such as:

- Activity Management: Scheduling sales calls or mailings
- Tracking responses
- Generating reports
- Opportunity Management and Assessment
- Account Management and Target Account Selling

Automate Sales Order Processing

Analytical CRM

Analytical CRM analyzes customer data for a variety of purposes:

- Designing and executing targeted marketing campaigns
- Designing and executing campaigns, e.g. customer acquisition, cross-selling, up-selling
- Analysing customer behavior in order to make decisions relating to products and services (e.g. pricing, product development)
- Management information system (e.g. financial forecasting and customer profitability analysis)

Analytical CRM generally makes heavy use of data mining.

Sales Intelligence CRM

Sales Intelligence CRM is similar to Analytical CRM, but is intended as a more direct sales tool. Features include alerts sent to sales staff regarding:

- Cross-selling/Up-selling/Switch-selling opportunities
- Customer drift
- Sales performance
- Customer trends
- Customer margins
- Customer alignment

Campaign Management

Campaign management combines elements of Operational and Analytical CRM. Campaign management functions include:

- Target groups formed from the client base according to selected criteria

Sending campaign-related material (e.g. on special offers) to selected recipients using various channels (e.g. e-mail, telephone, SMS, post)
Tracking, storing, and analyzing campaign statistics, including tracking responses and analyzing trends

Collaborative CRM

Collaborative CRM covers aspects of a company's dealings with customers that are handled by various departments within a company, such as sales, technical support and marketing. Staff members from different departments can share information collected when interacting with customers. For example, feedback received by customer support agents can provide other staff members with information on the services and features requested by customers. Collaborative CRM's ultimate goal is to use information collected by all departments to improve the quality of services provided by the company.^[6]

3.3 Strategy

Several CRM software packages are available, and they vary in their approach to CRM. However, as mentioned above, CRM is not just a technology but rather a comprehensive, customer-centric approach to an organization's philosophy of dealing with its customers. This includes policies and processes, front-of-house customer service, employee training, marketing, systems and information management. Hence, it is important that any CRM implementation considerations stretch beyond technology toward the broader organizational requirements.

The objectives of a CRM strategy must consider a company's specific situation and its customers' needs and expectations. Information gained through CRM initiatives can support the development of marketing strategy by developing the organization's knowledge in areas such as identifying customer segments, improving customer retention, improving product offerings (by better understanding customer needs), and by identifying the organization's most profitable customers.^[7]

CRM strategies can vary in size, complexity, and scope. Some companies consider a CRM strategy only to focus on the management of a team of

salespeople. However, other CRM strategies can cover customer interaction across the entire organization. Many commercial CRM software packages provide features that serve the sales, marketing, event management, project management, and finance industries.

From this perspective, CRM has for some time been seen to play an important role in many sales process engineering efforts^[8].

Implementation Issues

Many CRM project "failures" are also related to data quality and availability. Data cleaning is a major issue. If a company's CRM strategy is to track life-cycle revenues, costs, margins, and interactions between individual customers, this must be reflected in all business processes. Data must be extracted from multiple sources (e.g., departmental/divisional databases such as sales, manufacturing, supply chain, logistics, finance, service etc.), which requires an integrated, comprehensive system in place with well-defined structures and high data quality. Data from other systems can be transferred to CRM systems using appropriate interfaces.

Because of the company-wide size and scope of many CRM implementations, significant pre-planning is essential for smooth roll-out. This pre-planning involves a technical evaluation of the data available and the technology employed in existing systems. This evaluation is critical to determine the level of effort needed to integrate this data.

Equally critical is the human aspect of the implementation. A successful implementation requires an understanding of the expectations and needs of the stakeholders involved. An executive sponsor should also be obtained to provide high-level management representation of the CRM project.

An effective tool for identifying technical and human factors before beginning a CRM project is a pre-implementation checklist. A checklist can help ensure any potential problems are identified early in the process.

4.0 CONCLUSION

Conclusively, it has been established that customer relationship management entails policies, process and strategies employed by organisation in order to manage their customers. Thus, in operational type of customer relationship management the following are to be observed: Managing campaigns, Enterprise Marketing Automation, Sales Force Automation, Sales Management System. The Analytical CRM analyzes customer data for a variety of purposes: designing and executing targeted marketing campaigns, designing and executing campaigns, e.g. customer acquisition, cross-selling, up-selling, analysing customer behaviour in order to make decisions relating to products and services (e.g. pricing, product development) and finally, management information system (e.g. financial forecasting and customer profitability analysis)

5.0 SUMMARY

This unit focused on the following areas of studies: definition/overview of customer relationship management, types/ variation of customer relationship management (CRM), and finally strategies for implementing customer relationship management.

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7.0 TUTOR MARKED ASSIGNMENT

1. Differentiate between operational and analytical customer relationship management (CRM) ?
2. Discuss strategy to employ in order to install customer relationship management in an organisation?

UNIT FOUR: COOPERATIVE MARKETING IN THE NEW MILLENIUM

1.0 INTRODUCTION

Structural, change in the food and agricultural industries in the last quarter of the 20th century was phenomenal and appeared to be accelerating as we approached 2000. It even piqued the interest of Congress, where a bill was introduced to place a moratorium on mergers, acquisitions and consolidations - but the bill excluded cooperatives! Despite the bill's defeat in November 1999, it clearly defined public concern over concentration and other structural changes in the food and agricultural industries. Farmer interest in structural change revolves around: (1) the growing disparity in market power between farmers and their suppliers and buyers; (2) the inevitable loss of market access as concentration accelerates; (3) the market challenge of competing with lowest imports produced under conditions of fewer environmental, food safety and labour controls than are faced by domestic producers; (4) the increasing use of production contract terms that alter the entrepreneurial role of producers; and (5) the growing use of genetically modified organisms and related production and marketing controls placed on them by property-right owners. These issues suggest that producers must assume more control of their industry by working together through the development of effective cooperatives and a coordinated cooperative system.

An important opportunity, if farm operators are to have more control over their industries, is to make better use of provisions of the Capper-Volstead Act of 1922. It allows them to organize and coordinate their marketing activity without fear of prosecution under the antitrust laws. This limited

antitrust immunity not only enables producers to develop market power on their behalf to better deal with other competitors, but also helps them address supply chain issues from a well coordinated position of strength.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- Discuss cooperative bargaining,
- Examine Coordination of value-added cooperatives,
- List Cooperative Policy Role

3.0 MAIN CONTENT:

3.1 Cooperative bargaining

Contracting is on the increase in many crop and livestock sectors. Much of this increase is associated with the trend toward identity-preserved marketing based on special characteristics that are genetically incorporated into crops or livestock. Both marketing and production contract producers can organize to represent their interests through cooperative bargaining associations. The primary role of these associations is to negotiate acceptable price and service contract terms on behalf of producers. They also: serve important roles as clearinghouses for contract information; provide a member education role; promote product use in domestic and foreign markets; develop partnerships with similar groups in other countries; promote, foster and discuss marketing cooperative operations; and serve as a voice for producers in industry affairs. They are a core group in representing the occupational interests of producers as farm business persons in the policy arena and in the marketplace. To more effectively perform this role, cooperative bargaining associations whether

single or cross-commodity - will work legislatively toward establishing institutional rules that augment the bargaining process. This will include provisions for good faith negotiations, dispute resolution mechanisms and enforcement procedures. These will be crafted to effectively represent both associations negotiating marketing contracts and those negotiating production contracts on behalf of piece-wage growers. The negotiation process will become more accepted as a method for producer/processor communications and problem resolution. As a result, it will establish the important farmgate values of product and service that are so desperately needed as a benchmark.

3.2 Coordination of value-added cooperatives

Value-added marketing will continue to be emphasized in the 21st century as a means of market development and bringing home to producers a greater portion of the marketing margin between the farmgate and the consumer's purchase price. The emphasis of many "new generation" cooperatives is on pooled marketing, using delivery rights as a basis for membership investment in processing and marketing activity. Vertical integration of this type assures producers of a market and the preservation of their role - through collective action - as farm entrepreneurs. The economic rationale for this strategic approach is that deliveries are limited to the delivery rights owned by cooperative members. Therefore, supplies can be better tailored to meet demand. More delivery rights can be purchased by existing members, or new members can be added, as the market for the product grows. A limitation to this approach is the potential for creation of many relatively small processing cooperatives at the very time major processors and retail buyers are procuring from fewer but larger

suppliers on a managed delivery basis. This fragmented selling situation as characterized by many ethanol, egg and pasta producing cooperatives can be overcome by following the model established by beet sugar manufacturing cooperatives, which organized a marketing agency-in-common called United Sugars to market their output nationally. While markets for bulk commodities will still exist, the development of nutraceuticals and other bio-engineered crop varieties suggests that a more segmented marketing pattern could develop. It will involve marketing identity-preserved crops that incorporate some value-added characteristics and moving away from non-differentiated bulk commodities. It can be noted that publicly traded companies generally have not done well in commodity marketing, while privately held businesses have dominated. Cooperatives can build on their strength in local origination of grains and other commodities by engaging in orderly commodity marketing on a pooled basis. This implies engaging in storage, regular release of grain to the market and pricing it according to different uses or characteristics. A clear trend at present toward use of direct membership commodity marketing organizations will continue to grow in the new millennium. Small producers will find local marketing opportunities in fresh markets by using cooperative packing and primary processing (shredding, dicing, bagging) operations for produce. In a number of instances, farmers' markets can be organized on a cooperative basis to provide regular and attractive outlets for locally grown fruits, herbs and vegetables. Links with school districts, federal and state institutional facilities and other outlets can also be developed as market outlets.

3.3 Cooperative Policy Role

One important question about the future of cooperatives is whether favorable governmental policies will assist in their development - which, for the most part, has not been the case since the 1930s. Federal price-support programs, with the exception of cotton, have generally discouraged pooling through cooperatives and thereby diminished the price-stabilization role cooperatives play. The price floor was established by offering subsidies directly from the government to each individual farmer as either non-recourse loans or deficiency payments. A better alternative - clearly demonstrated and used by the cotton sector - gives farmers the option of receiving the government subsidy through a cooperative marketing pool. Forthcoming Congressional hearings addressing the adequacy of the Federal Agriculture Improvement and Reform Act, or lack thereof, will offer an opportunity to explore these and other pro-farmer features of farm policy. The rapid structural change in agriculture that threatens the existence of individual farm operations will be turned to advantage by recognizing the strength derived from building cooperative systems. Farm operators will be able to preserve their entrepreneurial role through cooperative action and, thereby, maintain dispersed ownership in agriculture, a distinctive quality of American agriculture that will persevere in the new millennium.

4.0 CONCLUSION

In conclusion, it has been established that a major element of marketing in the new millennium will focus on organization for pricing of products and services offered by producers and on linking local value-added strategies with coordination among these otherwise fragmented cooperatives.

20.0 SUMMARY

This unit focused on the following areas of studies: emphasize discussion on cooperative bargaining, extensively discussed coordination of value-added cooperatives, and Cooperative Policy Role

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7.0 TUTOR MARKED ASSIGNMENT

1. What do you understand by the term cooperative bargaining?
2. Discuss coordination of value-added cooperative?

UNIT FIVE

FARM SUPPLY COOPERATIVE

1.0 INTRODUCTION:

Looking for-ward into the new millennium, the mantra for cooperatives selling farm supplies will be as it has always been: faster, better and cheaper. But there are many other issues on the horizon that farm supply cooperatives will have to face. There will continue to be more mergers and consolidations. Twenty five years ago, there were numerous regional farm supply cooperatives that had their operations based in one or two states. Mergers, acquisitions, and bankruptcies have decreased the number of regional farm supply cooperatives that operate in such limited geographic trade territories and increased the number with national and international operations. This trend will continue in the new millennium, probably leaving two or three national/international farm supply cooperatives and one or two regional cooperatives with smaller, multiple-state operations. As farmers have decreased in number and increased the size of their operations, local farm supply cooperatives have also followed suit. There were more than 2,700 local farm supply cooperatives in 1975. By 1999, there were fewer than 1,400. In another 25 years, there could be much less than half this amount. Many local cooperatives will have statewide or multiple-state operations. With two to three of these large farm supply locals per state, there will only be 100 to 200.

Farm supply locals with many branch outlets to serve their members. There will be one area of new growth in the farm supply cooperative sector. They will be started and patronized by "hobby" farmers whose primary source of

income will be from off-farm employment. These customers have grown accustomed to making Internet purchases and will start virtual cooperatives as buying clubs for their farm supply needs.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- Discuss global economy ,
- Examine cooperatives adaptation,
- Emphasize cooperative farm supplies
- Explain Farm supply cooperatives - on the horizon

3.0 MAIN CONTENT:

3.1 Global economy

Meanwhile, the vertical integration and globalization of agricultural markets are fast becoming the defining pressures on agriculture today. One need only look at the recent breakdown of the Seattle World Trade Organization meeting to see global pressure on the agricultural sector. While weather is still a determining factor for yearly prosperity, producers can no longer monitor weather and agricultural commodities only in surrounding production areas. They must also monitor weather and agricultural commodity output in other countries. Information, or the lack of it, has become a valuable asset in and of itself. Industries are adapting to integration and globalization by designing products that have a common appeal and can be sold in just about any country. Business philosophies are also being adjusted. Reliance on bulk commodities for the masses usually means high volumes but low margins. Adaptation of new

technology, market segmentation, customized production and market power as means to higher margins and a stronger market position seem to be the engines of future growth. Technology has spurred consolidation in the seed industry, much of it occurring in the last decade as several crop protection manufacturers have purchased the leading row crop seed firms. There was much synergy in this consolidation. In addition, they were driven by the ability to genetically modify plant material to include desirable traits or resist damage caused by popular crop protectants. Market segmentation has allowed firms to focus on the needs of larger, more prosperous farmers and offer goods and services that cater to their specific needs. In turn organizations that adopt this segmentation can acquire farm accounts that produce higher sales volume. Market power is transforming the food industry as supermarket chains merge into fewer yet larger companies. By focusing on what their customers expect in the supermarket, these large chains then exercise considerable power over the whole food system. Ultimately, they can impact what and how farmers grow their fruits, vegetables, livestock or grains.

3.2 Cooperatives Adaptation

Many farm supply cooperatives will continue to operate with the same philosophy as today: faster, better, and cheaper, and will do well. Some will look to technology and improved market position to prosper. Others will fail, even though using one or both of these philosophies. Cooperatives are owned by their users, so they reflect the desires of their farmer-owners. They also reflect what's happening within the cooperative's membership. Understanding membership's business and their expectations for the cooperative is essential to its survival. Currently producers are concerned

about overproduction, low margins and income, government regulations and policy, changing markets and consumer opinions of genetically modified organisms (GMOs). A growing number of farmers are also asking about the future: can their cooperative develop more niche markets for specialty crops with desired traits? More farmers are also concerned about finding markets for their livestock and dealing with environmental issues, such as animal waste. Some farmers are marketing their livestock directly to consumers and don't have the knowledge or resources needed to deal with new environmental standards. Cooperatives will undoubtedly be asked to provide a bigger role than just providing feed. Their members will want more for-ward integration into livestock processing, marketing and waste handling.

3.3 Cooperatives farm supplies

Technology is in the driver's seat for information dissemination and sales in the near future. A recent National Agricultural Statistics Service farmer survey found that 40 percent owned computers and 29 percent had Internet access. just two years ago, businesses saw the Internet mainly as an information and sales tool. Many people thought it would be a long, long time before consumers would pay for information or buy products from it. The Internet will continue to expand and will become an increasingly important input to agriculture and cooperatives. Most of the products that farm supply cooperatives sell are bulky items (feed, seed, fertilizer, crop protectants and petroleum products) that are hard to transport to distant customers at a reasonable cost. Service, or advice, lends itself well to the Internet. Information about products that farm supply cooperatives sell would be an excellent service on the Internet. For example, in feed sales, a

cooperative could provide: product information and prices for rations available based on livestock type; measured performance of the feed in trials; disease prevention, identification and treatment; and record keeping on feed purchases made by the farmer. The Internet could also become a tool for dealing with the issue of waste management. There could be links from the cooperative's feed site to university-sponsored research on new digester technology, or technology that increases the oxygen levels in lagoons to promote faster decomposition of the waste. Perhaps feed cooperatives could link members with excess animal waste to members who need fertilizer. There is, of course, other information on the Internet that could help farmers make smart purchases of feed, seed, fertilizer, crop protectants, and petroleum products.

3.4 Farm supply cooperatives - on the horizon

The year 2025 is a long way off, but no longer than the time since 1975. Who would have guessed how ubiquitous the use of personal computers, genetically modified organisms, satellite technology, and the globalization of agriculture would have become in just 25 years? But what do these changes mean for farm supply sales? There will be more sales coordination. For feed sales, computers will design rations, maintain records on weight gain and performance and coordinate delivery. There will be more stringent regulations on feed ingredients, and feed cooperatives will test and maintain records for each customer.

Grain and livestock buyers, in turn, will want to know exactly what went into each animal or crop. They will want farmers and their cooperatives to track every last input and output, just as the manufacturing or the computer

industries already have to do. With fewer farmers, global information systems and positioning satellites will be used to optimize delivery routes. Technology will have turned an animal waste product into a value-added product. Seed and crop protection sales will align closely as crop protection manufacturers integrate even more into the seed industry. Gradually, a majority of consumers will overcome their reluctance to accept GMOs and more seed modifications will be made. All farmers will demand more information and services. Cooperatives will provide extensive scouting services and problem solutions. Crop protectants will focus on specific types of seed and they will be applied with sophisticated equipment using new technology. Soil tests will be conducted for organic matter and crop protectants will be applied where needed, not broadcasted. The use of expensive equipment to apply crop protectants will further consolidate sales into farm supply cooperatives that can pool financial resources to buy the equipment and provide the information, service, and record keeping on use that will be necessary. Fertilizer sales will be further regulated as the damage of their over-use and even terrorist and illegal drug manufacturer misuse grow. GPS-type technology will allow farm supply cooperatives to apply only the necessary nutrients to specific field areas. Again, as with crop protectant application equipment, this equipment will also be expensive and will require large volumes to be cost effective. Record keeping of fertilizer use will be necessary. Pooling the resources required to provide this equipment and information is a farm supply cooperative's specialty. Fertilizer cooperatives will also need to align with feed cooperatives to handle animal waste products. Pollution from animal waste misuse will mandate it while the loss of a valuable fertilizer resource will necessitate it.

4.0 CONCLUSION

In conclusion, it has been established that cooperatives are owned by their users, so they reflect the desires of their farmer-owners. They also reflect what's happening within the cooperative's membership. Understanding membership's business and their expectations for the cooperative is essential to its survival. Also, the products that farm supply cooperatives sell are bulky items (feed, seed, fertilizer, crop protectants and petroleum products) that are hard to transport to distant customers at a reasonable cost. Service, or advice, lends itself well to the Internet. Information about products that farm supply cooperatives sell would be an excellent service on the Internet.

21.0 SUMMARY

This unit focused on the following areas of studies: global economy, cooperatives adaptation, cooperative farm supplies, and finally, farm supply cooperatives - on the horizon

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23.0 TUTOR MARKED ASSIGNMENT

1. What do you understand by cooperative adaptation?
2. Discuss cooperative farm supplies?

UNIT SIX

WHOLESALE MARKETING

1.0 INTRODUCTION.

The consumption and production of marketed food are spatially separated. Production is primarily in rural areas whilst consumption is in urban areas. Agricultural marketing is the process that overcomes this separation, allowing produce to be moved from an area of surplus to one of need. Food reaches the consumer by a complex network, involving production, assembly, sorting, packing, reassembly, distribution and retail stages. In developing countries the linkage between the producer and the retailer is still usually provided by assembly and wholesale markets, where **wholesale marketing** takes place using a variety of transaction methods. Recent years have seen an expansion of wholesale marketing in European and former CIS countries. On the other hand, the growth of supermarkets in many regions has seen the development of direct marketing and a reduced role for wholesale systems.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- Discuss transaction methods,
- Examine wholesaling trend
- Explain types of wholesale market

3.0 MAIN CONTENT:

3.1 Transaction methods

Wholesaling facilitates the economic function of buying and selling (usually termed as "price formation") by allowing the forces of supply and demand to converge to establish a single price for a commodity. The wholesaler may also perform storage and warehousing functions, as well as allowing economies of scale to be obtained in the transportation of produce from farm to market. The people involved in wholesaling can act simply as merchants, buying and selling produce, can be brokers dealing in orders rather than goods, or can be commission agents. Prices are normally established by negotiation but some wholesale markets use the auction system. The auction is compulsory in all wholesale markets in big cities in Japan. A comparison of the Japanese system with that in Brisbane, Australia, found that prices moved more frequently and with a greater degree of volatility in Japan than those at Brisbane.

