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*Институт управления, экономики и финансов*

*Кафедра иностранных языков в сфере экономики, бизнеса и финансов*

PROMOTION AND PRICING STRATEGIES

*READING*

Учебно-практическое издание  
по дисциплине «Английский язык»  
для проведения практических занятий  
со студентами II курса направлений  
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## **ВВЕДЕНИЕ**

Чтение текстов по специальности достаточно часто представляет значительную трудность для студентов по направлению «Менеджмент». Вот почему проблема обучения пониманию данных текстов и адекватному их анализу является неотъемлемой частью учебного процесса и является актуальной в аспекте формирования у учащихся коммуникативной компетенции.

Данное учебно-практическое издание PROMOTION AND PRICING STRATEGIES (texts) Students' Book предназначено для использования на практических занятиях по английскому языку под контролем преподавателя студентами II курса очного обучения отделения менеджмента, и является способом контроля усвоения лексического материала, формирования коммуникативной и профессиональной компетенций.

Учебно-практическое издание соответствует учебной программе ФГОС ВПО третьего+ поколения по дисциплине «Английский язык», направлению «Менеджмент» 38.03.02.

Настоящее издание состоит из 11 модулей, представляющих собой дополнительный материал к 2 разделу учебного пособия «Learningenglish2.ru» (2013 г.). Каждый модуль состоит из аутентичных текстов, охватывающих разные аспекты маркетинга, и дополнительных заданий, в том числе решение практических бизнес задач, поиск адекватного перевода терминологических словосочетаний с английского языка на русский и с русского языка на английский; ряд практических заданий направлен на развитие коммуникативных навыков студентов при групповой работе.

В дополнение к 11 основным модулям авторами представлен список бизнес терминов по каждой теме (Business Terms), способствующих формированию лексико-когнитивного восприятия англоязычных текстов в академическом дискурсе.

Рекомендуемая литература содержит зарубежные источники, изданные в англоязычных странах, новейшие источники из интернета, и может быть также использована для самостоятельного углубления знаний по изучаемой тематике.

## Module 1.

### What is Promotion?

#### A. Read the text, translate it and do the following tasks.

**Promotion** is the function of informing, persuading, and influencing a purchase decision. Some promotional strategies try to develop *primary demand*, or consumer desire for a general product category. The objective of such a campaign is to stimulate sales for an entire industry so that individual firms benefit from this market growth.

Most promotional strategies, in contrast, seek to stimulate *selective demand* – desire for a specific brand.

Marketers choose among many promotional options to communicate with potential customers. Each marketing message a buyer receives – through a television or magazine ad, Web site, direct-mail ad, or sales call – reflects on the product, place, person, cause, or organization promoted in the content. In a process of **integrated marketing communications (IMC)**, marketers coordinate all promotional activities – advertising, sales promotion, personal sales presentations, and public relations – to execute a unified, customer-focused promotional strategy. This coordination is designed to avoid confusing the consumer and to focus positive attention on the promotional message.

#### **Integrated Marketing Communications**

An integrated marketing communications strategy focuses on customer needs to create a unified promotional message in the firm's ads, its in-store displays, product samples, and presentations by company salespeople. To gain a competitive advantage, marketers who implement IMC need a broad view of promotion. Media options continue to multiply, and marketers cannot simply rely on traditional broadcast and print media and direct mail. Plans must include all forms of customer contact. Packaging, store displays, sales promotions, sales presentations, and online and interactive media also communicate information about a brand or organization. With IMC, marketers create a unified personality for and message about the good, brand, or service they promote. Coordinated activities also enhance the effectiveness of reaching and serving target markers.

Marketing managers set the goals and objectives for the firm's promotional strategy with overall organizational objectives and marketing goals in mind. Based on these objectives, marketers weave the various elements of the strategy – personal selling, advertising, sales promotion, publicity, and public relations – into an integrated communications plan. This document becomes a central part of the firm's total marketing strategy to reach its selected target market. Feedback, including marketing research and field reports, completes the system by identifying any deviations from the plan and supporting improvements.

An excellent example of effective IMC in action can be found in the highly competitive world of sports equipment and attire. Nike Golf relies on a broad mix of promotional efforts in marketing its products, ranging from advertisements featuring champion golfers Tiger Woods and Nick Faldo to the Nike Golf Spring Swing, which includes television commercials and activities featured on Fox Sports Network, a national consumer sweepstakes, and promotional tie-ins with Starwood Hotels & Resorts. The consumer sweepstakes resulted in various prizes – one was a week-long golf vacation at Starwood's Princeville Resort in Hawaii, along with Nike Golf equipment and apparel. Entrants visited the company's Web site to view the results, which led them to other marketing activities. Celebrity golf interviews, tournament updates, and other giveaways were featured on Fox. "This is a good marketing test for us," said Chris Mike, marketing director for Nike Golf.

**B. Answer the questions and discuss in groups:**

1. What is promotion?
2. What is primary and selective demand?
3. What are promotional options?
4. What is IMC (integrated marketing communication)?

**C. Look through the text and find collocations with the word promotional and give Russian equivalents.**

**D. Find in the text Russian equivalents to the following words and phrases:**

informing, persuading and influencing a purchase decisions, primary demand, market growth, promotional strategies, promotional options, selective demand, integrated marketing communications.

**E. Find in the text English equivalents to the following words and phrases:**

решение о покупке, стимулируют выборочный спрос, потенциальные клиенты, интегрированные маркетинговые коммуникации, стимулирование сбыта, рекламные сообщения, потребности клиентов, образцы продукции, общие организационные цели, маркетинговые цели.

**F. Find in the text ing forms and translate them into Russian.**

**G. Say whether the following statements are true, false or there is no information in the text on the subject.**

1. Promotion is the function of informing, offering, and influencing a purchase decision.

2. Marketing managers set the goals and objectives for the firm's advertising strategy with overall organizational objectives and promotional goals in mind.

3. Coordinated activities also enhance the effectiveness of reaching and serving target markers.

4. Feedback, including marketing research and field reports, completes the system by identifying any deviations from the plan and supporting improvements.

5. To gain a competitive advantage, marketers who implement IMC need a broad view of advertising.

**H. Find the words or expressions in the text which mean the following:**

1. The function of informing, persuading, and influencing a purchase decision

2. Desire for a specific brand

3. Consumer desire for a general product category

4. Advertising, sales promotion, personal sales presentations, and public relations.

5. The concept under which a company carefully integrates and coordinates its many communications channels to deliver a clear, consistent message.

6. Strategy that focuses on customer needs to create a unified promotional message in the firm's ads, its in-store displays, product samples, and presentations by company salespeople.

**I. Summarize the text and share your own opinion with a partner.**



## Module 2.

### The Promotional Mix.

#### A. Read the text and do the following tasks.

Just as every organization creates a marketing mix combining product, pricing, distribution, and promotional strategies, each also requires a similar mix to blend the many facets of promotion into a cohesive plan. The **promotional mix** consists of two components – personal selling and nonpersonal selling activities – that marketers combine to meet the needs of their firm's target customers and effectively and effectively communicate its message to them. **Personal selling** is the most basic form of promotion: a direct person-to-person promotional presentation to a potential buyer. The buyer-seller communication can occur during a face-to-face meeting or via telephone, videoconference, or interactive computer link.

**Nonpersonal selling** consists of advertising, sales promotion, direct marketing, and public relations. Advertising is the best-known form of nonpersonal selling, but sales promotion is about half of these marketing expenditures. Marketers need to be careful about the types of promotion they choose or risk alienating the very people they are trying to reach.

Each component in the promotional mix offers its own advantages and disadvantages, as Table 1 demonstrates. By selecting the appropriate combination of promotional mix elements, marketers attempt to achieve their firm's promotional objectives. Allocations of funds within the promotional mix vary by industry. Manufacturers of business-to-business (B2B) products typically spend more on personal selling than on advertising, while consumer-goods marketers may focus more on advertising.