3.2 Wholesaling trends

Wholesale markets develop in a number of stages. They start as general markets, then become more specialized by trading in specific types of produce. A later stage is to transact only graded and well packaged produce. A recent trend in Western Europe and the USA is for large retailers to by-pass the wholesale market system. Direct links are created between producers and supermarket chains, often by means of contract

farming arrangements or through the use of preferred suppliers. Following the collapse of the iron curtain a large number of markets were developed in Eastern and Central Europe in the 1990s and early 2000s. Examples include markets in Warsaw, Gdansk, Budapest, and Bucharest. In other parts of the world, new markets have been built in Amman, Cairo and Mumbai, among many recent developments. Very few new wholesale markets have been built in western countries in the last decades, although old markets have been relocated to new sites (e.g. the new Covent Garden Market relocated to Nine Elms in London and Rome's new wholesale market, relocated from the centre to the east of the city). Those that already exist have tended to also attract warehouses for integrated food distribution, changing their role to "food centers" (in the USA) and including other non-fresh food products. Wholesale markets still have a role in the marketing of horticultural produce but the traditional fresh meat and fish wholesale markets, particularly those dealing with live produce, are generally being closed down in major urban centres. In developing countries, changes in work patterns, particularly the employment of women, and the impact of technological innovations in post-harvest handling, food processing and storage, including the use of domestic refrigerators, tends to encourage the development of one-stop shopping at supermarkets, often on a once-a-week basis. The challenge for wholesale markets in such a trading environment is to retain turnover, both by providing new services to supermarkets and by developing services to the non-supermarket trade and the growing hotel and catering sectors.^[21]

3.3 Types of Wholesale Market

Secondary wholesale markets are generally found only in developing countries these days. They are located in district or regional cities and take the bulk of their produce from rural assembly markets located in production areas, where the transactions are small scale and usually take place between farmers and traders. The distinction between rural assembly markets and secondary wholesale markets is that secondary wholesale markets are in permanent operation (rather than being seasonal in nature or dealing in specialized produce), larger volumes of produce are traded than at the rural assembly markets and specialized functions may be present, such as commission agents and brokers.

Terminal wholesale markets are located in major metropolitan areas, where produce is finally channeled to consumers through trade between wholesalers and retailers, caterers, etc. Produce may also be assembled for export. In some countries, such as India and China, terminal markets also supply other parts of the country. For example, New Delhi serves as a distribution centre to the south of India for apples grown in the Himalayan foothills. The problems of terminal wholesale markets are usually ones of congestion caused by an unsuitable location or by an inappropriate mixture of wholesale and retail functions. Traditionally, wholesale markets were built adjacent to city centres, located at a focal point of the inter-city transport facilities and close to the main retailing areas. Population growth, changes in urban land-use patterns and the development of modern

transport systems have all influenced the suitability and functionality of existing sites.

4.0 CONCLUSION

In conclusion, it has been established that wholesale markets develop in a number of stages. They start as general markets, then become more specialized by trading in specific types of produce. A later stage is to transact only graded and well packaged produce. Wholesaling facilitates the economic function of buying and selling (usually termed as "price formation") by allowing the forces of supply and demand to converge to establish a single price for a commodity.

5.0 SUMMARY

This unit focused on wholesale marketing with particular reference to transaction methods, wholesaling trend and finally types of wholesale market.

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7.0 TUTOR MARKED ASSIGNMENT

1. What do you understand by transaction method?
2. Discuss types of wholesale marketing?

UNIT SEVEN

MARKETING STRATEGY

1.0 INTRODUCTION

Marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy should be centered around the key concept that customer satisfaction is the main goal.

A marketing strategy is most effective when it is an integral component of firm strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena. Corporate strategies, corporate missions, and corporate goals. As the customer constitutes the source of a company's revenue, marketing strategy is closely linked with sales. A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement^[4].

2.0 OBJECTIVES

At the end of this study student will be able to:

Discuss Tactics and actions

State types of strategies

Analyze strategic models

Explain Consumer-Centric Business

3.0 MAIN CONTENTS:

3.1 Tactics and actions

A marketing strategy can serve as the foundation of a marketing plan. A marketing plan contains a set of specific actions required to successfully implement a marketing strategy. For example: "Use a low cost product to attract consumers. Once our organization, via our low cost product, has

established a relationship with consumers, our organization will sell additional, higher-margin products and services that enhance the consumer's interaction with the low-cost product or service."

A strategy consists of a well thought out series of tactics to make a marketing plan more effective. Marketing strategies serve as the fundamental underpinning of marketing plans designed to fill market needs and reach marketing objectives^[6]. Plans and objectives are generally tested for measurable results.

A marketing strategy often integrates an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. Similarly, the various strands of the strategy , which might include advertising, channel marketing, internet marketing, promotion and public relations can be orchestrated. Many companies cascade a strategy throughout an organization, by creating strategy tactics that then become strategy goals for the next level or group. Each one group is expected to take that strategy goal and develop a set of tactics to achieve that goal. This is why it is important to make each strategy goal measurable.

Marketing strategies are dynamic and interactive. They are partially planned and partially unplanned. See strategy dynamics.

3.2 Types of strategies

Marketing strategies may differ depending on the unique situation of the individual business. However there are a number of ways of categorizing some generic strategies. A brief description of the most common categorizing schemes is presented below:

Strategies based on [market dominance](#) - In this scheme, firms are classified based on their market share or dominance of an industry. Typically there are three types of market dominance strategies:

- Leader
- Challenger
- Follower

Porter generic strategies - strategy on the dimensions of strategic scope and strategic strength. Strategic scope refers to the market

penetration while strategic strength refers to the firm's sustainable competitive advantage.

- Product differentiation
- Market segmentation

Innovation strategies - This deals with the firm's rate of the new product development and business model innovation. It asks whether the company is on the cutting edge of technology and business innovation. There are three types:

- Pioneers
- Close followers
- Late followers

Growth strategies - In this scheme we ask the question, "How should the firm grow?". There are a number of different ways of answering that question, but the most common gives four answers:

- Horizontal integration
- Vertical integration
- Diversification
- Intensification

A more detailed scheme uses the categories ^[6]:

Prospector
Analyzer
Defender
Reactor

Marketing warfare strategies - This scheme draws parallels between marketing strategies and military strategies.

3.3 Strategic models

Marketing participants often employ strategic models and tools to analyze marketing decisions. When beginning a strategic analysis, the 3Cs can be employed to get a broad understanding of the strategic environment. An Ansoff Matrix is also often used to convey an organization's strategic positioning of their marketing mix. The 4Ps can then be utilized to form a marketing plan to pursue a defined strategy.

3.4 The Consumer-Centric Business

There are a many companies especially those in the Consumer Package Goods (CPG) market that adopt the theory of running their business centered around Consumer, Shopper & Retailer needs. Their Marketing departments spend quality time looking for "Growth Opportunities" in their categories by identifying relevant insights (both mindsets and behaviors) on their target Consumers, Shoppers and retail partners. These Growth Opportunities emerge from changes in market trends, segment dynamics changing and also internal brand or operational business challenges. The Marketing team can then prioritize these Growth Opportunities and begin to develop strategies to exploit the opportunities that could include new or adapted products, services as well as changes to the 7Ps.

Real-life marketing primarily revolves around the application of a great deal of common-sense; dealing with a limited number of factors, in an environment of imperfect information and limited resources complicated by uncertainty and tight timescales. Use of classical marketing techniques, in these circumstances, is inevitably partial and uneven.

Thus, for example, many new products will emerge from irrational processes and the rational development process may be used (if at all) to screen out the worst non-runners. The design of the advertising, and the packaging, will be the output of the creative minds employed; which management will then screen, often by 'gut-reaction', to ensure that it is reasonable.

For most of their time, marketing managers use intuition and experience to analyze and handle the complex, and unique, situations being faced; without easy reference to theory. This will often be 'flying by the seat of the pants', or 'gut-reaction'; where the overall strategy, coupled with the knowledge of the customer which has been absorbed almost by a process of osmosis, will determine the quality of the marketing employed. This, almost instinctive management, is what is sometimes called 'coarse marketing'; to distinguish it from the refined, aesthetically pleasing, form favored by the theorists.

4.0 CONCLUSION

In conclusion, it has been established that Marketing strategies serve as the fundamental underpinning of marketing plans designed to fill market needs and reach marketing objective, while the 3Cs can be employed to get a broad understanding of the strategic environment.

5.0 SUMMARY

This unit focused on the following: Tactics and actions, types of strategies strategic models and finally, Consumer-Centric Business.

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7.0 TUTOR MARKED ASSIGNMENT

1. State and discuss types of marketing strategy?
2. Explain consumer centric business?

UNIT EIGHT

NEW PRODUCT DEVELOPMENT

1.0 INTRODUCTION

In business and engineering, **new product development** (NPD) is the term used to describe the complete process of bringing a new product or service to market. There are two parallel paths involved in the NPD process: one involves the idea generation, product design, and detail engineering; the other involves market research and marketing analysis. Companies typically see new product development as the first stage in generating and commercializing new products within the overall strategic process of product life cycle management used to maintain or grow their market share.

2.0 OBJECTIVES

Discuss the process of product development
Explain FuzzyFrontEnd

3.0 MAIN CONTENTS:

3.1 The process

1. **Idea Generation** is often called the "fuzzy front end" of the NPD process
 - o Ideas for new products can be obtained from basic research using a SWOT analysis (OPPORTUNITY ANALYSIS), Market and consumer trends, company's R&D department, competitors, focus groups, employees, salespeople, corporate spies, trade shows, or Ethnographic discovery methods (searching for user patterns and habits) may also be used to get an insight into new product lines or product features.
 - o Idea Generation or Brainstorming of new product, service, or store concepts - idea generation techniques can begin when

you have done your OPPORTUNITY ANALYSIS to support your ideas in the **Idea Screening Phase** (shown in the next development step).

2. **Idea Screening**

- The object is to eliminate unsound concepts prior to devoting resources to them.
- The screeners must ask at least three questions:
 - Will the customer in the target market benefit from the product?
 - What is the size and growth forecasts of the market segment/target market?
 - What is the current or expected competitive pressure for the product idea?
 - What are the industry sales and market trends the product idea is based on?
 - Is it technically feasible to manufacture the product?
 - Will the product be profitable when manufactured and delivered to the customer at the target price?

3. **Concept Development and Testing**

- Develop the marketing and engineering details
 - Who is the target market and who is the decision maker in the purchasing process?
 - What product features must the product incorporate?
 - What benefits will the product provide?
 - How will consumers react to the product?
 - How will the product be produced most cost effectively?
 - Prove feasibility through virtual computer aided rendering, and rapid prototyping
 - What will it cost to produce it?
- Testing the Concept by asking a sample of prospective customers what they think of the idea. Usually via Choice Modelling.

4. **Business Analysis**

- Estimate likely selling price based upon competition and customer feedback
- Estimate sales volume based upon size of market and such tools as the Fourt-Woodlock equation
- Estimate profitability and breakeven point

5. **Beta Testing and Market Testing**

- Produce a physical prototype or mock-up

- Test the product (and its [packaging](#)) in typical usage situations
 - Conduct focus group customer interviews or introduce at trade show
 - Make adjustments where necessary
 - Produce an initial run of the product and sell it in a test market area to determine customer acceptance
6. **Technical Implementation**
- New program initiation
 - Resource estimation
 - Requirement publication
 - Engineering operations planning
 - Department scheduling
 - Supplier collaboration
 - Logistics plan
 - Resource plan publication
 - Program review and monitoring
 - Contingencies - what-if planning
7. **Commercialization** (often considered post-NPD)
- Launch the product
 - Produce and place advertisements and other promotions
 - Fill the distribution pipeline with product
 - Critical path analysis is most useful at this stage

These steps may be iterated as needed. Some steps may be eliminated. To reduce the time that the NPD process takes, many companies are completing several steps at the same time (referred to as **concurrent engineering** or **time to market**). Most industry leaders see new product development as a *proactive* process where resources are allocated to identify market changes and seize upon new product opportunities before they occur (in contrast to a *reactive strategy* in which nothing is done until problems occur or the competitor introduces an innovation). Many industry leaders see new product development as an ongoing process (referred to as *continuous development*) in which the entire organization is always looking for opportunities.

For the more innovative products, great amounts of uncertainty and change may exist, which makes it difficult or impossible to plan the complete project before starting it. In this case, a more flexible approach may be advisable.

Because the NPD process typically requires both engineering and marketing expertise, cross-functional teams are a common way of organizing projects. The team is responsible for all aspects of the project, from initial idea generation to final commercialization, and they usually report to senior management (often to a vice president or Program Manager). In those industries where products are technically complex, development research is typically expensive, and product life cycles are relatively short, strategic alliances among several organizations helps to spread the costs, provide access to a wider skill set, and speeds the overall process.

Also, notice that because engineering and marketing expertise are usually both critical to the process, choosing an appropriate blend of the two is important. People respond to new products in different ways. The adoption of a new technology can be analyzed using a variety of diffusion theories such as the Diffusion of innovations theory.

NewerProducts.com, a blog on newly launched products keeps track of the new products introduced in the market whereby one can analyze the methods used for the introduction of the new product, its marketing plan and its overall success.

3.2 Fuzzy Front End

The Fuzzy Front End is the messy "getting started" period of new product development processes. It is in the front end where the organization formulates a concept of the product to be developed and decides whether or not to invest resources in the further development of an idea. It is the phase between first consideration of an opportunity and when it is judged ready to enter the structured development process (Kim and Wilemon , 2002;^[3] Koen et al., 2001).^[4] It includes all activities from the search for new opportunities through the formation of a germ of an idea to the development of a precise concept. The Fuzzy Front End ends when an organization approves and begins formal development of the concept.

Although the Fuzzy Front End may not be an expensive part of product development, it can consume 50% of development time (see Chapter 3 of the Smith and Reinertsen reference below),^[5] and it is where major commitments are typically made involving time, money, and the product's nature, thus setting the course for the entire project and final end product.

Consequently, this phase should be considered as an essential part of development rather than something that happens “before development,” and its cycle time should be included in the total development cycle time.

Koen et al. (2001, pp.47–51)^[4] distinguish five different front-end elements (not necessarily in a particular order):

1. Opportunity Identification
2. Opportunity Analysis
3. Idea Genesis
4. Idea Selection
5. Concept and Technology Development

The first element is the opportunity identification. In this element, large or incremental business and technological chances are identified in a more or less structured way. Using the guidelines established here, resources will eventually be allocated to new projects... which then lead to a structured NPPD (New Product & Process Development) strategy. The second element is the opportunity analysis. It is done to translate the identified opportunities into implications for the business and technology specific context of the company. Here extensive efforts may be made to align ideas to target customer groups and do market studies and/or technical trials and research. The third element is the idea genesis, which is described as evolutionary and iterative process progressing from birth to maturation of the opportunity into a tangible idea. The process of the idea genesis can be made internally or come from outside inputs, e.g. a supplier offering a new material/technology, or from a customer with an unusual request. The fourth element is the idea selection. Its purpose is to choose whether to pursue an idea by analyzing its potential business value. The fifth element is the concept and technology development. During this part of the front-end, the business case is developed based on estimates of the total available market, customer needs, investment requirements, competition analysis and project uncertainty. Some organizations consider this to be the first stage of the NPPD process (i.e., Stage 0).

The Fuzzy Front End is also described in literature as "Front End of Innovation", "Phase 0", "Stage 0" or "Pre-Project-Activities".

A universally acceptable definition for Fuzzy Front End or a dominant framework has not been developed so far^[6] In a glossary of PDMA [1], it is

mentioned that the Fuzzy Front End generally consists of three tasks: strategic planning, concept generation, and, especially, pre-technical evaluation. These activities are often chaotic, unpredictable, and unstructured. In comparison, the subsequent new product development process is typically structured, predictable, and formal. The term *Fuzzy Front End* was first popularized by Smith and Reinertsen (1991)^[7]. R.G.Cooper (1988)^[8] describes the early stages of NPPD as a four step process in which ideas are generated (I),subjected to a preliminary technical and market assessment(II) and merged to coherent product concepts(III) which are finally judged for their fit with existing product strategies and portfolios (IV). In a more recent paper, Cooper and Edgett (2008) ^[9] affirm that vital predevelopment activities include: 1)Preliminary market assessment. 2)Technical assessment. 3)Source-of-supply-assessment:suppliers and partners or alliances. 4)Market research : market size and segmentation analysis,VoC (voice of customer) research. 5.Product concept testing 6.Value-to-the customer assessment 7.Product definition 8.Business and financial analysis. These activities yield vital information to make a Go/No-Go to Development decision. In the in-depth study by Khurana and Rosenthal (1998) ^[10] front-end activities include *product strategy formulation and communication, opportunity identification and assessment,idea generation,product definition,project planning,and executive reviews*. Economical analysis, benchmarkingof competitive products,and modeling and prototyping are also important activities during the front-end activities. The outcomes of FFE are the mission statement,customer needs,details of the selected concept, product definition and specifications, economic analysis of the product,the development schedule,project staffing and the budget,and a business plan aligned with corporate strategy. In a paper by Husig, Kohn and Huskela (2005)^[11] was proposed a conceptual model of Front-End Process which includes early Phases of Innovation Process. This model is structured in three phases and three gates: *Phase 1*: Environmental screening or opportunity identification stage in which external changes will be analysed and translated into potential business opportunities. *Phase 2* : Preliminary definition of an idea or concept. *Phase 3* : Detailed product, project or concept definition, and Business planning. The gates are : 1) Opportunity screening;2)Idea evaluation;3) Go/No-Go for development. The final gate leads to a dedicated new product development project . Many professionals and academics consider that the general features of Fuzzy Front End (fuzziness,,ambiguity, and uncertainty) make difficult to see the FFE as a structured process,but rather as a set of interdependent activities (e.g.Kim

and Wilemon ,2002). ^[12] However, Husig et al.,2005 [10] argue that front-end not need to be fuzzy,but can be handled in a structured manner.Peter A.Koen (2004) argue that in the FFE for incremental,platform and radical projects,three separate strategies and processes are typically involved. ^[13]The traditional Stage Gate (TM) process was designed for incremental product development,namely for a single product.The FFE for developing a new platform must start out with a strategic vision of where the company wants to develop products and this will lead to a family of products. Projects for breakthrough products start out with a similar strategic vision,but are associated with technologies which require new discoveries.It is worth mentioning what are incremental,platform and breakthrough products. *Incremental products* are considered to be cost reductions, improvements to existing product lines,additions to existing platforms and repositioning of existing products introduced in markets. *Breakthrough products* are new to the company or new to the world and offer a 5-10 times or greater improvement in performance combined with a 30-50% or greater reduction in costs. *Platform products* establish a basic architecture for a next generation product or process and are substantially larger in scope and resources than incremental projects (Koen, Peter A., 2004 [12]).

4.0 CONCLUSION

In conclusion, product development entails idea generations, idea screening, concept development and testing, business analysis, beta/market testing, technical implementation and finally commercialization.

5.0 SUMMARY

This unit emphasized the process of product development and Fuzzy Front End which involves the following Opportunity Identification, Opportunity, Analysis, Idea Genesis, Idea Selection, Concept and Technology Development

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7.0 TUTOR MARKED ASSIGNMENT

1. Discuss process of product development?

UNIT NINE:

BRANDING COOPERATIVE MARKETING

1.0 INTRODUCTION

A brand marks a product in consumer consciousness. In day gone by hot brands were applied to cattle, slaves and criminals to burn a sign onto the skin as a permanent indication of identity and ownership. Thus a branded commodity is afforded identity of ownership and difference. Products have extra value added in being branded. Brand management is part of the quest for profitable difference

A brand identity is the distinct offer, comprising consistency, character, appropriateness and performance. The brand secure a desired place in the consumer or buyer's mind. Brand image on the other hand, is raised in the mind of each consumer or buyer when he / she interprets and judges his / her environment, which of course includes competing brands , concerns, and differing values and opinions.

A brand is a collection of experiences and associations connected with a service, a person or any other entity.

Brands have become increasingly important components of culture and the economy, now being described as "cultural accessories and personal philosophies".

2.0 OBJECTIVES:

At the end of this unit student will be able to:

- Explain the conceptual framework of branding
- Discuss various approaches to branding

3.0 MAIN CONTENT

3.1 Conceptual Framework of Branding

Some people distinguish the psychological aspect of a brand from the experiential aspect. The experiential aspect consists of the sum of all points of contact with the brand and is known as the **brand experience**. The psychological aspect, sometimes referred to as the **brand image**, is a symbolic construct created within the minds of people and consists of all the information and expectations associated with a product or service.

People engaged in branding seek to develop or align the expectations behind the brand experience, creating the impression that a brand associated with a product or service has certain qualities or characteristics that make it special or unique. A brand is therefore one of the most valuable elements in an advertising theme, as it demonstrates what the brand owner is able to offer in the marketplace. The art of creating and maintaining a brand is called brandmanagement.

Careful brand management, supported by a cleverly crafted advertising campaign, can be highly successful in convincing consumers to pay remarkably high prices for products which are inherently extremely cheap to make. This concept, known as creating value, essentially consists of manipulating the projected image of the product so that the consumer sees the product as being worth the amount that the advertiser wants him/her to see, rather than a more logical valuation that comprises an aggregate of the cost of raw materials, plus the cost of manufacture, plus the cost of distribution. Modern value-creation branding-and-advertising campaigns are highly successful at inducing consumers to pay, for example, 50 dollars for a T-shirt that cost a mere 50 cents to make, or 5 dollars for a box of breakfast cereal that contains a few cents' worth of wheat.

A brand which is widely known in the marketplace acquires **brand recognition**. When brand recognition builds up to a point where a brand enjoys a critical mass of positive sentiment in the marketplace, it is said to have achieved **brand franchise**. One goal in brand recognition is the

identification of a brand without the name of the company present. For example, Disney has been successful at branding with their particular script font (originally created for Walt Disney's "signature" logo), which it used in the logo for go.com.

Consumers may look on branding as an important value added aspect of products or services, as it often serves to denote a certain attractive quality or characteristic (see also brand promise). From the perspective of brand owners, branded products or services also command higher prices. Where two products resemble each other, but one of the products has no associated branding (such as a generic, store-branded product), people may often select the more expensive branded product on the basis of the quality of the brand or the reputation of the brand owner.

Brand name

The brand name is often used interchangeably within "brand", although it is more correctly used to specifically denote written or spoken linguistic elements of any product. In this context a "brand name" constitutes a type of trademark, if the brand name exclusively identifies the brand owner as the commercial source of products or services. A brand owner may seek to protect proprietary rights in relation to a brand name through trademark registration. Advertising spokespersons have also become part of some brands, for example: Mr. Whipple of Charmin toilet tissue and Tony the Tiger of Kellogg's.

Brand names will fall into one of three spectrum's of use - Descriptive, Associative or Freestanding.

Descriptive brand names assist in describing the distinguishable selling point(s) of the product to the customer (eg Snap Crackle & Pop or Bitter Lemon).

Associative brand names provide the customer with an associated word for what the product promises to do or be (e.g. Walkman, Sensodyne or Natre!)

Finally, **Freestanding brand names** have no links or ties to either descriptions or associations of use. (eg MarsBar or Pantene)

The act of associating a product or service with a brand has become part of popculture. Most products have some kind of brand identity, from common table salt to designer jeans. A brandnomer is a brand name that has colloquially become a generic term for a product or service, such as Band-Aid or Kleenex, which are often used to describe any kind of adhesive bandage or any kind of facial tissue respectively.

Brand identity

How the brand owner wants the consumer to perceive the brand - and by extension the branded company, organization, product or service. The brand owner will seek to bridge the gap between the brand image and the brand identity.^[2] Brand identity is fundamental to consumer recognition and symbolizes the brand's differentiation from competitors.

As mentioned above, its what the owner wants to communicate. However, with time, the brand acquires some more from consumer perspective and not necessarily all the communications from owner percolate to consumers. Therefore, brand associations comes handy to check the consumer's perception of the brand.

3.2 Branding Approaches

Company name

Often, especially in the industrial sector, it is just the company's name which is promoted (leading to one of the most powerful statements of "branding"; the saying, before the company's downgrading, "No one ever got fired for buying IBM").

In this case a very strong brand name (or company name) is made the vehicle for a range of products (for example, Mercedes-Benz or Black & Decker) or even a range of subsidiary brands (such as Cadbury Dairy Milk, Cadbury Flake or Cadbury Fingers in the United States).

Individual branding

Each brand has a separate name (such as Seven-Up or Nivea Sun (Beiersdorf)), which may even compete against other brands from the same company (for example, Persil, Omo, Surf and Lynx are all owned by Unilever).

Attitude branding

Attitude branding is the choice to represent a larger feeling, which is not necessarily connected with the product or consumption of the product at all.

Marketing labeled as attitude branding include that of Nike, Starbucks, The Body Shop, Safeway, and Apple Computer.^[1] In the 2000 book, No Logo, attitude branding is described by Naomi Klein as a "fetish strategy".

"A great brand raises the bar -- it adds a greater sense of purpose to the experience, whether it's the challenge to do your best in sports and fitness, or the affirmation that the cup of coffee you're drinking really matters." - Howard Schultz (president, ceo and chairman of Starbucks)

[edit] "No-brand" branding

Recently a number of companies have successfully pursued "No-Brand" strategies, examples include the Japanese company Muji, which means "No label" in English (from 無印良品- "Mujirushi Ryohin" – literally, "No brand quality goods"). Although there is a distinct Muji brand, Muji products are not branded. This no-brand strategy means that little is spent on advertisement or classical marketing and Muji's success is attributed to the word-of-mouth, a simple shopping experience and the anti-brand movement. Another brand which is thought to follow a no-brand strategy is American Apparel, which like Muji, does not brand its products.^{[4][5][6]}

Derived brands

In this case the supplier of a key component, used by a number of suppliers of the end-product, may wish to guarantee its own position by promoting that component as a brand in its own right. The most frequently quoted example is Intel, which secures its position in the PC market with the slogan "Intel Inside".

Brand extension

The existing strong brand name can be used as a vehicle for new or modified products; for example, many fashion and designer companies extended brands into fragrances, shoes and accessories, home textile, home decor, luggage, (sun-) glasses, furniture, hotels, etc.

Mars extended its brand to ice cream, Caterpillar to shoes and watches, Michelin to a restaurant guide, Adidas and Puma to personal hygiene. Dunlop extended its brand from tires to other rubber products such as shoes, golf balls, tennis racquets and adhesives.

There is a difference between brand extension and line extension. When Coca-Cola launched "Diet Coke" and "Cherry Coke" they stayed within the originating product category: non-alcoholic carbonated beverages. Procter & Gamble (P&G) did likewise extending its strong lines (such as Fairy Soap) into neighboring products (Fairy Liquid and Fairy Automatic) within the same category, dish washing detergents.

Multi-brands

Alternatively, in a market that is fragmented amongst a number of brands a supplier can choose deliberately to launch totally new brands in apparent competition with its own existing strong brand (and often with identical product characteristics); simply to soak up some of the share of the market which will in any case go to minor brands. The rationale is that having 3 out of 12 brands in such a market will give a greater overall share than having 1 out of 10 (even if much of the share of these new brands is taken from the existing one). In its most extreme manifestation, a supplier pioneering a new market which it believes will be particularly attractive may choose

immediately to launch a second brand in competition with its first, in order to pre-empt others entering the market.

Individual brand names naturally allow greater flexibility by permitting a variety of different products, of differing quality, to be sold without confusing the consumer's perception of what business the company is in or diluting higher quality products.

Once again, Procter & Gamble is a leading exponent of this philosophy, running as many as ten detergent brands in the US market. This also increases the total number of "facings" it receives on supermarket shelves. Sara Lee, on the other hand, uses it to keep the very different parts of the business separate — from Sara Lee cakes through Kiwi polishes to L'EGGS pantyhose. In the hotel business, Marriott uses the name Fairfield Inns for its budget chain (and Ramada uses Rodeway for its own cheaper hotels).

Cannibalization is a particular problem of a "multibrand" approach, in which the new brand takes business away from an established one which the organization also owns. This may be acceptable (indeed to be expected) if there is a net gain overall. Alternatively, it may be the price the organization is willing to pay for shifting its position in the market; the new product being one stage in this process.

Own brands and generics

With the emergence of strong retailers the "own brand", a retailer's own branded product (or service), also emerged as a major factor in the marketplace. Where the retailer has a particularly strong identity (such as Marks & Spencer in the UK clothing sector) this "own brand" may be able to compete against even the strongest brand leaders, and may outperform those products that are not otherwise strongly branded.

Concerns were raised that such "own brands" might displace all other brands (as they have done in Marks & Spencer outlets), but the evidence is that — at least in supermarkets and department stores — consumers generally expect to see on display something over 50 percent (and preferably over 60 percent) of brands other than those of the retailer.

Indeed, even the strongest own brands in the UK rarely achieve better than third place in the overall market.

This means that strong independent brands (such as Kellogg's and Heinz), which have maintained their marketing investments, are likely to continue their strong performance. More than 50 per cent of UK FMCG brand leaders have held their position for more than two decades, although it is arguable that those which have switched their budgets to "buy space" in the retailers may be more exposed.

The strength of the retailers has, perhaps, been seen more in the pressure they have been able to exert on the owners of even the strongest brands (and in particular on the owners of the weaker third and fourth brands). Relationship marketing has been applied most often to meet the wishes of such large customers (and indeed has been demanded by them as recognition of their buying power). Some of the more active marketers have now also switched to 'category marketing' - in which they take into account all the needs of a retailer in a product category rather than more narrowly focusing on their own brand.

At the same time, probably as an outgrowth of consumerism, "generic" (that is, effectively unbranded) goods have also emerged. These made a positive virtue of saving the cost of almost all marketing activities; emphasizing the lack of advertising and, especially, the plain packaging (which was, however, often simply a vehicle for a different kind of image). It would appear that the penetration of such generic products peaked in the early 1980s, and most consumers still appear to be looking for the qualities that the conventional brand provides.

4.0 CONCLUSION

In conclusion, it has been established that People engaged in branding seek to develop or align the expectations behind the brand experience, creating the impression that a brand associated with a product or service has certain qualities or characteristics that make it special or unique.

5.0 SUMMARY

In the course of our discussion, we focused on the conceptual framework of branding, branding process, and approaches to install both services and products branding.

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7.0 TUTOR MARKED ASSIGNMENT

Explain the following brand terms:

- i. attitude branding,
- ii. derived brand,
- iii. brand extension and
- iv. multibrand

UNIT TEN MARKET SEGMENT

1.0 INTRODUCTION

A **market segmentation** of people or organizations sharing one or more characteristics that cause them to have similar product and/or service needs. A true market segment meets all of the following criteria: it is distinct from other segments (different segments have different needs), it is homogeneous within the segment (exhibits common needs); it responds similarly to a market stimulus, and it can be reached by a market intervention. The term is also used when consumers with identical product and/or service needs are divided up into groups so they can be charged different amounts. These can broadly be viewed as 'positive' and 'negative' applications of the same idea.

2.0 OBJECTIVES

At the end of this unit students will be able to:

Discuss Positive"marketsegmentation
Analyse SuccessfulSegmentation
Explain VariablesUsedforSegmentation
Use Top-DownandBottom-Up
UsingSegmentationinCustomerRetention
AnalyzePriceDiscrimination

3.0 MAIN CONTENTS:

3.1 Positive" market segmentation

Market segmenting is the process that a company divides the market into distinct groups who have distinct needs, wants, behaviour or who might want different products & services <(Aminjonov Mirhabibjon, "Marketing Introduction"(2009))> Broadly, markets can be divided according to a number of general criteria, such as by industry or public versus private although industrial market segmentation is quite different from consumer market segmentation, both have similar objectives. All of these methods of segmentation are merely proxies for true segments, which don't always fit into convenient demographic boundaries.

Consumer-based market segmentation can be performed on a *product specific* basis, to provide a close match between specific products and individuals. However, a number of generic market segment systems also exist, e.g. the Claritas Prizm system provides a broad segmentation of the population of the United States based on the statistical analysis of zip codes.

The process of segmentation is distinct from targeting (choosing which segments to address) and positioning (designing an appropriate marketing mix for each segment). The overall intent is to identify groups of similar customers and potential customers; to prioritize the groups to address; to understand their behaviour; and to respond with appropriate marketing strategies that satisfy the different preferences of each chosen segment. Revenues are thus improved.

Improved segmentation can lead to significantly improved marketing effectiveness. Distinct segments can have different industry structures and thus have higher or lower attractiveness (Michael Porter). With the right segmentation, the right lists can be purchased, advertising results can be improved and customer satisfaction can be increased leading to better reputation.

3.2 Successful Segmentation

Successful segmentation requires the following

- homogeneity within the segment
- heterogeneity between segments
- segments are measurable and identifiable
- segments are stable over time
- segments are accessible and actionable
- target segment is large enough to be profitable

Variables Used for Segmentation

Geographic variables

- region of the world or country, East, West, South, North, Central, coastal, hilly, etc.
- country size/country size : Metropolitan Cities, small cities, towns.
- Density of Area Urban, Semi-urban, Rural.
- climate Hot, Cold, Humid, Rainy.

Demographic variables

- age
- gender Male and Female
- family size
- family life cycle
- education Primary, High School, Secondary, College, Universities.
- income
- occupation
- socioeconomic status
- religion
- nationality/race (ethnic marketing)
- language

Psychographic variables

- personality
- life style
- value
- attitude

Behavioral variables

- benefit sought
- product usage rate
- brand loyalty
- product end use
- readiness-to-buy stage
- decision making unit
- profitability
- income status

Technographic variables

- motivations
- usage patterns
- attitudes about technology

- fundamental values
- lifestyle perspective

When numerous variables are combined to give an in-depth understanding of a segment, this is referred to as **depth segmentation**. When enough information is combined to create a clear picture of a typical member of a segment, this is referred to as a **buyer profile**. When the profile is limited to demographic variables it is called a demographic profile (typically shortened to "a demographic"). A statistical technique commonly used in determining a profile is cluster analysis. Other techniques used to identify segments are algorithms such as CHAID and regression-based CHAID and discriminant analysis. Alternatively, segments can be modelled directly from consumer preferences via discrete choice methodologies such as choice-based conjoint and maximum difference scaling

3.3 Top-Down and Bottom-Up

George Day (1980) describes model of segmentation as the **top-down approach**: *You start with the total population and divide it into segments.* He also identified an alternative model which he called the **bottom-up approach**. In this approach, you start with a single customer and build on that profile. This typically requires the use of customer relationship management software or a database of some kind. Profiles of existing customers are created and analysed. Various demographic, behavioural, and psychographic patterns are built up using techniques such as cluster analysis. This process is sometimes called database marketing or micro-marketing. Its use is most appropriate in highly fragmented markets. McKenna (1988) claims that this approach treats every customer as a "micromajority". Pine (1993) used the bottom-up approach in what he called "segment of one marketing". Through this **process** mass customization is possible.

3.4 Using Segmentation in Customer Retention

Segmentation is commonly used by organizations to improve their customer retention programs and help ensure that they are:

- Focused on retaining their most profitable customers
- Employing those tactics most likely to retain these customers

The basic approach to retention-based segmentation is that a company tags each of its active customers with 3 values:

Tag #1: Is this customer at high risk of canceling the company's service? (Or becoming a non-user)

One of the most common indicators of high-risk customers is a drop off in usage of the company's service. For example, in the credit card industry this could be signaled through a customer's decline in spending on his card.

Tag #2: Is this customer worth retaining?

This determination boils down to whether the post-retention profit generated from the customer is predicted to be greater than the cost incurred to retain the customer.^[2]

Tag #3: What retention tactics should be used to retain this customer?

For customers who are deemed “save-worthy”, it’s essential for the company to know which save tactics are most likely to be successful. Tactics commonly used range from providing “special” customer discounts to sending customers communications that reinforce the value proposition of the given service.

3.5 Process for tagging customers

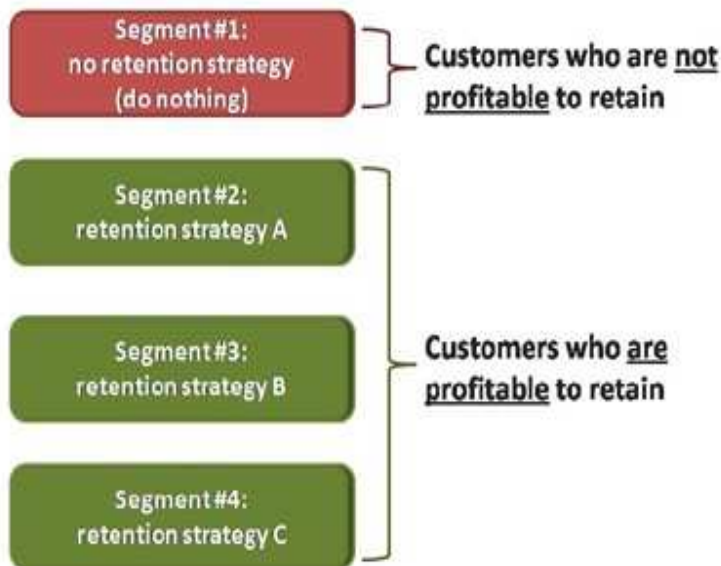
The basic approach to tagging customers is to utilize historical retention data to make predictions about active customers regarding:

- Whether they are at high risk of canceling their service
- Whether they are profitable to retain
- What retention tactics are likely to be most effective

The idea is to match up active customers with customers from historic retention data who share similar attributes. Using the theory that “birds of a feather flock together”, the approach is based on the assumption that active customers will have similar retention outcomes as those of their comparable predecessors.^[3]

From a technical perspective, the segmentation process is commonly performed using a combination of predictive analytics and cluster analysis.

Illustration of retention-based segmentation process:



Example to illustrate tagging process: Let's say John Smith is an active customer of Acme Inc. Acme's predictive retention model would calculate a predicted profit value for each of Acme's 3 retention strategies for John. John is placed into the segment associated with the highest predicted profit. If all 3 strategies are predicted to be unprofitable, John would be placed into Segment #1.

3.6 Price Discrimination

Where a monopoly exists, the price of a product is likely to be higher than in a competitive market and the quantity sold less, generating monopoly profits for the seller. These profits can be increased further if the market can be segmented with different prices charged to different segments (referred to as price discrimination), charging higher prices to those segments willing and able to pay more and charging less to those whose demand is price elastic. The price discriminator might need to create **rate fences** that will prevent members of a higher price segment from purchasing at the prices available to members of a lower price segment. This behaviour is rational on the part of the monopolist, but is often seen by competition authorities as an abuse of a monopoly position, whether or not the monopoly itself is sanctioned. Examples of this exist in the transport industry (a plane or train journey to a particular destination at a particular

time is a practical monopoly) where Business Class customers who can afford to pay may be charged prices many times higher than Economy Class customers for essentially the same service. Microsoft and the Video industry generally also price very similar products at widely varying prices depending on the market they are selling to.