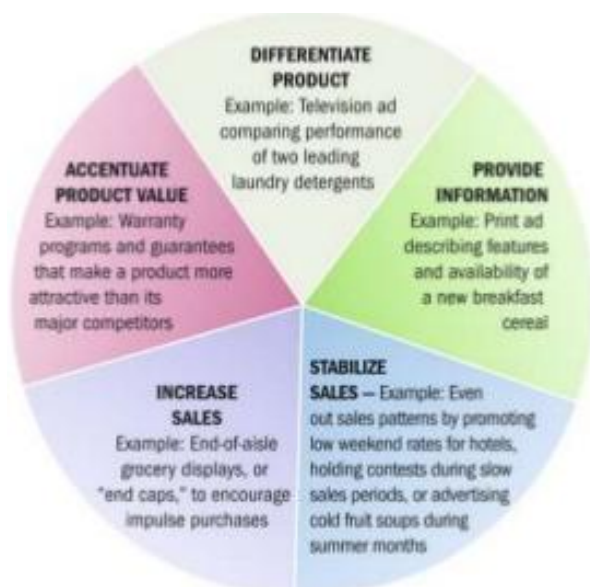
Table 1. Comparing the Components of the Promotional Mix

Component	Advantages	Disadvantages
Advertising	Reaches large consumer audience at low cost per contact Allows strong control of the message Message can be modified to match different audiences	Difficult to measure effectiveness Limited value for closing sales
Personal selling	Message can be tailored for each customer Produces immediate buyer response Effectiveness is easily measured	High cost per contact High expense and difficulty of attracting and retaining effective salespeople
Sales promotion	Attracts attention and creates awareness Effectiveness is easily measured Produces short-term sales increases	Difficult to differentiate from similar programs of competitors Nonpersonal appeal
Public relations	Enhances product or firm credibility Creates a positive attitude about the product or company	Difficult to measure effectiveness Often devoted to nonmarketing activities
Sponsorships	Viewed positively by consumers Enhances brand awareness	Difficult to control message

### Objectives of Promotional Strategy

Promotional strategy objectives vary among organizations. Some use promotion to expand their markets, and others use it to defend their current positions. As Figure 1 illustrates, common objectives include providing information, differentiating a product, increasing sales, stabilizing sales, and accentuating a products value.

Figure 1. Five Major Promotional Objectives



Marketers often pursue multiple promotional objectives at the same time. To promote products aimed at children – such as clothing or snacks – marketers must convince kids and their parents that their products are superior. When the accounting industry's took a plunge after accounting firm Arthur Andersen

admitted to shredding Enron paperwork, and accounting irregularities were discovered at other companies, the American Institute of Certified Public Accountants (AICPA) hired a consultant to create a promotional campaign designed to help restore the public's trust in accountants as well as attract new business. "The profession has gotten a black eye as a result of these scandals," explained AICPA spokesperson Geoff Pickard. "We want to move ahead with the object of restoring confidence in the accounting profession and capital markets, in which we have a role to play."

**Providing Information.** A major portion of U.S. advertising is information oriented. Credit card ads provide information about benefits and rates. Ads for over-the-counter and prescription drugs include information about benefits and potential side effects. Ads for breakfast cereals often contain nutritional information. When Philip Morris Companies decided to change its corporate name to better reflect its corporate structure of operating companies, which make brands such as Oscar Mayer, Oreo, and its highly successful line of Kraft products, it chose the name Altria. Prior to the change, highly successful product categories were less well-known than the firm's tobacco brands. To inform shareholders, the investment market, and its millions of customers, the company launched an eight-week promotional campaign, using metaphors like running water, a tree, a bridge, and columns to describe the new identity.

**Differentiating a Product.** Promotion can also be used to differentiate a firm's offerings from the competition. Applying a concept called **positioning**; marketers attempt to establish their own places in the minds of customers. The idea is to communicate to prospective purchasers meaningful distinctions about the attributes, price, quality, or use of a good or service, as in the following examples:

- *Attributes:* Procter & Gamble says Scope mouthwash tastes better than Listerine.
- *Price/quality:* Burger King says the Whopper tastes better and costs less than the Big Mac.
- *Use:* Yoplait markets Gogurt yogurt in squeezable tubes with images of kids who are too active to sit down and eat their yogurt with a spoon.