6.0 CONCLUSION

It has been established that the process of segmentation is distinct from targeting (choosing which segments to address) and positioning (designing an appropriate marketing mix for each segment). The overall intent is to identify groups of similar customers and potential customers; to prioritize the groups to address; to understand their behaviour; and to respond with appropriate marketing strategies that satisfy the different preferences of each chosen segment.

5.0 SUMMARY

In this unit we focused on definition of market segmentation, Positive market segmentation, Successful Segmentation, Variables Used for Segmentation, Top-Down and Bottom-Up Segmentation in Customer Retention, and Price Discrimination

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7.0 TUTOR MARKED ASSIGNMENT

1. What do you understand by top down and bottom up in market segmentation?
2. List and describe market segmentation variables?

UNIT ELEVEN MARKETING MIX

1.0 INTRODUCTION

The **Marketing mix** is generally accepted as the use and specification of the "four P's" describing the strategic position of a product in the marketplace. One version of the marketing mix originated in 1948 when James Culliton said that a marketing decision should be a result of something similar to a recipe. This version was used in 1953 when Neil Borden, in his American Marketing Association presidential address, took the recipe idea one step further and coined the term "Marketing-Mix". A prominent marketer, E. Jerome McCarthy, proposed a 4 P classification in 1960, which has seen wide use. The four Ps concept is explained in most marketing textbooks and classes.

2.0 OBJECTIVES

At the end of this unit students will be able to:

- Explain the marketing mix concepts
- Discuss Products
- Differentiate between Product marketing and product management
- Define price
- Analyze economic theory of price

3.0 MAIN CONTENTS:

3.1 Marketing Mix Concept

A "Marketing Mix" is the set of controllable, tactical marketing tools that work together to achieve company's objectives, they are: product, price, promotion and place. Although some [marketers](#)^[who?] have added other P's, such as [personnel](#), [packaging](#) and physical evidence by Magrath for service-based industries, public relations and political power by Kotler, and [packaging](#) by YS Chin, the fundamentals of marketing typically identifies the four P's of the marketing mix as referring to:

Product - A tangible object or an intangible service that is [mass produced](#) or manufactured on a large scale with a specific volume of units. Intangible products are often service based like the [tourism](#)

[industry](#) & the [hotelindustry](#). Typical examples of a mass produced tangible object are the [motorcar](#) and the disposable razor. A less obvious but ubiquitous mass produced service is a [computer operatingsystem](#).

Price – The price is the amount a customer pays for the product. It is determined by a number of factors including market share, competition, material costs, product identity and the customer's perceived value of the product. The business may increase or decrease the price of product if other stores have the same product.

Place – Place represents the location where a product can be purchased. It is often referred to as the distribution channel. It can include any physical store as well as virtual stores on the Internet.

Promotion – Promotion represents all of the communications that a marketer may use in the marketplace. Promotion has four distinct elements - advertising, public relations, word of mouth and point of sale. A certain amount of crossover occurs when promotion uses the four principal elements together, which is common in film promotion. Advertising covers any communication that is paid for, from and cinema commercials, radio and Internet adverts through print media and billboards. One of the most notable means of promotion today is the Promotional Product, as in useful items distributed to targeted audiences with no obligation attached. This category has grown each year for the past decade while most other forms have suffered. It is the only form of advertising that targets all five senses and has the recipient thanking the giver. Public relations are where the communication is not directly paid for and includes press releases, sponsorship deals, exhibitions, conferences, seminars or trade fairs and events. Word of mouth is any apparently informal communication about the product by ordinary individuals, satisfied customers or people specifically engaged to create word of mouth momentum. Sales staff often plays an important role in word of mouth and Public Relations (see Product above).

Broadly defined, optimizing the marketing mix is the primary responsibility of marketing. By offering the product with the right combination of the four Ps marketers can improve their results and marketing effectiveness. Making small changes in the marketing mix is typically considered to be a tactical change. Making large changes in any of the four Ps can be considered strategic. For example, a large change in the price, say from \$19.00 to \$39.00 would be considered a strategic change in the position of

the product. However a change of \$131 to \$130.99 would be considered a tactical change, potentially related to a promotional offer.

The term "Marketing Mix" however, does not imply that the 4P elements represent options. They are not trade-offs but are fundamental marketing issues that always need to be addressed. They are the fundamental actions that marketing requires whether determined explicitly or by default.

The Four P's is also being replaced by the Four C's model, consisting of consumer, cost, convenience, and communication. The Four C's model is more consumer-oriented and fits better in the movement from mass marketing to niche marketing.^{[1][2]} The product part of the Four P's model is replaced by consumer or consumer models, shifting the focus to satisfying the consumer. Pricing is replaced by cost, reflecting the reality that price is set by the market, not necessarily by the firm (if the price is too high, the firm will not sell enough and be forced to lower the price). Thus, the firm must focus on cost considerations rather than on what the correct price is to set. Place is replaced by the convenience function. With the rise of internet and hybrid models of purchasing, place is no longer relevant. Convenience takes into account the ease to buy a product, find a product, find information about a product, and several other considerations. Finally, the promotions feature is replaced by communication. Communications represents a broader focus than simply promotions. Communications can include advertising, public relations, personal selling, viral advertising, and any form of communication between the firm and the consumer.^[3]

3.2 Products

A Product Market is something that is referred to when pitching a new product to the general public. The people you are trying to make your product appeal to is your consumer market. For example: If you were pitching a new video game console game to the public, your consumer market would probably be the adult male [Video Game](#)[1] market (depending on the type of game). Thus you would carry out market research to find out how best to release the game. Likewise, a massage chair would probably not appeal to younger children, so you would market your product to an older generation.

Role of Product marketing

Product marketing in a business addresses four important strategic questions:^[2]

What products will be offered (i.e., the breadth and depth of the [productline](#))?

Who will be the target customers (i.e., the boundaries of the market segments to be served)?

How will the products reach those people that needed them

Product marketing vs. product management

Product marketing frequently differs from product management in high-tech companies. Whereas the product manager is required to take a product's requirements from the sales and marketing personnel and create a product requirements document (PRD),^[3] which will be used by the engineering team to build the product, the product marketing manager can be engaged in the task of creating a marketing requirements document (MRD), which is used as source for the product management to develop the PRD.

In other companies the product manager creates both the MRDs and the PRDs, while the product marketing manager does outbound tasks like giving product demonstrations in trade shows, creating marketing collateral like hot-sheets, beat-sheets, cheat sheets, [data sheets](#), and white papers. This requires the product marketing manager to be skilled not only in competitor analysis, market research, and technical writing, but also in more business oriented activities like conducting [ROI](#) and NPV analyses on technology investments, strategizing how the decision criteria of the prospects or customers can be changed so that they buy the company's product vis-a-vis the competitor's product, etc.

In smaller high-tech firms or [start-ups](#), product marketing and product management functions can be blurred, and both tasks may be borne by one individual. However, as the company grows someone needs to focus on creating good requirements documents for the engineering team, whereas someone else needs to focus on how to analyze the market, influence the "analysts", press, etc. When such clear demarcation becomes visible, the former falls under the domain of product management, and the latter, under product marketing. In Silicon Valley, in particular, product

marketing professionals have considerable [domain](#) experience in a particular market or technology or both. Some Silicon Valley firms have titles such as Product Marketing Engineer, who tend to be promoted to managers in due course.

The trend that is emerging in Silicon Valley is for companies to hire a team of a product-marketing manager with a technical marketing manager. The Technical Marketing role is becoming more valuable as companies become more competitive and seek to reduce costs and time to market.

3.3 PRICE

Price in economics and business is the result of an exchange and from that trade we assign a numerical monetary value to a good, service or asset. If Alice trades Bob 4 apples for an orange, the price of an orange is 4 apples. Inversely, the price of an apple is $1/4$ oranges.

Price is only part of the information we get from observing an exchange. The other part is the volume of the goods traded per unit time, called the rate of purchase or sale. From this additional information we understand the extent of the market and the elasticity of the demand and supply.

The concept of price is central to microeconomics where it is one of the most important variables in resource allocation theory (also called price theory). Price is also central to marketing where it is one of the four variables in the marketing mix that business people use to develop a marketing plan.

In general terms price is the result of an exchange or transaction that takes place between two parties and refers to what must be given up by one party (i.e., buyer) in order to obtain something offered by another party (i.e., seller).

Yet this view of price provides a somewhat limited explanation of what price means to participants in the transaction. In fact, price means different things to different participants in an exchange:

Example - Price is commonly confused with the notion of cost as in "I paid a high cost for buying my new plasma television". Technically, though, these are different concepts. Price is what a buyer pays to acquire products

from a seller. Cost concerns the seller's investment (e.g., manufacturing expense) in the product being exchanged with a buyer. For marketing organizations seeking to make a profit the hope is that price will exceed cost so the organization can see financial gain from the transaction. Finally, while product pricing is a main topic for discussion when a company is examining its overall profitability, pricing decisions are not limited to for-profit companies. Not-for-profit organizations, such as charities, educational institutions and industry trade groups, also set prices, though it is often not as apparent. For instance, charities seeking to raise money may set different "target" levels for donations that reward donors with increases in status (e.g., name in newsletter), gifts or other benefits. While a charitable organization may not call it a price in their promotional material, in reality these donations are equivalent to price setting since donors are required to give a contribution in order to obtain something of value

Economic Theory of Price

In ordinary usage, price is the quantity of payment or compensation for something. People may say about a criminal that he has 'paid the price to society' to imply that he has paid a penalty or compensation. They may say that somebody paid for his folly to imply that he suffered the consequence.

Economists view price as an exchange ratio between goods that pay for each other. In case of barter between two goods whose quantities are x and y , the price of x is the ratio y/x , while the price of y is the ratio x/y .

This however has not been used consistently, so that old confusion regarding value frequently reappears. The value of something is a quantity counted in common units of value called numeraire, which may even be an imaginary good. This is done to compare different goods. The unit of value is frequently confused with price, because market value is calculated as the quantity of some good multiplied by its nominal price.

Theory of price asserts that the market price reflects interaction between two opposing considerations. On the one side are demand considerations based on marginal utility, while on the other side are supply considerations based on marginal cost. An equilibrium price is supposed to be at once equal to marginal utility (counted in units of income) from the buyer's side and marginal cost from the seller's side. Though almost every economist

accepts this view, and it constitutes the core of mainstream economics, it has recently been challenged seriously.

There was time when people debated use-value versus exchange value, often wondering about the paradox of value (diamond-water paradox). The use-value was supposed to give some measure of usefulness, later refined as marginal benefit (which is marginal utility counted in common units of value) while exchange value was the measure of how much one good was in terms of another, namely what is now called relative price.

Relative and nominal price

The difference between nominal price and relative or real price (as exchange ratio) is often made. Nominal price is the price quoted in money while relative or real price is the exchange ratio between real goods regardless of money. The distinction is made to make sense of inflation. When all prices are quoted in terms of money units, and the prices in money units change more or less proportionately, the ratio of exchange may not change much. In the extreme case, if all prices quoted in money change in the same proportion, the relative price remains the same.

It is now becoming clear that the distinction is not useful and indeed hides a major confusion. The conventional wisdom is that proportional change in all nominal prices does not affect real price, and hence should not affect either demand or supply and therefore also should not affect output. The new criticism is that the crucial question is why there is more money to pay for the same old real output. If this question is answered, it will show that dynamically, even as the real price remains exactly the same, output in real terms can change, just because additional money allow additional output to be traded. The supply curve can shift such that at the old price, the new higher output is sold. This shift if not possible without additional money.

From this point of view, a price is similar to an opportunity cost, that is, what must be given up in exchange for the good or service that is being purchased. For example, if $x=1$ and $y=2$, the relative price of x in terms of y is 2, and the price of y in terms of x is 0.5.

The price of an item is also called the **price point**, especially where it refers to stores that set a limited number of price points. For example, Dollar General is a general store or "five and dime" store that sets price points only at even amounts, such as exactly one, two, three, five, or ten

dollars (among others). Other stores (such as dollar stores, pound stores, euro stores, 100-yen stores, and so forth) only have a single price point (\$1, £1, €1, ¥100), though in some cases this price may purchase more than one of some very small items

Austrian theory

The last objection is also sometimes interpreted as the paradox of value, which was observed by classical economists. Adam Smith described what is now called the *Diamond – Water Paradox*: diamonds command a higher price than water, yet water is essential for life, while diamonds are merely ornamentation. One solution offered to this paradox is through the theory of marginal utility proposed by Carl Menger, the father of the Austrian School of economics.

As William Barber put it, human volition, the human subject, was "brought to the centre of the stage" by marginalist economics, as a bargaining tool. Neoclassical economists sought to clarify choices open to producers and consumers in market situations, and thus "fears that cleavages in the economic structure might be unbridgeable could be suppressed".

Without denying the applicability of the Austrian theory of value as *subjective* only, within certain contexts of price behavior, the Polish economist Oskar Lange felt it was necessary to attempt a serious *integration* of the insights of classical political economy with neo-classical economics. This would then result in a much more realistic theory of price and of real behavior in response to prices. Marginalist theory lacked anything like a theory of the social framework of real market functioning, and criticism sparked off by the capital controversy initiated by Piero Sraffa revealed that most of the foundational tenets of the marginalist theory of value either reduced to tautologies, or that the theory was true only if counter-factual conditions applied.

One insight often ignored in the debates about price theory is something that businessmen are keenly aware of: in different markets, prices may not function according to the same principles except in some very abstract (and therefore not very useful) sense. From the classical political economists to Michal Kalecki it was known that prices for industrial goods behaved

differently from prices for agricultural goods, but this idea could be extended further to other broad classes of goods and services.

4.0 CONCLUSION

In conclusion, it requires the product marketing manager to be skilled not only in competitor analysis, market research, and technical writing, but also in more business oriented activities like conducting [ROI](#) and NPV analyses on technology investments, strategizing how the decision criteria of the prospects or customers can be changed so that they buy the company's product vis-a-vis the competitor's product.

5.0 SUMMARY

This unit focuses on the following areas: the marketing mix concepts; Products; Price Product marketing and product management and finally economic theory of price.

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7.0 TUTOR MARKED ASSIGNMENT

1. Discuss the economic theory of price?
2. Differentiate between product marketing and products management?

UNIT TWELVE SALES IN COOPERATIVE MARKETING

1.0 INTRODUCTION

A **sale** is the pinnacle activity involved in selling cooperative products or services in return for money or other compensation. It is an act of completion of a commercial activity.^[1]

The seller, the owner of the goods, completes a sale. It starts with consent (or agreement) to an acquisition or appropriation or request followed by the passing of title (property or ownership) in the item and the application and due settlement of a price, the obligation for which arises due to the seller's requirement to pass ownership, being a price the seller is happy to part with ownership of or any claim upon the item. The purchaser, though a party to the sale, does not execute the sale, only the seller does that. To be precise the sale completes prior to the payment and gives rise to the obligation of payment. If the seller completes the first two above stages (consent and passing ownership) of the sale prior to settlement of the price the sale is still valid and gives rise to an obligation to pay

2.0 OBJECTIVES:

At the end of this unit student will be able to:

- Identify sales techniques,
- Know who is sales agent,
- Explains sales and marketing relationship,
- Understand how Marketing potentially negates need for sales,
- Discuss industrial marketing, and
- Enumerate scoring sales.

3.0 MAIN CONTENT:

3.1 Sales Techniques

A beach salesman selling necklaces

The sale can be made through:

Direct sales, involving person to person contact

- Buying Facilitation Method

Pro forma sales

Agency-based

- Sales agents (real estate, manufacturing)
- Sales outsourcing through direct branded representation
- Transaction sales
- Consultative sales
- Complex sales
- Consignment
- Telemarketing or telesales
- Retail or consumer

Traveling salesman

- Door-to-door
- To tourists on crowded beach

Request for proposal – An invitation for suppliers, through a bidding process, to submit a proposal on a specific product or service. An RFP is usually part of a complex sales process, also known as enterprise sales.

Business-to-business – Business-to-business sales are much more relationship based owing to the lack of emotional attachment to the products in question. Industrial/Professional Sales is selling from one business to another

Electronic

- Web – Business-to-business and business-to-consumer
- Electronic Data Interchange (EDI) – A set of standard for structuring information to be electronically exchanged between and within businesses

Indirect, human-mediated but with indirect contact

- Mail-order

Sales Methods:

- Selling technique
- SPIN Selling
- Consultative selling
- Sales enablement
- Solution selling

- Conceptual Selling
- Strategic Selling
- Sales Negotiation
- Reverse Selling
- Paint-the-Picture
- Large Account Management Process

3.2 Sales Agents

Agents in the sales process can be defined as representing either side of the sales process for example:

Sales broker or Seller agency or seller agent

This is a traditional role where the salesman represents a person or company on the selling end of the deal.^[3]

Buyers broker or Buyer brokerage

This is where the salesman represents the consumer making the purchase. This is most often applied in large transactions.

Disclosed dual agent

This is where the salesman represents both parties in the sale and acts as a mediator for the transaction. The role of the salesman here is to over see that both parties receive an honest and fair deal, and is responsible to both.

Transaction broker

This is where the salesperson doesn't represent either party, but handles the transaction only. This is where the seller owes no responsibility to either party getting a fair or honest deal, just that all of the papers are handled properly.

Sales Outsourcing

This is direct branded representation where the sales reps are recruited, hired, and managed by an external entity but hold quotas, represent themselves as the brand of the client, and report all activities (through their own sales management channels) back to the client. It is akin to a virtual extension of a sales force. (see Sales Outsourcing entry)

Sales Managers

It is the goal of a qualified and talented sales manager to implement various sales strategies and management techniques in order to facilitate improved profits and increased sales volume. They are also responsible for coordinating the sales and marketing department as

well as oversight concerning the fair and [honest](#) execution of the sales process by his agents.^[4]

Salesmen

The primary function of professional sales is to generate and close leads, educate prospects, fill needs and satisfy wants of consumers appropriately, and therefore turn prospective customers into actual ones. The successful questioning to understand a customer's goal and requirements relevant to the product, the further creation of a valuable solution by communicating the necessary information that encourages a buyer to achieve their goal at an economic cost is the responsibility of the salesperson or the sales engine (e.g. internet, vending machine etc). A good salesman should never miss sell or over evaluate the customers requirements. A great salesman will never UNDER evaluate or under sell his customer, he allow the customer to make the decision he never pre-qualify a sales lead.

3.3 The sales and marketing relationship

Marketing and sales are very different, but have the same goal. Marketing improves the selling environment and plays a very important role in sales. If the marketing department generates a potential customers list, it can be beneficial for sales. The marketing department's goal is to increase the number of interactions between potential customers and the sales team using promotional techniques such as advertising, sales promotion, publicity, and public relations, creating new [saleschannels](#), or creating new products (new product development), among other things.

The relatively new field of Sales process engineering views "sales" as the output of a larger system, not just that of one department. The larger system includes many functional areas within an organization. From this perspective, sales and marketing (among others, such as customer service) are labels for a number of processes whose inputs and outputs supply one another to varying degrees. Considered in this way, to improve the "output" (namely, sales) the broader sales process needs to be studied and improved as would any system, since the component functional areas interact and are interdependent^[5].

In most large corporations, the marketing department is structured in a similar fashion to the sales department^[citation needed] and the managers of these teams must coordinate efforts in order to drive profits and business

success. For example, an "inbound" focused campaign seeks to drive more customers "through the door" giving the sales department a better chance of selling their product to the consumer. A good marketing program would address any potential downsides as well.

The Sales department's goal would be to improve the interaction between the customer and the sales facility or mechanism (example, web site) and/or salesperson. Sales management would break down the selling process and then increase the effectiveness of the discrete processes as well as the interaction between processes. For example, in many out-bound sales environments, the typical process is out bound calling, the sales pitch, handling objections, opportunity identification, and the close. Each step of the process has sales-related issues, skills, and training needs as well as marketing solutions to improve each discrete step, as well as the whole process.

One further common complication of marketing involves the inability to measure results for a great deal of marketing initiatives. In essence, many marketing and advertising executives often lose sight of the objective of sales/revenue/profit, as they focus on establishing a creative/innovative program, without concern for the top or bottom lines. Such is a fundamental pitfall of marketing for marketing's sake.

Many companies find it challenging to get marketing and sales on the same page. Both departments are different in nature, but handle very similar concepts and have to work together for sales to be successful. Building a good relationship between the two that encourages communication can be the key to success even in a down economy.^[6]

3.4 Marketing potentially negates need for sales

Some sales authors and consultants contend that an expertly planned and executed marketing strategy may negate the need for outside sales entirely. They suggest that by effectively bringing more customers "through the door" and enticing them to contact you, sales organizations can dramatically improve their results, efficiency, profitability, and allow salespeople to provide a drastically higher level of customer service and satisfaction, instead of spending the majority of their working hours searching for someone to sell to.^[7]

While this theory is present in a few marketing consulting companies the practical and realistic application of this principle has not been widely proven in the market and sales forces worldwide continue to be responsible for developing business as well as closing it.

Some marketing consulting firms postulate that each selling opportunity at each enterprise lies on a continuum of numbers of people involved, necessary degree of face-to-face interaction, overhead, and through-put time, to name a few dimensions. The number of people involved in actual face-to-face selling at, say, a clothing store is probably vastly different than at an on-line book-seller.

3.5 Industrial marketing

The idea that marketing can potentially eliminate the need for sales people is entirely dependent on context. For example, this may be possible in some B2C situations however, for many B2B organizations (for example industrial organisations) this is mostly impossible. Another dimension is the value of the goods being sold. Fast Moving Consumer Goods (FMCG) require no sales people at the point of sale to get them to jump off the supermarket shelf and into the customer's trolley. However, the purchase of large mining equipment worth millions of dollars will require a sales person to manage the sales process. Particularly in the face of competitors. Organisations that rely on business to "walk in the door" often are left floundering during economic downturns as illustrated in this article "Turning inside cats into outside cats, or how to get the sales force out selling."

3.6 Sales and marketing alignment and integration

Another key area of conversation that has arisen is the need for alignment and integration between corporate sales and marketing functions. According to a report from the Chief Marketing Officer (CMO) Council, only 40 percent of companies have formal programs, systems or processes in place to align and integration between the two critical functions. Traditionally, these two functions, as referenced above, has been largely segmented and left in siloed areas of tactical responsibility. In Glen Petersen's book, "The Profit Maximization Paradox," the changes in the competitive landscape between the 1950s and today are so dramatic that

the complexity of choice, price and opportunities for the customer forced this seemingly simple and integrated relationship between sales and marketing to change forever. Petersen goes on to highlight that salespeople are spending approximately 40 percent of their time preparing customer-facing deliverables while leveraging less than 50 percent of the materials created by marketing, adding to the perception that marketing is out of touch with the customer, and sales is resistant to messaging and strategy. Organizations like The Coalition to Leverage and Optimize Sales Effectiveness (CLOSE) "CLOSE". <http://www.closebiz.org/>. have emerged as a facilitator to mend the relationship between sales and marketing. Internet applications, commonly referred to as Sales 2.0 tools, have also increasingly been created to help align the goals and responsibilities of marketing and sales departments.^[8]

3.7 Scoring Sales

Every good sales team needs a way to score how well their deals have performed. Common ways of scoring include:

- Telemarketing
- CRM Software
- FunnelScorecard
- SalesLeadScoring

4.0 CONCLUSION

In conclusion, it has been confirmed that sales is the output of a larger system, not just that of one department. The larger system includes many functional areas within an organization. From this perspective, sales and marketing (among others, such as customer service) are labels for a number of processes whose inputs and outputs supply one another to varying degrees.

5.0 SUMMARY

This unit focuses on the following areas:

Sales techniques, which is sales agent, sales and marketing relationship, how Marketing potentially negates need for sales, industrial marketing, and finally enumerate scoring sales.

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7.0 TUTOR MARKED ASSIGNMENT

1. Explain the relationship between marketing and sales?
2. Discuss industrial marketing?

UNIT THIRTEEN

ADVERTISING

1.0 INTRODUCTION

Advertising is a form of communication that typically attempts to persuade potential customers to purchase or to consume more of a particular brand of product or service. “While now central to the contemporary global economy and the reproduction of global production networks, it is only quite recently that advertising has been more than a marginal influence on patterns of sales and production. The formation of modern advertising was intimately bound up with the emergence of new forms of monopoly capitalism around the end of the 19th and beginning of the 20th century as one element in corporate strategies to create, organize and where possible control markets, especially for mass produced consumer goods. Mass production necessitated mass consumption, and this in turn required a certain homogenization of consumer tastes for final products. At its limit, this involved seeking to create ‘world cultural convergence’, to homogenize consumer tastes and engineer a ‘convergence of lifestyle, culture and behaviors among consumer segments across the world’.” ^[1]

Many advertisements are designed to generate increased consumption of those products and services through the creation and reinvention of the "brand image" . For these purposes, advertisements sometimes embed their persuasive message with factual information. Every major medium is used to deliver these messages, including television, radio, cinema, magazines, newspapers, video games, the Internet, carrier bags and billboards. Advertising is often placed by an advertising agency on behalf of a company or other organization. ^[citation needed]

Organizations that frequently spend large sums of money on advertising that sells what is not, strictly speaking, a product or service include political parties, interest groups, religious organizations, and military recruiters. Non-profit organizations are not typical advertising clients, and may rely on free modes of persuasion, such as public service announcements. ^[citation needed]

Money spent on advertising has increased dramatically in recent years. In 2007, spending on advertising has been estimated at over \$150 billion in the United States^[2] and \$385 billion worldwide,^[3] and the latter to exceed \$450 billion by 2010.

While advertising can be seen as necessary for economic growth, it is not without social costs. Unsolicited Commercial Email and other forms of spam have become so prevalent as to have become a major nuisance to users of these services, as well as being a financial burden on internet service providers.^[4] Advertising is increasingly invading public spaces, such as schools, which some critics argue is a form of child exploitation.^[5]

2.0 OBJECTIVES

At the end of this unit students will be able to:

- Discuss historical background of Advertising
- Explain Public advertising on Times Square, New York City.
- Analyze Mobile billboard advertising
- Define Public service advertising
- Identify Types of advertising
- Apply Media and advertising approaches
- Differentiate between advertising and constitutional rights
- Put up constructive Criticism of advertising.
- Use the price of attention and hidden costs

3.0 MAIN CONTENTS:

3.1 Historical Background of Advertising

Egyptians used papyrus to make sales messages and wall posters. Commercial messages and political campaign displays have been found in the ruins of Pompeii and ancient Arabia. Lost and found advertising on papyrus was common in Ancient Greece and Ancient Rome. Wall or rock painting for commercial advertising is another manifestation of an ancient advertising form, which is present to this day in many parts of Asia, Africa, and South America. The tradition

of wall painting can be traced back to Indian rock art paintings that date back to 4000 BCE.^[6]

As the towns and cities of the Middle Ages began to grow, and the general populace was unable to read, signs that today would say cobbler, miller, tailor or blacksmith would use an image associated with their trade such as a boot, a suit, a hat, a clock, a diamond, a horse shoe, a candle or even a bag of flour. Fruits and vegetables were sold in the city square from the backs of carts and wagons and their proprietors used street callers or town criers to announce their whereabouts for the convenience of the customers.

As education became an apparent need and reading, as well printing developed, advertising expanded to include handbills. In the 17th century advertisements started to appear in weekly newspapers in England. These early print advertisements were used mainly to promote books and newspapers, which became increasingly affordable with advances in the printing press; and medicines, which were increasingly sought after as disease ravaged Europe. However, false advertising and so-called "quack" advertisements became a problem, which ushered in the regulation of advertising content.

Edo period advertising flyer from 1806 for a traditional medicine called *Kinseitan*

As the economy expanded during the 19th century, advertising grew alongside. In the United States, the success of this advertising format eventually led to the growth of mail-order advertising.

In June 1836, French newspaper La Presse is the first to include paid advertising in its pages, allowing it to lower its price, extend its readership and increase its profitability and the formula was soon copied by all titles. Around 1840, Volney Palmer established a predecessor to advertising agencies in Boston.^[7] Around the same time, in France, Charles-Louis Havas extended the services of his news agency, Havas to include advertisement brokerage, making it the first French group to organize. At first, agencies were brokers for advertisement space in newspapers. N. W. Ayer & Son was the first full-service agency to assume responsibility for advertising content. N.W. Ayer opened in 1869, and was located in Philadelphia.^[7]

At the turn of the century, there were few career choices for women in business; however, advertising was one of the few. Since women were responsible for most of the purchasing done in their household, advertisers and agencies recognized the value of women's insight during the creative process. In fact, the first American

advertising to use a sexual sell was created by a woman – for a soap product. Although tame by today's standards, the advertisement featured a couple with the message "The skin you love to touch".^[8]

A print advertisement for the 1913 issue of the *Encyclopædia Britannica*

In the early 1920s, the first radio stations were established by radio equipment manufacturers and retailers who offered programs in order to sell more radios to consumers. As time passed, many non-profit organizations followed suit in setting up their own radio stations, and included: schools, clubs and civic groups.^[9] When the practice of sponsoring programs was popularised, each individual radio program was usually sponsored by a single business in exchange for a brief mention of the business' name at the beginning and end of the sponsored shows. However, radio station owners soon realised they could earn more money by selling sponsorship rights in small time allocations to multiple businesses throughout their radio station's broadcasts, rather than selling the sponsorship rights to single businesses per show.

This practice was carried over to television in the late 1940s and early 1950s. A fierce battle was fought between those seeking to commercialise the radio and people who argued that the radio spectrum should be considered a part of the commons – to be used only non-commercially and for the public good. The United Kingdom pursued a public funding model for the BBC, originally a private company, the British Broadcasting Company, but incorporated as a public body by Royal Charter in 1927. In Canada, advocates like Graham Spry were likewise able to persuade the federal government to adopt a public funding model, creating the Canadian Broadcasting Corporation. However, in the United States, the capitalist model prevailed with the passage of the Communications Act of 1934 which created the Federal Communications Commission.^[9] To placate the socialists, the U.S. Congress did require commercial broadcasters to operate in the "public interest, convenience, and necessity".^[10] Public broadcasting now exists in the United States due to the 1967 Public Broadcasting Act which led to the Public Broadcasting Service and National Public Radio.

In the early 1950s, the DuMont Television Network began the modern trend of selling advertisement time to multiple sponsors. Previously, DuMont had trouble finding sponsors for many of their programs and compensated by selling smaller blocks of advertising time to several businesses. This eventually became the standard for the commercial television industry in the United States. However, it

was still a common practice to have single sponsor shows, such as The United States Steel Hour. In some instances the sponsors exercised great control over the content of the show - up to and including having one's advertising agency actually writing the show. The single sponsor model is much less prevalent now, a notable exception being the Hallmark Hall of Fame.

The 1960s saw advertising transform into a modern approach in which creativity was allowed to shine, producing unexpected messages that made advertisements more tempting to consumers' eyes. The Volkswagen ad campaign—featuring such headlines as "Think Small" and "Lemon" (which were used to describe the appearance of the car)—ushered in the era of modern advertising by promoting a "position" or "unique selling proposition" designed to associate each brand with a specific idea in the reader or viewer's mind. This period of American advertising is called the Creative Revolution and its archetype was William Bernbach who helped create the revolutionary Volkswagen ads among others. Some of the most creative and long-standing American advertising dates to this period.

3.2 Public advertising on Times Square, New York City.

The late 1980s and early 1990s saw the introduction of cable television and particularly MTV. Pioneering the concept of the music video, MTV ushered in a new type of advertising: the consumer tunes in *for* the advertising message, rather than it being a by-product or afterthought. As cable and satellite television became increasingly prevalent, specialty channels emerged, including channels entirely devoted to advertising, such as QVC, Home Shopping Network, and ShopTV Canada.

Marketing through the Internet opened new frontiers for advertisers and contributed to the "dot-com" boom of the 1990s. Entire corporations operated solely on advertising revenue, offering everything from coupons to free Internet access. At the turn of the 21st century, a number of websites including the search engine G, started a change in online advertising by emphasizing contextually relevant, unobtrusive ads intended to help, rather than inundate, users. This has led to a plethora of similar efforts and an increasing trend of interactive advertising.

The share of advertising spending relative to GDP has changed little across large changes in media. For example, in the U.S. in 1925, the main advertising media were newspapers, magazines, signs on streetcars, and outdoor posters. Advertising

spending as a share of GDP was about 2.9 percent. By 1998, television and radio had become major advertising media. Nonetheless, advertising spending as a share of GDP was slightly lower—about 2.4 percent.^[11]

A recent advertising innovation is "guerrilla marketing", which involve unusual approaches such as staged encounters in public places, giveaways of products such as cars that are covered with brand messages, and interactive advertising where the viewer can respond to become part of the advertising message. This reflects an increasing trend of interactive and "embedded" ads, such as via productplacement, having consumers vote through text messages, and various innovations utilizing socialnetworkservices such as MySpace.

3.3 Mobile billboard advertising

The *RedEye* newspaper advertised to its target market at NorthAvenueBeach with a sailboat billboard on LakeMichigan.

Mobilebillboards are truck- or blimp-mounted billboards or digital screens. These can be dedicated vehicles built solely for carrying advertisements along routes preselected by clients, or they can be specially-equipped cargo trucks. The billboards are often lighted; some being backlit, and others employing spotlights. Some billboard displays are static, while others change; for example, continuously or periodically rotating among a set of advertisements.

Mobile displays are used for various situations in metropolitan areas throughout the world, including:

- Target advertising
- One-day, and long-term campaigns
- Conventions
- Sporting events
- Store openings and similar promotional events
- Big advertisements from smaller companies
- Others

3.4 Public service advertising

The same advertising techniques used to promote commercial goods and services can be used to inform, educate and motivate the public about non-commercial

issues, such as AIDS, political ideology, energy conservation, religious recruitment, and deforestation.

Advertising, in its non-commercial guise, is a powerful educational tool capable of reaching and motivating large audiences. "Advertising justifies its existence when used in the public interest - it is much too powerful a tool to use solely for commercial purposes." - Attributed to Howard Gossage by David Ogilvy.

Public service advertising, non-commercial advertising, public interest advertising, cause marketing, and social marketing are different terms for (or aspects of) the use of sophisticated advertising and marketing communications techniques (generally associated with commercial enterprise) on behalf of non-commercial, public interest issues and initiatives.

In the United States, the granting of television and radio licenses by the FCC is contingent upon the station broadcasting a certain amount of public service advertising. To meet these requirements, many broadcast stations in America air the bulk of their required public service announcements during the late night or early morning when the smallest percentage of viewers are watching, leaving more day and prime time commercial slots available for high-paying advertisers.

Public service advertising reached its height during World Wars I and II under the direction of several governments.

3.5 Types of advertising

Media

Paying people to hold signs is one of the oldest forms of advertising, as with this Humandirectional pictured above

A bus with an advertisement for GAP in Singapore. Buses and other vehicles are popular mediums for advertisers.

A DBAGClass101 with UNICEF ads at Ingolstadt main railway station

Commercial advertising media can include wall paintings, billboards, street furniture components, printed flyers and rack cards, radio, cinema and television adverts, web banners, mobile telephone screens, shopping carts, web popups,

skywriting, bus stop benches, human billboards, magazines, newspapers, town criers, sides of buses, banners attached to or sides of airplanes ("logojets"), in-flight advertisements on seatback tray tables or overhead storage bins, taxicab doors, roof mounts and passengerscreens, musical stage shows, subway platforms and trains, elastic bands on disposable diapers, stickers on apples in supermarkets, shopping cart handles (grabertising), the opening section of streaming audio and video, posters, and the backs of event tickets and supermarket receipts. Any place an "identified" sponsor pays to deliver their message through a medium is advertising.

One way to measure advertising effectiveness is known as Ad Tracking. This advertising research methodology measures shifts in target market perceptions about the brand and product or service. These shifts in perception are plotted against the consumers' levels of exposure to the company's advertisements and promotions. The purpose of Ad Tracking is generally to provide a measure of the combined effect of the media weight or spending level, the effectiveness of the mediabuyortargeting, and the quality of the advertising executions or creative.^[12]

See also: Advertisingmediaselection

Covert advertising

Product placement

Covert advertising is when a product or brand is embedded in entertainment and media. For example, in a film, the main character can use an item or other of a definite brand, as in the movie Minority Report, where Tom Cruise's character John Anderton owns a phone with the Nokia logo clearly written in the top corner, or his watch engraved with the Bulgari logo. Another example of advertising in film is in I, Robot, where main character played by Will Smith mentions his Converse shoes several times, calling them "classics," because the film is set far in the future. I, Robot and Spaceballs also showcase futuristic cars with the Audi and Mercedes-Benz logos clearly displayed on the front of the vehicles. Cadillac chose to advertise in the movie The Matrix Reloaded, which as a result contained many scenes in which Cadillac cars were used. Similarly, product placement for Omega Watches, Ford, VAIO, BMW and Aston Martin cars are featured in recent James Bond films, most notably Casino Royale. Blade Runner includes some of the most obvious product placement; the whole film stops to show a Coca-Cola billboard.

Television commercials

Television advertisement and Music in advertising

The TV commercial is generally considered the most effective mass-market advertising format, as is reflected by the high prices TV networks charge for commercial airtime during popular TV events. The annual Super Bowl football game in the United States is known as the most prominent advertising event on television. The average cost of a single thirty-second TV spot during this game has reached \$3 million (as of 2009).

The majority of television commercials feature a song or jingle that listeners soon relate to the product.

Virtual advertisements may be inserted into regular television programming through computer graphics. It is typically inserted into otherwise blank backdrops^[13] or used to replace local billboards that are not relevant to the remote broadcast audience.^[14] More controversially, virtual billboards may be inserted into the background^[15] where none exist in real-life. Virtual product placement is also possible.^{[16][17]}

Infomercials

There are two types of infomercials, described as long form and short form. Long form infomercials have a time length of 30 minutes. Short form infomercials are 30 seconds to 2 minutes long. Infomercials are also known as direct response television (DRTV) commercials or directresponsemarketing.

The main objective in an infomercial is to create an impulse purchase, so that the consumer sees the presentation and then immediately buys the product through the advertised toll-free telephone number or website. Infomercials describe, display, and often demonstrate products and their features, and commonly have testimonials from consumers and industry professionals.

Some well known companies in the infomercial business are Script to Screen, Hawthorne Direct, International Shopping Network and Guthy-Renker.

Celebrities

Celebritybranding

This type of advertising focuses upon using celebrity power, fame, money, popularity to gain recognition for their products and promote specific stores or products. Advertisers often advertise their products, for example, when celebrities share their favourite products or wear clothes by specific brands or designers. Celebrities are often involved in advertising campaigns such as television or print adverts to advertise specific or general products.

3.6 Media and advertising approaches

Increasingly, other media are overtaking television because of a shift towards consumer's usage of the Internet as well as devices such as TiVo.

Advertising on the WorldWideWeb is a recent phenomenon. Prices of Web-based advertising space are dependent on the "relevance" of the surrounding web content and the traffic that the website receives.

E-mail advertising is another recent phenomenon. Unsolicited bulk E-mail advertising is known as "spam".

Some companies have proposed placing messages or corporate logos on the side of booster rockets and the International Space Station. Controversy exists on the effectiveness of subliminal advertising (see mind control), and the pervasiveness of mass messages (see propaganda).

Unpaid advertising (also called publicity advertising), can provide good exposure at minimal cost. Personal recommendations ("bring a friend", "sell it"), spreading buzz, or achieving the feat of equating a brand with a common noun (in the United States, "Xerox" = "photocopier", "Kleenex" = tissue, "Vaseline" = petroleumjelly, "Hoover" = vacuumcleaner, nintendo(older people)=videogames, and "Band-Aid" = adhesive bandage) — these can be seen as the pinnacle of any advertising campaign. However, some companies oppose the use of their brand name to label an object. Equating a brand with a common noun also risks turning that brand into a genericized trademark - turning it into a generic term which means that its legal protection as a trademark is lost.

As the mobile phone became a new mass media in 1998 when the first paid downloadable content appeared on mobile phones in Finland, it was only a matter of time until mobile advertising followed, also first launched in Finland in 2000. By 2007 the value of mobile advertising had reached \$2.2 billion and providers such as Admob delivered billions of mobile ads.

More advanced mobile ads include banner ads, coupons, Multimedia Messaging Service picture and video messages, advergames and various engagement marketing campaigns. A particular feature driving mobile ads is the 2D Barcode, which replaces the need to do any typing of web addresses, and uses the camera feature of modern phones to gain immediate access to web content. 83 percent of Japanese mobile phone users already are active users of 2D barcodes.

A new form of advertising that is growing rapidly is social network advertising. It is online advertising with a focus on social networking sites. This is a relatively immature market, but it has shown a lot of promise as advertisers are able to take advantage of the demographic information the user has provided to the social networking site. Friendertising is a more precise advertising term in which people are able to direct advertisements toward others directly using social network service.

From time to time, The CW Television Network airs short programming breaks called "Content Wraps," to advertise one company's product during an entire commercial break. The CW pioneered "content wraps" and some products featured were HerbalEssences, Crest, GuitarHeroII, CoverGirl, and recently Toyota.

Recently, there appeared a new promotion concept, "ARvertising"; its supported on AugmentedReality technology.

3.7 Criticism of advertising

Hyper-commercialism and the commercial tidal wave

Criticism of advertising is closely linked with criticism of media and often interchangeable. They can refer to its audio-visual aspects (e. g. cluttering of public spaces and airwaves), environmental aspects (e. g. pollution, oversize packaging, increasing consumption), political aspects (e. g. media dependency, free speech, censorship), financial aspects (costs), ethical/moral/social aspects (e. g. sub-conscious influencing, invasion of privacy, increasing consumption and waste, target groups, certain products, honesty) and, of course, a mix thereof. Some aspects can be subdivided further and some can cover more than one category.

As advertising has become increasingly prevalent in modern Western societies, it is also increasingly being criticized. A person can hardly move in the public sphere or use a medium without being subject to advertising. Advertising occupies public

space and more and more invades the private sphere of people, many of which consider it a nuisance. “It is becoming harder to escape from advertising and the media. ... Public space is increasingly turning into a gigantic billboard for products of all kind. The aesthetical and political consequences cannot yet be foreseen.” ^[18] Hanno Rauterberg in the German newspaper ‘Die Zeit’ calls advertising a new kind of dictatorship that cannot be escaped. ^[19]

Adcreep: There are ads in schools, airport lounges, doctors offices, movie theaters, hospitals, gas stations, elevators, convenience stores, on the Internet, on fruit, on ATMs, on garbage cans and countless other places. There are ads on beach sand and restroom walls.”^[20] “One of the ironies of advertising in our times is that as commercialism increases, it makes it that much more difficult for any particular advertiser to succeed, hence pushing the advertiser to even greater efforts.” ^[21] Within a decade advertising in radios climbed to nearly 18 or 19 minutes per hour; on prime-time television the standard until 1982 was no more than 9.5 minutes of advertising per hour, today it’s between 14 and 17 minutes. With the introduction of the shorter 15-second-spot the total amount of ads increased even more dramatically. Ads are not only placed in breaks but e. g. also into baseball telecasts during the game itself. They flood the internet, a market growing in leaps and bounds.

Other growing markets are “product placements” in entertainment programming and in movies where it has become standard practice and “virtual advertising” where products get placed retroactively into rerun shows. Product billboards are virtually inserted into Major League Baseball broadcasts and in the same manner, virtual street banners or logos are projected on an entry canopy or sidewalks, for example during the arrival of celebrities at the 2001 Grammy Awards. Advertising precedes the showing of films at cinemas including lavish ‘film shorts’ produced by companies such as Microsoft or DaimlerChrysler. “The largest advertising agencies have begun working aggressively to co-produce programming in conjunction with the largest media firms” ^[22] creating Infomercials resembling entertainment programming.

Opponents equate the growing amount of advertising with a “tidal wave” and restrictions with “damming” the flood. Kalle Lasn, one of the most outspoken critics of advertising on the international stage, considers advertising “the most prevalent and toxic of the mental pollutants. From the moment your radio alarm sounds in the morning to the wee hours of late-night TV microjolts of commercial pollution flood into your brain at the rate of around 3,000 marketing messages per day. Every day an estimated twelve billion display ads, 3 million radio

commercials and more than 200,000 television commercials are dumped into North America's collective unconscious".^[23] In the course of his life the average American watches three years of advertising on television.^[24]

More recent developments are video games incorporating products into their content, special commercial patient channels in hospitals and public figures sporting temporary tattoos. A method unrecognisable as advertising is so-called "guerrilla marketing" which is spreading 'buzz' about a new product in target audiences. Cash-strapped U.S. cities do not shrink back from offering police cars for advertising.^[25] A trend, especially in Germany, is companies buying the names of sports stadiums. The Hamburg soccer Volkspark stadium first became the AOL Arena and then the HSH Nordbank Arena. The Stuttgart Neckarstadion became the Mercedes-Benz Arena, the Dortmund Westfalenstadion now is the Signal Iduna Park. The former SkyDome in Toronto was renamed Rogers Centre. Other recent developments are, for example, that whole subway stations in Berlin are redesigned into product halls and exclusively leased to a company. Düsseldorf even has 'multi-sensorial' adventure transit stops equipped with loudspeakers and systems that spread the smell of a detergent. Swatch used beamers to project messages on the Berlin TV-tower and Victory column, which was fined because it was done without a permit. The illegality was part of the scheme and added promotion.^[19]

It's standard business management knowledge that advertising is a pillar, if not "the" pillar of the growth-orientated free capitalist economy. "Advertising is part of the bone marrow of corporate capitalism."^[26] "Contemporary capitalism could not function and global production networks could not exist as they do without advertising."^[11]

For communication scientist and media economist Manfred Knoche at the University of Salzburg, Austria, advertising isn't just simply a 'necessary evil' but a 'necessary elixir of life' for the media business, the economy and capitalism as a whole. Advertising and mass media economic interests create ideology. Knoche describes advertising for products and brands as 'the producer's weapons in the competition for customers' and trade advertising, e. g. by the automotive industry, as a means to collectively represent their interests against other groups, such as the train companies. In his view editorial articles and programmes in the media, promoting consumption in general, provide a 'cost free' service to producers and sponsoring for a 'much used means of payment' in advertising.^[27] Christopher Lasch argues that advertising leads to an overall increase in consumption in

society; "Advertising serves not so much to advertise products as to promote consumption as a way of life."^[28]

3.8 Advertising and constitutional rights

Advertising is equated with constitutionally guaranteed freedom of opinion and speech.^[29] Therefore criticizing advertising or any attempt to restrict or ban advertising is almost always considered to be an attack on fundamental rights (First Amendment in the USA) and meets the combined and concentrated resistance of the business and especially the advertising community. "Currently or in the near future, any number of cases are and will be working their way through the court system that would seek to prohibit any government regulation of commercial speech (e. g. advertising or food labelling) on the grounds that such regulation would violate citizens' and corporations' First Amendment rights to free speech or free press."^[30] An example for this debate is advertising for tobacco or alcohol but also advertising by mail or fliers (clogged mail boxes), advertising on the phone, in the internet and advertising for children. Various legal restrictions concerning spamming, advertising on mobile phones, addressing children, tobacco, alcohol have been introduced by the US, the EU and various other countries. Not only the business community resists restrictions of advertising. Advertising as a means of free expression has firmly established itself in western society. Surveys e. g. reveal that advertising is generally seen as a welcome information and seldom as a nuisance^[citation needed]. At worst it is seen as a necessary evil to be endured and most often its entertaining value is pointed out. Hardly any by-law restricting advertising fails to appease possible critics by pointing out the positive effects and the necessity of advertising in its foreword. McChesney argues, that the government deserves constant vigilance when it comes to such regulations, but that it is certainly not "the only antidemocratic force in our society. ...corporations and the wealthy enjoy a power every bit as immense as that enjoyed by the lords and royalty of feudal times" and "markets are not value-free or neutral; they not only tend to work to the advantage of those with the most money, but they also by their very nature emphasize profit over all else....Hence, today the debate is over whether advertising or food labelling, or campaign contributions are speech...if the rights to be protected by the First Amendment can only be effectively employed by a fraction of the citizenry, and their exercise of these rights gives them undue political power and undermines the ability of the balance of the citizenry to exercise the same rights and/or constitutional rights, then it is not necessarily

legitimately protected by the First Amendment.” In addition, “those with the capacity to engage in free press are in a position to determine who can speak to the great mass of citizens and who cannot”.^[31] Critics in turn argue, that advertising invades privacy which is a constitutional right. For, on the one hand, advertising physically invades privacy, on the other, it increasingly uses relevant, information-based communication with private data assembled without the knowledge or consent of consumers or target groups.

For Georg Franck at Vienna University of Technology advertising is part of what he calls “mental capitalism” ^{[32][33]}, taking up a term (mental) which has been used by groups concerned with the mental environment, such as Adbusters. Franck blends the “Economy of Attention” with Christopher Lasch’s culture of narcissism into the mental capitalism.^[34] In his essay „Advertising at the Edge of the Apocalypse“, Sut Jhally writes: “20. century advertising is the most powerful and sustained system of propaganda in human history and its cumulative cultural effects, unless quickly checked, will be responsible for destroying the world as we know it.”^[35]

3.9 The price of attention and hidden costs

Advertising has developed into a billion-dollar business on which many depend. In 2006 391 billion US dollars were spent worldwide for advertising. In Germany, for example, the advertising industry contributes 1.5% of the gross national income; the figures for other developed countries are similar. Thus, advertising and growth are directly and causally linked. As far as a growth based economy can be blamed for the harmful human lifestyle (affluent society) advertising has to be considered in this aspect concerning its negative impact, because its main purpose is to raise consumption. “The industry is accused of being one of the engines powering a convoluted economic mass production system which promotes consumption.”^[36]

Attention and attentiveness have become a new commodity for which a market developed. “The amount of attention that is absorbed by the media and redistributed in the competition for quotas and reach is not identical with the amount of attention, that is available in society. The total amount circulating in society is made up of the attention exchanged among the people themselves and the attention given to media information. Only the latter is homogenised by quantitative measuring and only the latter takes on the character of an anonymous currency.” ^{[33][32]} According to Franck, any surface of presentation that can guarantee a certain degree of attentiveness works as magnet for attention, e. g.

media which are actually meant for information and entertainment, culture and the arts, public space etc. It is this attraction which is sold to the advertising business. The German Advertising Association stated that in 2007 30.78 billion Euros were spent on advertising in Germany,^[37] 26% in newspapers, 21% on television, 15% by mail and 15% in magazines. In 2002 there were 360.000 people employed in the advertising business. The internet revenues for advertising doubled to almost 1 billion Euros from 2006 to 2007, giving it the highest growth rates.

Spiegel-Online reported that in the USA in 2008 for the first time more money was spent for advertising on internet (105.3 billion US dollars) than on television (98.5 billion US dollars). The largest amount in 2008 was still spent in the print media (147 billion US dollars).^[38] For that same year, Welt-Online reported that the US pharmaceutical industry spent almost double the amount on advertising (57.7 billion dollars) than it did on research (31.5 billion dollars). But Marc-André Gagnon und Joel Lexchin of York University, Toronto, estimate that the actual expenses for advertising are higher yet, because not all entries are recorded by the research institutions.^[39] Not included are indirect advertising campaigns such as sales, rebates and price reductions. Few consumers are aware of the fact that they are the ones paying for every cent spent for public relations, advertisements, rebates, packaging etc. since they ordinarily get included in the price calculation.

Influencing and conditioning

Advertising for McDonald's on the Via di Propaganda, Rome, Italy

The most important element of advertising is not information but suggestion more or less making use of associations, emotions (appeal to emotion) and drives dormant in the sub-consciousness of people, such as sex drive, herd instinct, of desires, such as happiness, health, fitness, appearance, self-esteem, reputation, belonging, social status, identity, adventure, distraction, reward, of fears (appeal to fear), such as illness, weaknesses, loneliness, need, uncertainty, security or of prejudices, learned opinions and comforts. “All human needs, relationships, and fears – the deepest recesses of the human psyche – become mere means for the expansion of the commodity universe under the force of modern marketing. With the rise to prominence of modern marketing, commercialism – the translation of human relations into commodity relations – although a phenomenon intrinsic to capitalism, has expanded exponentially.”^[40] ‘Cause-related marketing’ in which advertisers link their product to some worthy social cause has boomed over the past decade.

Advertising exploits the model role of celebrities or popular figures and makes deliberate use of humour as well as of associations with colour, tunes, certain names and terms. Altogether, these are factors of how one perceives himself and one's self-worth. In his description of 'mental capitalism' Franck says, "the promise of consumption making someone irresistible is the ideal way of objects and symbols into a person's subjective experience. Evidently, in a society in which revenue of attention moves to the fore, consumption is drawn by one's self-esteem. As a result, consumption becomes 'work' on a person's attraction. From the subjective point of view, this 'work' opens fields of unexpected dimensions for advertising. Advertising takes on the role of a life councillor in matters of attraction. (...) The cult around one's own attraction is what Christopher Lasch described as 'Culture of Narcissism'." ^{[34][33]}

For advertising critics another serious problem is that "the long standing notion of separation between advertising and editorial/creative sides of media is rapidly crumbling" and advertising is increasingly hard to tell apart from news, information or entertainment. The boundaries between advertising and programming are becoming blurred. According to the media firms all this commercial involvement has no influence over actual media content, but, as McChesney puts it, "this claim fails to pass even the most basic giggle test, it is so preposterous." ^[41]

Advertising draws "heavily on psychological theories about how to create subjects, enabling advertising and marketing to take on a 'more clearly psychological tinge' (Miller and Rose, 1997, cited in Thrift, 1999, p. 67). Increasingly, the emphasis in advertising has switched from providing 'factual' information to the symbolic connotations of commodities, since the crucial cultural premise of advertising is that the material object being sold is never in itself enough. Even those commodities providing for the most mundane necessities of daily life must be imbued with symbolic qualities and culturally endowed meanings via the 'magic system (Williams, 1980) of advertising. In this way and by altering the context in which advertisements appear, things 'can be made to mean "just about anything"' (McFall, 2002, p. 162) and the 'same' things can be endowed with different intended meanings for different individuals and groups of people, thereby offering mass produced visions of individualism." ^[11]

Before advertising is done, marketresearch institutions need to know and describe the target group in order to exactly plan and implement the advertising campaign and to achieve the best possible results. A whole array of sciences directly deal with advertising and marketing or is used to improve its effects. Focus groups,

psychologists and cultural anthropologists are “de rigueur” in marketing research”.^[42] Vast amounts of data on persons and their shopping habits are collected, accumulated, aggregated and analysed with the aid of credit cards, bonus cards, raffles and, last but not least, internet surveying. With increasing accuracy this supplies a picture of behaviour, wishes and weaknesses of certain sections of a population with which advertisement can be employed more selectively and effectively. The efficiency of advertising is improved through advertising research. Universities, of course supported by business and in co-operation with other disciplines (s. above), mainly Psychiatry, Anthropology, Neurology and behavioural sciences, are constantly in search for ever more refined, sophisticated, subtle and crafty methods to make advertising more effective. “Neuromarketing is a controversial new field of marketing which uses medical technologies such as functional Magnetic Resonance Imaging (fMRI) -- not to heal, but to sell products. Advertising and marketing firms have long used the insights and research methods of psychology in order to sell products, of course. But today these practices are reaching epidemic levels, and with a complicity on the part of the psychological profession that exceeds that of the past. The result is an enormous advertising and marketing onslaught that comprises, arguably, the largest single psychological project ever undertaken. Yet, this great undertaking remains largely ignored by the American Psychological Association.”^[43] Robert McChesney calls it “the greatest concerted attempt at psychological manipulation in all of human history.”^[44]

3.10 Dependency of the media and corporate censorship

Almost all mass media are advertising media and many of them are exclusively advertising media and, with the exception of public service broadcasting are privately owned. Their income is predominantly generated through advertising; in the case of newspapers and magazines from 50 to 80%. Public service broadcasting in some countries can also heavily depend on advertising as a source of income (up to 40%).^[45] In the view of critics no media that spreads advertisements can be independent and the higher the proportion of advertising, the higher the dependency. This dependency has “distinct implications for the nature of media content.... In the business press, the media are often referred to in exactly the way they present themselves in their candid moments: as a branch of the advertising industry.”^[46]

In addition, the private media are increasingly subject to mergers and concentration with property situations often becoming entangled and opaque. This development, which Henry A. Giroux calls an “ongoing threat to democratic culture”,^[47] by itself

should suffice to sound all alarms in a democracy. Five or six advertising agencies dominate this 400 billion U.S. dollar global industry.

“Journalists have long faced pressure to shape stories to suit advertisers and owners the vast majority of TV station executives found their news departments ‘cooperative’ in shaping the news to assist in ‘non-traditional revenue development.’”^[48] Negative and undesired reporting can be prevented or influenced when advertisers threaten to cancel orders or simply when there is a danger of such a cancellation. Media dependency and such a threat becomes very real when there is only one dominant or very few large advertisers. The influence of advertisers is not only in regard to news or information on their own products or services but expands to articles or shows not directly linked to them. In order to secure their advertising revenues the media has to create the best possible ‘advertising environment’. Another problem considered censorship by critics is the refusal of media to accept advertisements that are not in their interest. A striking example of this is the refusal of TV stations to broadcast ads by Adbusters. Groups try to place advertisements and are refused by networks.^[49]

It is principally the viewing rates which decide upon the programme in the private radio and television business. “Their business is to absorb as much attention as possible. The viewing rate measures the attention the media trades for the information offered. The service of this attraction is sold to the advertising business”^[33] and the viewing rates determine the price that can be demanded for advertising.

“Advertising companies determining the contents of shows has been part of daily life in the USA since 1933. Procter & Gamble (P&G) offered a radio station a history-making trade (today know as “bartering”): the company would produce an own show for “free” and save the radio station the high expenses for producing contents. Therefore the company would want its commercials spread and, of course, its products placed in the show. Thus, the series ‘MaPerkins’ was created, which P&G skilfully used to promote Oxydol, the leading detergent brand in those years and the Soapopera was born ...”^[50]

While critics basically worry about the subtle influence of the economy on the media, there are also examples of blunt exertion of influence. The US company Chrysler, before it merged with DaimlerBenz had its agency, PentaCom, send out a letter to numerous magazines, demanding them to send, an overview of all the topics before the next issue is published to “avoid potential conflict”. Chrysler most of all wanted to know, if there would be articles with “sexual, political or

social” content or which could be seen as “provocative or offensive”. PentaCom executive David Martin said: “Our reasoning is, that anyone looking at a 22.000 \$ product would want it surrounded by positive things. There is nothing positive about an article on child pornography.”^[50] In another example, the „USA Network held top-level ‚off-the-record’ meetings with advertisers in 2000 to let them tell the network what type of programming content they wanted in order for USA to get their advertising.”^[51] Television shows are created to accommodate the needs for advertising, e. g. splitting them up in suitable sections. Their dramaturgy is typically designed to end in suspense or leave an unanswered question in order to keep the viewer attached.

The movie system, at one time outside the direct influence of the broader marketing system, is now fully integrated into it through the strategies of licensing, tie-ins and product placements. The prime function of many Hollywood films today is to aid in the selling of the immense collection of commodities.^[52] The press called the 2002 Bond film ‘Die Another Day’ featuring 24 major promotional partners an ‘ad-venture’ and noted that James Bond “now has been ‘licensed to sell’” As it has become standard practise to place products in motion pictures, it “has self-evident implications for what types of films will attract product placements and what types of films will therefore be more likely to get made”.^[53]

Advertising and information are increasingly hard to distinguish from each other. “The borders between advertising and media become more and more blurred.... What August Fischer, chairman of the board of Axel Springer publishing company considers to be a ‘proven partnership between the media and advertising business’ critics regard as nothing but the infiltration of journalistic duties and freedoms”. According to RTL-executive Helmut Thoma “private stations shall not and cannot serve any mission but only the goal of the company which is the ‘acceptance by the advertising business and the viewer’. The setting of priorities in this order actually says everything about the ‘design of the programmes’ by private television.”^[50] Patrick Le Lay, former managing director of TF1, a private French television channel with a market share of 25 to 35%, said: There are many ways to talk about television. But from the business point of view, let’s be realistic: basically, the job of TF1 is, e. g. to help Coca Cola sell its product. (...) For an advertising message to be perceived the brain of the viewer must be at our disposal. The job of our programmes is to make it available, that is to say, to distract it, to relax it and get it ready between two messages. It is disposable human brain time that we sell to Coca Cola.”^[54]

Because of these dependencies a widespread and fundamental public debate about advertising and its influence on information and freedom of speech is difficult to obtain, at least through the usual media channels; otherwise these would saw off the branch they are sitting on. “The notion that the commercial basis of media, journalism, and communication could have troubling implications for democracy is excluded from the range of legitimate debate” just as “capitalism is off-limits as a topic of legitimate debate in U.S. political culture”.^[55]

An early critic of the structural basis of U.S. journalism was Upton Sinclair with his novel The Brass Check in which he stresses the influence of owners, advertisers, public relations, and economic interests on the media. In his book “Our Master's Voice – Advertising” the social ecologist James Rorty (1890–1973) wrote: “The gargoyle’s mouth is a loudspeaker, powered by the vested interest of a two-billion dollar industry, and back of that the vested interests of business as a whole, of industry, of finance. It is never silent, it drowns out all other voices, and it suffers no rebuke, for it is not the voice of America? That is its claim and to some extent it is a just claim...”^[56]

It has taught us how to live, what to be afraid of, what to be proud of, how to be beautiful, how to be loved, how to be envied, how to be successful.. Is it any wonder that the American population tends increasingly to speak, think, feel in terms of this jabberwocky? That the stimuli of art, science, religion are progressively expelled to the periphery of American life to become marginal values, cultivated by marginal people on marginal time?”^[57]

4.0 CONCLUSION

In conclusion, it has been confirmed from this study that a new form of advertising that is growing rapidly is social network advertising. It is online advertising with a focus on social networking sites. This is a relatively immature market, but it has shown a lot of promise as advertisers are able to take advantage of the demographic information the user has provided to the social networking site. Friendertising is a more precise advertising term in which people are able to direct advertisements toward others directly using social network service.

5.0 SUMMARY

This unit focuses on historical background of Advertising, Public advertising on Time Square, New York City, Mobile billboard advertising, Public service advertising, Types of advertising, Media and advertising approaches, advertising and constitutional rights, Criticim of advertising, the price of attention and hidden costs.

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7.0 TUTOR MARKED ASSIGNMENT

1. Discuss Public service advertising?
2. State and explain various types of advertising?

UNIT FOURTEEN

CONTEMPORARY ISSUES ON ADVERTISING

1.0 INTRODUCTION

There are many issues arise as a result of placing an advert on any form or type of advertisement. This unit shall discuss few contemporary issues that have something to do with advertisement both locally and internationally.

2.0 OBJECTIVES:

At the end of this unit student will be able to:

- Explain occupation and Commercialization Of Public Space
- Analyze Socio-cultural aspects, sexism, discrimination and stereotyping
- Discuss Children and adolescents as target groups
- Launch Opposition And Campaigns Against Advertising
- Manage Taxation as revenue and control
- Implement Advertising regulation
- Apply Global advertising

3.0 MAIN CONTENT

3.1 OCCUPATION AND COMMERCIALISATION OF PUBLIC SPACE

Every visually perceptible place has potential for advertising. Especially urban areas with their structures but also landscapes in sight of throughfares are more and more turning into media for advertisements. Signs, posters, billboards, flags have become decisive factors in the urban appearance and their numbers are still on the increase. "Outdoor advertising has become unavoidable. Traditional billboards and transit shelters have cleared the way for more pervasive methods such as wrapped vehicles, sides of buildings, electronic signs, kiosks, taxis, posters, sides of buses, and more. Digital technologies are used on buildings to sport 'urban wall displays'. In urban areas commercial content is placed in our sight and into our consciousness every moment we are in public space. The German Newspaper 'Zeit' called it a new kind of 'dictatorship that one cannot escape'.^[19] Over time, this domination of the surroundings has become the "natural" state. Through long-term commercial saturation, it has become implicitly understood by the public that advertising has the right to own, occupy and control every inch of available space. The steady normalization of invasive advertising dulls the public's perception of their surroundings, re-enforcing a general attitude of powerlessness toward creativity and change, thus a cycle develops enabling advertisers to slowly

and consistently increase the saturation of advertising with little or no public outcry."^[63]

The massive optical orientation toward advertising changes the function of public spaces which are utilised by brands. Urban landmarks are turned into trademarks. The highest pressure is exerted on renown and highly frequented public spaces which are also important for the identity of a city (e. g. Piccadilly Circus, Times Square, Alexanderplatz). Urban spaces are public commodities and in this capacity they are subject to “aesthetical environment protection”, mainly through building regulations, heritage protection and landscape protection. “It is in this capacity that these spaces are now being privatised. They are peppered with billboards and signs, they are remodelled into media for advertising.” ^{[33][32]}

3.2 Socio-cultural aspects, sexism, discrimination and stereotyping

“Advertising has an “agenda setting function” which is the ability, with huge sums of money, to put consumption as the only item on the agenda. In the battle for a share of the public conscience this amounts to non-treatment (ignorance) of whatever is not commercial and whatever is not advertised for. Spheres without commerce and advertising serving the muses and relaxation remain without respect. With increasing force advertising makes itself comfortable in the private sphere so that the voice of commerce becomes the dominant way of expression in society.” ^[64] Advertising critics see advertising as the leading light in our culture. Sut Jhally and James Twitchell go beyond considering advertising as kind of religion and that advertising even replaces religion as a key institution.^[65]— “Corporate advertising (or is it commercial media?) is the largest single psychological project ever undertaken by the human race. Yet for all of that, its impact on us remains unknown and largely ignored. When I think of the media’s influence over years, over decades, I think of those brainwashing experiments conducted by Dr. Ewen Cameron in a Montreal psychiatric hospital in the 1950s (see MKULTRA). The idea of the CIA-sponsored “depatterning” experiments was to outfit conscious, unconscious or semiconscious subjects with headphones, and flood their brains with thousands of repetitive “driving” messages that would alter their behaviour over time....Advertising aims to do the same thing.”^[66] Advertising

is especially aimed at young people and children and it increasingly reduces young people to consumers.^[67] For Sut Jhally it is not “surprising that something this central and with so much being expended on it should become an important presence in social life. Indeed, commercial interests intent on maximizing the consumption of the immense collection of commodities have colonized more and more of the spaces of our culture. For instance, almost the entire media system (television and print) has been developed as a delivery system for marketers its prime function is to produce audiences for sale to advertisers. Both the advertisements it carries, as well as the editorial matter that acts as a support for it, celebrate the consumer society. The movie system, at one time outside the direct influence of the broader marketing system, is now fully integrated into it through the strategies of licensing, tie-ins and product placements. The prime function of many Hollywood films today is to aid in the selling of the immense collection of commodities. As public funds are drained from the non-commercial cultural sector, art galleries, museums and symphonies bid for corporate sponsorship.”^[52] In the same way effected is the education system and advertising is increasingly penetrating schools and universities. Cities, such as New York, accept sponsors for public playgrounds. “Even the pope has been commercialized ... The pope’s 4-day visit to Mexico in ...1999 was sponsored by Frito-Lay and PepsiCo.”^[68] The industry is accused of being one of the engines powering a convoluted economic mass production system which promotes consumption. As far as social effects are concerned it does not matter whether advertising fuels consumption but which values, patterns of behaviour and assignments of meaning it propagates. Advertising is accused of hijacking the language and means of pop culture, of protest movements and even of subversive criticism and does not shy away from scandalizing and breaking taboos (e. g. Benneton). This in turn incites counter action, what Kalle Lasn in 2001 called “Jamming the Jam of the Jammers”. Anything goes. “It is a central social-scientific question what people can be made to do by suitable design of conditions and of great practical importance. For example, from a great number of experimental psychological experiments it can be assumed, that people can be made to do anything they are capable of, when the according social condition can be created.”^[69]

Advertising often uses stereotype gender specific roles of men and women reinforcing existing clichés and it has been criticized as “inadvertently or even intentionally promoting sexism, racism, and ageism... At very least, advertising often reinforces stereotypes by drawing on recognizable "types" in order to tell stories in a single image or 30 second time frame.”^[36] Activities are depicted as typical male or female (stereotyping). In addition people are reduced to their sexuality or equated with commodities and gender specific qualities are

exaggerated. Sexualised female bodies, but increasingly also males, serve as eye-catchers. In advertising it is usually a woman being depicted as

servants of men and children that react to the demands and complaints of their loved ones with a bad conscience and the promise for immediate improvement (wash, food)

a sexual or emotional play toy for the self-affirmation of men

a technically totally clueless being that can only manage a childproof operation

female expert, but stereotype from the fields of fashion, cosmetics, food or at the most, medicine

doing ground-work for others, e. g. serving coffee while a journalist interviews a politician ^[70]

A great part of advertising is the promotion of products dealing with the appearance of people, mainly for women (in the past almost only for women). Thus, the media put girls and women under high pressure to compare themselves with a propagated ideal beauty. Consequences of this are eating disorders, self mutilations, beauty operations etc. The EU parliament passed a resolution in 2008 that advertising may not be discriminating and degrading. This shows that politics is increasingly concerned about the negative aspects of advertising.

3.3 Children and adolescents as target groups

The children's market, where resistance to advertising is weakest, is the "pioneer for ad creep".^[71] "Kids are among the most sophisticated observers of ads. They can sing the jingles and identify the logos, and they often have strong feelings about products. What they generally don't understand, however, are the issues that underlie how advertising works. Mass media are used not only to sell goods but also ideas: how we should behave, what rules are important, who we should respect and what we should value."^[72] Youth is increasingly reduced to the role of a consumer. Not only the makers of toys, sweets, ice cream, breakfast food and sport articles prefer to aim their promotion at children and adolescents. Advertising for other products preferably uses media with which they can also reach the next generation of consumers.^[73] "Key advertising messages exploit the emerging independence of young people". Cigarettes, for example, "are used as a fashion accessory and appeal to young women. Other influences on young people include the linking of sporting heroes and smoking through sports sponsorship, the use of

cigarettes by popular characters in television programmes and cigarette promotions. Research suggests that young people are aware of the most heavily advertised cigarette brands.”^[61]

“Productplacements show up everywhere, and children aren't exempt. Far from it. The animated film, Food fight, had ‘thousands of products and character icons from the familiar (items) in a grocery store.’ Children's books also feature branded items and characters, and millions of them have snack foods as lead characters.”^[74] Business is interested in children and adolescents because of their buying power and because of their influence on the shopping habits of their parents. As they are easier to influence they are especially targeted by the advertising business. “The marketing industry is facing increased pressure over claimed links between exposure to food advertising and a range of social problems, especially growing obesity levels.”^[75] In 2001, children’s programming accounted for over 20% of all U.S. television watching. The global market for children’s licensed products was some 132 billion U.S. dollars in 2002.^[42] Advertisers target children because, e. g. in Canada, they “represent three distinct markets:

1. Primary Purchasers (\$2.9 billion annually)
2. Future Consumers (Brand-loyal adults)
3. Purchase Influencers (\$20 billion annually)

Kids will carry forward brand expectations, whether positive, negative or indifferent Kids are already accustomed to being catered to as consumers. The long term prize: Loyalty of the kid translates into a brand loyal adult customer”^[76]

The average Canadian child sees 350,000 TV commercials before graduating from high school, spends nearly as much time watching TV as attending classes. In 1980 the Canadian province of Québec banned advertising for children under age 13.^[77] “In upholding the constitutional validity of the Quebec Consumer Protection Act restrictions on advertising to children under age 13 (in the case of a challenge by a toy company) the Court held: ‘...advertising directed at young children is per se manipulative. Such advertising aims to promote products by convincing those who will always believe.’”^[78] Norway (ads directed at children under age 12), and Sweden (television ads aimed at children under age 12) also have legislated broad bans on advertising to children, during child programmes any kind of advertising is forbidden in Sweden, Denmark, Austria and Flemish Belgium. In Greece there is no advertising for kids products from 7 to 22 h. An attempt to restrict advertising directed at children in the USA failed with reference to the First Amendment. In Spain bans are also considered undemocratic.

3.4 Opposition And Campaigns Against Advertising

Billboard in Lund, Sweden, saying "One Night Stand?" (2005)

According to critics, the total commercialization of all fields of society, the privatization of public space, the acceleration of consumption and waste of resources including the negative influence on lifestyles and on the environment has not been noticed to the necessary extent. The “hyper-commercialization of the culture is recognized and roundly detested by the citizenry, although the topic scarcely receives a whiff of attention in the media or political culture”.^[81] “The greatest damage done by advertising is precisely that it incessantly demonstrates the prostitution of men and women who lend their intellects, their voices, their artistic skills to purposes in which they themselves do not believe, and that it helps to shatter and ultimately destroy our most precious non-material possessions: the confidence in the existence of meaningful purposes of human activity and respect for the integrity of man.”^[82] “The struggle against advertising is therefore essential if we are to overcome the pervasive alienation from all genuine human needs that currently plays such a corrosive role in our society. But in resisting this type of hyper-commercialism we should not be under any illusions. Advertising may seem at times to be an almost trivial of omnipresent aspect of our economic system. Yet, as economist A. C. Pigou pointed out, it could only be ‘removed altogether’ if ‘conditions of monopolistic competition’ inherent to corporate capitalism were removed. To resist it is to resist the inner logic of capitalism itself, of which it is the pure expression.”^[83]

“Visual pollution, much of it in the form of advertising, is an issue in all the world's large cities. But what is pollution to some is a vibrant part of a city's fabric to others. New York City without Times Square's huge digital billboards or Tokyo without the Ginza's commercial panorama is unthinkable. Piccadilly Circus would be just a London roundabout without its signage. Still, other cities, like Moscow, have reached their limit and have begun to crack down on over-the-top outdoor advertising.”^[84] “Many communities have chosen to regulate billboards to protect and enhance their scenic character. The following is by no means a complete list of such communities, but it does give a good idea of the geographic diversity of cities, counties and states that prohibit new construction of billboards. Scenic America estimates the nationwide total of cities and communities prohibiting the construction of new billboards to be at least 1500. A number of States in the USA prohibit all billboards:

Vermont - Removed all billboards in 1970s

Hawaii - Removed all billboards in 1920s

Maine - Removed all billboards in 1970s and early 80s

Alaska - State referendum passed in 1998 prohibits billboards ^[85]

Almost two years ago the city of São Paulo, Brazil, ordered the downsizing or removal of all billboards and most other forms of commercial advertising in the city.” ^[86]

Technical appliances, such as Spam filters, TV-Zappers, Ad-Blockers for TV’s and stickers on mail boxes: “No Advertising” and an increasing number of court cases indicate a growing interest of people to restrict or rid themselves of unwelcome advertising.

Consumer protection associations, environment protection groups, globalization opponents, consumption critics, sociologists, media critics, scientists and many others deal with the negative aspects of advertising. “Antipub” in France, “subvertising”, culture jamming and adbusting have become established terms in the anti-advertising community. On the international level globalization critics such as Naomi Klein and Noam Chomsky are also renown media and advertising critics. These groups criticize the complete occupation of public spaces, surfaces, the airwaves, the media, schools etc. and the constant exposure of almost all senses to advertising messages, the invasion of privacy, and that only few consumers are aware that they themselves are bearing the costs for this to the very last penny. Some of these groups, such as the ‘The Billboard Liberation Front Creative Group’ in San Francisco or Adbusters in Vancouver, Canada, have manifestos.^[87] Grassroots organizations campaign against advertising or certain aspects of it in various forms and strategies and quite often have different roots. Adbusters, for example contests and challenges the intended meanings of advertising by subverting them and creating unintended meanings instead. Other groups, like ‘Illegal Signs Canada’ try to stem the flood of billboards by detecting and reporting ones that have been put up without permit.^[88] Examples for various groups and organizations in different countries are ‘L’association Résistance à l’Agression Publicitaire’ ^[89] in France, where also media critic Jean Baudrillard is a renown author.^[90] The ‘Anti Advertising Agency’ works with parody and humour to raise awareness about advertising.^[91] and ‘Commercial Alert’ campaigns for the protection of children, family values, community, environmental integrity and democracy.^[92] Media literacy organisations aim at training people, especially children in the workings of the media and advertising in their programmes. In the U. S., for example, the ‘Media Education Foundation’ produces and distributes documentary films and other educational resources.^[93] ‘MediaWatch’, a Canadian

non-profit women's organization works to educate consumers about how they can register their concerns with advertisers and regulators.^[94] The Canadian 'Media Awareness Network/Réseau éducation médias' offers one of the world's most comprehensive collections of media education and Internet literacy resources. Its member organizations represent the public, non-profit but also private sectors. Although it stresses its independence it accepts financial support from Bell Canada, CTVGlobeMedia, CanWest, TELUS and S-VOX.^[95]

To counter the increasing criticism of advertising aiming at children media literacy organizations are also initiated and funded by corporations and the advertising business themselves. In the U. S. the 'The Advertising Educational Foundation' was created in 1983 supported by ad agencies, advertisers and media companies. It is the "advertising industry's provider and distributor of educational content to enrich the understanding of advertising and its role in culture, society and the economy"^[96] sponsored for example by American Airlines, Anheuser-Busch, Campbell Soup, Coca-Cola, Colgate-Palmolive, Walt Disney, Ford, General Foods, General Mills, Gillette, Heinz, Johnson & Johnson, Kellogg, Kraft, Nestle, Philip Morris, Quaker Oats, Nabisco, Schering, Sterling, Unilever, Warner Lambert, advertising agencies like Saatchi & Saatchi Compton and media companies like American Broadcasting Companies, CBS, Capital Cities Communications, Cox Enterprises, Forbes, Hearst, Meredith, The New York Times, RCA/NBC, Reader's Digest, Time, Washington Post, just to mention a few. Canadian businesses established 'Concerned Children's Advertisers' in 1990 "to instill confidence in all relevant publics by actively demonstrating our commitment, concern, responsibility and respect for children".^[97] Members are CanWest, Corus, CTV, General Mills, Hasbro, Hershey's, Kellogg's, Loblaw, Kraft, Mattel, MacDonald's, Nestle, Pepsi, Walt Disney, Weston as well as almost 50 private broadcast partners and others.^[98] Concerned Children's Advertisers was example for similar organizations in other countries like 'Media smart' in the United Kingdom with offspring in Germany, France, the Netherlands and Sweden. New Zealand has a similar business-funded programme called 'Willie Munchright'. "While such interventions are claimed to be designed to encourage children to be critical of commercial messages in general, critics of the marketing industry suggest that the motivation is simply to be seen to address a problem created by the industry itself, that is, the negative social impacts to which marketing activity has contributed.... By contributing media literacy education resources, the marketing industry is positioning itself as being part of the solution to these problems, thereby seeking to avoid wide restrictions or outright bans on marketing communication, particularly for food products deemed to have little nutritional value directed at children.... The need to be seen to be taking positive

action primarily to avert potential restrictions on advertising is openly acknowledged by some sectors of the industry itself.... Furthermore, Hobbs (1998) suggests that such programs are also in the interest of media organizations that support the interventions to reduce criticism of the potential negative effects of the media themselves.”^[75]

3.5 Taxation as revenue and control

Public interest groups suggest that “access to the mental space targeted by advertisers should be taxed, in that at the present moment that space is being freely taken advantage of by advertisers with no compensation paid to the members of the public who are thus being intruded upon. This kind of tax would be a Pigovian tax in that it would act to reduce what is now increasingly seen as a public nuisance. Efforts to that end are gathering more momentum, with Arkansas and Maine considering bills to implement such a taxation. Florida enacted such a tax in 1987 but was forced to repeal it after six months, as a result of a concerted effort by national commercial interests, which withdrew planned conventions, causing major losses to the tourism industry, and cancelled advertising, causing a loss of 12 million dollars to the broadcast industry alone”.^[36]

In the U. S., for example, advertising is tax deductible and suggestions for possible limits to the advertising tax deduction are met with fierce opposition from the business sector, not to mention suggestions for a special taxation. In other countries, taxation at least is taxed in the same manner services are taxed and in some advertising is subject to special taxation although on a very low level. In many cases the taxation refers especially to media with advertising (e. g. Austria, Italy, Greece, Netherlands, Turkey, Estonia). Tax on advertising in European countries:^[99]

Belgium: Advertising or billboard tax (taxe d'affichage or aanplakkingstaks) on public posters depending on size and kind of paper as well as on neon signs

France: Tax on television commercials (taxe sur la publicité télévisée) based on the cost of the advertising unit

Italy: Municipal tax on acoustic and visual kinds of advertisements within the municipality (imposta comunale sulla pubblicità) and municipal tax on signs, posters and other kinds of advertisements (diritti sulle pubbliche offisioni), the tariffs of which are under the jurisdiction of the municipalities

Netherlands: Advertising tax (reclamebelastingen) with varying tariffs on certain advertising measures (excluding ads in newspapers and magazines)

which can be levied by municipalities depending on the kind of advertising (billboards, neon signs etc.)

Austria: Municipal announcement levies on advertising through writing, pictures or lights in public areas or publicly accessible areas with varying tariffs depending on the fee, the surface or the duration of the advertising measure as well as advertising tariffs on paid ads in printed media of usually 10% of the fee.

Sweden: Advertising tax (reklamskatt) on ads and other kinds of advertising (billboards, film, television, advertising at fairs and exhibitions, flyers) in the range of 4% for ads in newspapers and 11% in all other cases. In the case of flyers the tariffs are based on the production costs, else on the fee

Spain: Municipalities can tax advertising measures in their territory with a rather unimportant taxes and fees of various kinds.

In his book “When Corporations Rule the World” U.S. author and globalization critic D Korten even advocates a 50% tax on advertising to counter attack by what he calls "an active propaganda machinery controlled by the world's largest corporations" which “constantly reassures us that consumerism is the path to happiness, governmental restraint of market excess is the cause our distress, and economic globalization is both a historical inevitability and a boon to the human species.” ^[100]

3.6 Advertising regulation

In the US many communities believe that many forms of outdoor advertising blight the public realm.^[101] As long ago as the 1960s in the US there were attempts to ban billboard advertising in the open countryside.^[102] Cities such as SãoPaulo have introduced an outright ban^[103] with London also having specific legislation to control unlawful displays.

There have been increasing efforts to protect the public interest by regulating the content and the influence of advertising. Some examples are: the ban on television tobacco advertising imposed in many countries, and the total ban of advertising to children under 12 imposed by the Swedish government in 1991. Though that regulation continues in effect for broadcasts originating within the country, it has been weakened by the European Court of Justice, which had found that Sweden was obliged to accept foreign programming, including those from neighboring countries or via satellite.

In Europe and elsewhere, there is a vigorous debate on whether (or how much) advertising to children should be regulated. This debate was exacerbated by a report released by the KaiserFamilyFoundation in February 2004 which suggested that food advertising, such as that for fast foods, targeting children was an important factor in the epidemic of childhoodobesity in the United States.

In many countries - namely New Zealand, South Africa, Canada, and many European countries - the advertising industry operates a system of self-regulation. Advertisers, advertising agencies and the media agree on a code of advertising standards that they attempt to uphold. The general aim of such codes is to ensure that any advertising is 'legal, decent, honest and truthful'. Some self-regulatory organizations are funded by the industry, but remain independent, with the intent of upholding the standards or codes like the AdvertisingStandardsAuthority in the UK.

In the UK most forms of outdoor advertising such as the display of billboards is regulated by the UK Town and County Planning system. Currently the display of an advertisement without consent from the Planning Authority is a criminal offense liable to a fine of £2,500 per offence. All of the major outdoor billboard companies in the UK have convictions of this nature.

Naturally, many advertisers view governmental regulation or even self-regulation as intrusion of their freedom of speech or a necessary evil. Therefore, they employ a wide-variety of linguistic devices to bypass regulatory laws (e.g. printing English words in bold and French translations in fine print to deal with the Article 120 of the 1994 ToubonLaw limiting the use of English in French advertising).^[104] The advertisement of controversial products such as cigarettes and condoms is subject to government regulation in many countries. For instance, the tobacco industry is required by law in most countries to display warnings cautioning consumers about the health hazards of their products. Linguistic variation is often used by advertisers as a creative device to reduce the impact of such requirements.

3.7 Global advertising

Advertising has gone through five major stages of development: domestic, export, international, multi-national, and global. For global advertisers, there are four, potentially competing, business objectives that must be balanced when developing worldwide advertising: building a brand while speaking with one voice, developing economies of scale in the creative process, maximising local effectiveness of ads,

and increasing the company's speed of implementation. Born from the evolutionary stages of global marketing are the three primary and fundamentally different approaches to the development of global advertising executions: exporting executions, producing local executions, and importing ideas that travel.^[105]

Advertising research is key to determining the success of an ad in any country or region. The ability to identify which elements and/or moments of an ad that contributes to its success is how economies of scale are maximised. Once one knows what works in an ad, any other market can import that idea or ideas. Market research measures, such as Flow of Attention, Flow of Emotion and branding moments provide insight into what is working in an ad in any country or region because the measures are based on the visual, not verbal, elements of the ad.^[106]

Trends

With the dawn of the Internet came many new advertising opportunities. Popup, Flash, banner, Popunder, advergaming, and email advertisements (the last often being a form of spam) are now commonplace.

The ability to record shows on digital video recorders (such as TiVo) allow users to record the programs for later viewing, enabling them to fast forward through commercials. Additionally, as more seasons of pre-recorded box sets are offered for sale of television programs; fewer people watch the shows on TV. However, the fact that these sets are **sold**, means the company will receive additional profits from the sales of these sets. To counter this effect, many advertisers have opted for product placement on TV shows like Survivor.

Particularly since the rise of "entertaining" advertising, some people may like an advertisement enough to wish to watch it later or show a friend. In general, the advertising community has not yet made this easy, although some have used the Internet to widely distribute their ads to anyone willing to see or hear them.

Another significant trend regarding future of advertising is the growing importance of the niche market using niche or targeted ads. Also brought about by the Internet and the theory of The Long Tail, advertisers will have an increasing ability to reach specific audiences. In the past, the most efficient way to deliver a message was to blanket the largest mass market audience possible. However, usage tracking, customer profiles and the growing popularity of niche content brought about by

everything from blogs to social networking sites, provide advertisers with audiences that are smaller but much better defined, leading to ads that are more relevant to viewers and more effective for companies' marketing products. Among others, Comcast Spotlight is one such advertiser employing this method in their videodemand menus. These advertisements are targeted to a specific group and can be viewed by anyone wishing to find out more about a particular business or practice at any time, right from their home. This causes the viewer to become proactive and actually choose what advertisements they want to view.^[107]

In the realm of advertising agencies, continued industry diversification has seen observers note that "big global clients don't need big global agencies any more".^[108] This trend is reflected by the growth of non-traditional agencies in various global markets, such as Canadian business TAXI and SMART in Australia and has been referred to as "a revolution in the ad world".

In freelance advertising, companies hold public competitions to create ads for their product, the best one of which is chosen for widespread distribution with a prize given to the winner(s). During the 2007 Super Bowl, PepsiCo held such a contest for the creation of a 30-second television ad for the Doritos brand of chips, offering a cash prize to the winner. Chevrolet held a similar competition for their Tahoe line of SUVs. This type of advertising, however, is still in its infancy. It may ultimately decrease the importance of advertising agencies by creating a niche for independent freelancers.

4.0 CONCLUSION

In advertising it is usually a woman being depicted as

- servants of men and children that react to the demands and complaints of their loved ones with a bad conscience and the promise for immediate improvement (wash, food)

- a sexual or emotional play toy for the self-affirmation of men

- a technically totally clueless being that can only manage a childproof operation

- female expert, but stereotype from the fields of fashion, cosmetics, food or at the most, medicine doing ground-work for others, e. g. serving coffee while a journalist interviews a politician^[70]

5.0 SUMMARY

This unit focuses on the following areas: Occupation and Commercialization of Public Space, Socio-cultural aspects, sexism, discrimination and stereotyping, Children and adolescents as target groups, Opposition And Campaigns Against Advertising, Taxation as revenue and control, Advertising regulation, and finally global advertising

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7.0 TUTOR MARKED ASSIGNMENT

1. Discuss Global Advertising ?
2. What do you understand by advertising regulation?

UNIT FIFTEEN

DIRECT MARKETING

1.0 INTRODUCTION

Direct marketing is a sub-discipline and type of marketing. There are two main definitional characteristics which distinguish it from other types of marketing. The first is that it attempts to send its messages directly to consumers, without the use of intervening media. This involves commercial communication (direct mail, e-mail, telemarketing) with consumers or businesses, usually unsolicited. The second characteristic is that it is focused on driving purchases that can be attributed to a specific "call-to-action." This aspect of direct marketing involves an emphasis on trackable, measurable positive (but not negative) responses from consumers (known simply as "response" in the industry) regardless of medium.

If the advertisement asks the prospect to take a specific action, for instance call a freephone number or visit a website, then the effort is considered to be directresponse advertising.

The term *direct marketing* is believed to have been first used in 1961 in a speech by Lester Wunderman, who pioneered direct marketing techniques with brands such as American Express and Columbia Records.^[citation needed] The term *junk mail*, referring to unsolicited commercial ads delivered via post office or directly deposited in consumers' mail boxes, can be traced back to 1954.^[1] The term spam, meaning "unsolicited commercial email", can be traced back to March 31, 1993,^[2] although in its first few months it merely referred to inadvertently posting a message so many times on UseNet that the repetitions effectively drowned out the normal flow of conversation.

Although Wunderman may have been the first to use the term *direct marketing*, the practice of mail order selling (direct marketing via mail) essentially began in the U.S. upon invention of the typewriter in 1867.^[citation needed]

The first modern mail-order catalog was produced by Aaron Montgomery Ward in 1872.[[] The Direct Mail Advertising Association, predecessor of the

present-day Direct Marketing Association, was first established in 1917. Third class bulk mail postage rates were established in 1928.

Direct marketing's history in Europe can be traced to the 15th century. Upon Gutenberg's invention of movable type, the first trade catalogs from printer-publishers appeared sometime around 1450.

2.0 OBJECTIVES

Analyze Benefits and drawbacks of Direct marketing
Discuss direct marketing Channels

3.0 MAIN CONTENTS:

3.1 Benefits and drawbacks of Direct marketing

Direct marketing is attractive to many marketers, because in many cases its positive effect (but not negative results) can be measured directly. For example, if a marketer sends out one million solicitations by mail, and ten thousand customers can be tracked as having responded to the promotion, the marketer can say with some confidence that the campaign led directly to the responses. The number of recipients who are offended by the junk mail/spam, however, is not easily measured. By contrast, measurement of other media must often be indirect, since there is no direct response from a consumer. Measurement of results, a fundamental element in successful direct marketing, is explored in greater detail elsewhere in this article. Yet since the start of the Internet-age the challenges of Chief Marketing Executives (CMOs) are tracking direct marketing responses and measuring results.

While many marketers like this form of marketing, some direct marketing efforts using particular media have been criticized for generating unwanted solicitations. For example, direct mail that is irrelevant to the recipient is considered *junk mail*, and unwanted email messages are considered *spam*. Some consumers are demanding an end to direct marketing for privacy and environmental reasons, which direct marketers are able to provide by using "opt out" lists, variable printing and more targeted mailing lists.

3.2 Channels

Some direct marketers also use media such as door hangers, package inserts, magazines, newspapers, radio, television, email, internet bannerads, digital campaigns, pay-per-click ads, billboards, transit ads. And according to Ad Age, "In 2005, U.S. agencies generated more revenue from marketing services (which include direct marketing) than from traditional advertising and media."^[*citationneeded*]

Direct mail

The most common form of direct marketing is direct mail, sometimes called **junk mail**, used by advertisers who send paper mail to all postal customers in an area or to all customers on a list.

Typical junkmail.

Any low-budget medium that can be used to deliver a communication to a customer can be employed in direct marketing. Probably the most commonly used medium for direct marketing is mail, in which marketing communications are sent to customers using the postal service. The term **direct mail** is used in the direct marketing industry to refer to communication deliveries by the Post Office, which may also be referred to as "junk mail" or "admail" and may involve bulk mail.

Junk mail includes advertising circulars, catalogs, free trial CDs, pre-approved creditcard applications, and other unsolicited merchandising invitations delivered by mail or to homes and businesses, or delivered to consumers' mailboxes by delivery services other than the Post Office. Bulk mailings are a particularly popular method of promotion for businesses operating in the financial services, home computer, and travel and tourism industries.

In many developed countries, direct mail represents such a significant amount of the total volume of mail that special rate classes have been established. In the UnitedStates and United Kingdom, for example, there are bulk mail rates that enable marketers to send mail at rates that are substantially lower than regular first-class rates. In order to qualify for these rates, marketers must format and sort the mail in particular ways - which reduces the handling (and therefore costs) required by the postal service.

Advertisers often refine direct mail practices into *targeted mailing*, in which mail is sent out following database analysis to select recipients considered most likely to respond positively. For example a person who has demonstrated an interest in golf may receive direct mail for golf related products or perhaps for goods and services that are appropriate for golfers. This use of database analysis is a type of database marketing. The UnitedStatesPostalService calls this form of mail "advertising mail" (*admail* for short).

Telemarketing

The second most common form of direct marketing is telemarketing in which marketers contact consumers by phone. The unpopularity of coldcall telemarketing (in which the consumer does not expect or invite the sales call) has led some US states and the US federal government to create "no-calls" and legislation including heavy fines. This process may be outsourced to specialist call centres.

In the US, a [nationaldo-not-callist](#) went into effect on October 1, 2003. Under the law, it is illegal for telemarketers to call anyone who has registered themselves on the list. After the list had operated for one year, over 62 million people had signed up.^[3] The telemarketing industry opposed the creation of the list, but most telemarketers have complied with the law and refrained from calling people who are on the list.^[citationneeded]

[Canada](#) has passed legislation to create a similar [DoNotCallList](#). In other countries it is voluntary, such as the [NewZealandNameRemovalService](#).

Email Marketing

[EmailMarketing](#) may have passed telemarketing in frequency at this point, and **is a** third type of direct marketing. A major concern is [spam](#), which actually predates legitimate email marketing. As a result of the proliferation of mass spamming, ISPs and email service providers have developed increasingly effective [E-MailFiltering](#) programs. These filters can interfere with the delivery of email marketing campaigns, even if the person has subscribed to receive them,^[4] as legitimate email marketing can possess the same hallmarks as spam.

Door to Door Leaflet Marketing

[LeafletDistribution](#) services are used extensively by the fast food industries, and many other business focussing on a local catchment Business to consumer business model, similar to direct mail marketing, this method is targeted purely by area, and costs a fraction of the amount of a mailshot due to not having to purchase stamps, envelopes or having to buy address lists and the names of home occupants.

Broadcast faxing

A **fourth** type of direct marketing, broadcast [faxing](#), is now less common than the other forms. This is partly due to laws in the [UnitedStates](#) and elsewhere which make it illegal.

Voicemail Marketing

A fifth type of direct marketing has emerged out of the market prevalence of personal voice mailboxes, and business voicemail systems. Due to the ubiquity of email marketing, and the expense of direct mail and telemarketing, voicemail marketing presented a cost effective means by which to reach people with the warmth of a human voice.

Abuse of consumer marketing applications of voicemail marketing resulted in an abundance of "voice-spam", and prompted many jurisdictions to pass laws regulating consumer voicemail marketing.

More recently, businesses have utilized guided voicemail (an application where pre-recorded voicemails are guided by live callers) to accomplish personalized business-to-business marketing formerly reserved for telemarketing. Because guided voicemail is used to contact only businesses, it is exempt from Do Not Call regulations in place for other forms of voicemail marketing.

Couponsing

Couponsing is used in print media to elicit a response from the reader. An example is a coupon which the reader cuts out and presents to a super-store check-out counter to avail of a discount. Coupons in newspapers and magazines cannot be considered direct marketing, since the marketer incurs the cost of supporting a third-party medium (the newspaper or magazine); direct marketing aims to circumvent that balance, paring the costs down to solely delivering their unsolicited sales message to the consumer, without supporting the newspaper that the consumer seeks and welcomes.

Direct response television marketing

Direct marketing on TV (commonly referred to as DRTV) has two basic forms: long form (usually half-hour or hour-long segments that explain a product in detail and are commonly referred to as infomercials) and short form which refers to typical 0:30 second or 0:60 second commercials that ask viewers for an immediate response (typically to call a phone number on screen or go to a website).

TV-response marketing—i.e. infomercials—can be considered a form of direct marketing, since responses are in the form of calls to telephone numbers given on-air. This both allows marketers to reasonably conclude that the calls are due to a particular campaign, and allows the marketers to obtain customers' phone numbers as targets for telemarketing. Under the Federal Do-Not-Call List rules in the US, if the caller buys anything, the marketer would be exempt from Do-Not-Call List restrictions for a period of time due to having a prior business relationship with the caller. Major players are firms like QVC, ThaneDirect, and Interwood Marketing Group then cross-sell, and up-sell to these respondents.

One of the most famous DRTV commercials was for GinsuKnivesbyGinsuProducts,Inc. of RI. Several aspects of ad, such as it's use of adding items to the offer and the guarantee of satisfaction were much copied and came to be considered part of the formula for success with short form direct response TV ads (DRTV)

Direct selling

Directselling is the sale of products by face-to-face contact with the customer, either by having salespeople approach potential customers in person, or through indirect means such as Tupperware parties.

Integrated Campaigns

For many marketers, a comprehensive direct marketing campaign employs a mix of channels. It is not unusual for a large campaign to combine direct mail, telemarketing, radio and broadcast TV, as well as online channels such as email, search marketing, social networking and video. In a report^[5] conducted by the Direct Marketing Association, it was found that 57% of the campaigns studied were employing integrated strategies. Of those, almost half (47%) launched with a direct mail campaign, typically followed by e-mail and then telemarketing.

4.0 CONCLUSION:

In conclusion, direct marketing efforts using particular media have been criticized for generating unwanted solicitations. For example, direct mail that is irrelevant to the recipient is considered *junk mail*, and unwanted email messages are considered *spam*. Some consumers are demanding an end to direct marketing for privacy and environmental reasons, which direct marketers are able to provide by using "opt out" lists, variable printing and more targeted mailing lists.

5.0 SUMMARY

This unit focuses on the following areas

Analyze Benefits and drawbacks of Direct marketing
Discuss direct marketing Channels

6.0 REFERENCES

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7.0 TUTOR MARKED ASSIGNMENT

1. Discuss the benefits and drawbacks of direct marketing?
2. What do you understand by voicemail marketing?