In the competitive arena of fashion, urban apparel has become an \$86-billion-per-year industry. Current styles include large tunic-length T-shirts, ultra wide pants, and low-rise jeans. Designers and manufacturers of such clothing are constantly looking for ways to distinguish their fashions from those of competitors – and reach the widest audience possible. Sean John – founded and run by hip-hop star Sean “R Diddy” Combs – targets men between the ages of 18 and 35 who live an urban lifestyle. “We want the cat wearing jeans to school during the day or a nice outfit to the club at night,” says executive vice president Jeff Tweedy. Sean John designers keep the clothing logos small and the designs themselves as timeless as possible, including topcoats and leather jackets. But truly trendy consumers can purchase a pair of Sean John mink pants. Prices range from \$32 for a T-shirt to \$6,000 for a shearling coat. In addition, the company offers big and tall men’s clothing, which many of its competitors do not, “It’s been an underlooked business that other designers have treated like a stepchild, so we’re bringing it to the forefront,” notes Tweedy.

**Increasing Sales.** Increasing sales volume is the most common objective of a promotional strategy. Naturalizer has employed a promotional strategy designed to increase shoe sales by broadening the appeal of its brand to a larger target market. Naturalizer became the third-largest seller of women’s dress shoes by appealing to baby boomers. But as these women have grown older, they have been buying fewer pairs of shoes each year. To attract younger, freer spending women, the company developed a new line of fashionable shoes along with a promotional strategy that positions Naturalizer shoes as stylish and even sexy. The effort included ads in magazines read by younger women – such as *Elle* and *Marie Claire* – featuring young women in beach attire and Naturalizer shoes. The initial response to this strategy was a substantial increase in Naturalizer’s sales through department stores.

**Stabilizing Sales.** Sales stabilization is another goal of promotional strategy. Firms often use 5 sales contests during slack periods, motivating salespeople by offering prizes such as vacation trips, TVs, cell phones, and cash to those who meet certain goals. Companies distribute sales promotion materials – such as calendars, pens, and note pads – to customers to stimulate sales during off seasons.

Jiffy Lube puts that little sticker on your windshield to remind you when to have your car's next oil change – the regular visits help stabilize sales. A stable sales pattern brings several advantages. It evens out the production cycle, reduces some management and production costs, and simplifies financial, purchasing, and marketing planning. An effective promotional strategy can contribute to these goals.

Advertising supports other promotional efforts to stabilize sales. A common problem in the hotel industry occurs when hotels crowded on weekdays with business travelers become nearly empty on weekends. These hotels often advertise weekend packages to attract tourists, offering low rates and, occasionally, free meals or tickets to local attractions. Similarly, airlines may advertise special low airfares during off-peak periods. These deals often require travelers to stay through a Saturday night, when business travelers are most likely to be home.

**Accentuating the Product's Value.** Some promotional strategies enhance product values by explaining often unrecognized ownership benefits. Carmakers offer long-term warranty programs and promote the excellence of their repair services. Other promotional efforts focus on low-price aspects of value.

The creation of brand awareness and brand loyalty also enhances a products image and increases its desirability. Advertising with luxurious images supports the reputation of premium brands like Jaguar, Tiffany, and Rolex. Other promotional messages associate brands with desirable qualities such as fun, youthfulness, or even spirituality.

### **Promotional Planning**

Today's marketers can promote their products in many ways, and the lines between the different elements of the promotional mix are blurring. In the practice of **product placement**, a growing number of marketers pay placement fees to have their products showcased in movies and television shows. Recent examples include Eastman Kodak and Royal Caribbean International, each of which paid \$3 million to \$5 million to have their products featured on a primetime CBS TV program. Snuggle fabric softener found its way onto NBC's *Friends*. Bur classic examples include the Budget Rent-a-Truck used in the 1990 film *Home Alone* and the Reese's Pieces that appeared in the 1982 blockbuster *ET*. (Sales of Reese's Pieces

skyrocketed 65 percent. Mars, which makes M&Ms, had previously turned down the offer to have its candy appear in the movie.)

**Guerrilla marketing**, innovative, low-cost marketing efforts designed to get consumers' attention in unusual ways, represents an increasingly popular promotional tactic that marketers – especially those with limited promotional budgets – are using today. This approach is relatively new and began with companies that couldn't afford the huge costs of promoting their goods and services in the traditional media. Of necessity, they developed innovative, low-cost ways to reach their markets. Usually, that meant traveling to locations where potential customers would congregate – such as beaches, clubs, even street corners – and communicating with them in person. Today, bigger companies have caught on to the idea and engage in their own guerrilla marketing. Old Spice sent a roving team of “Old Spice Towel Girls” to several beaches in Florida during spring break, where they handed out sample packs of disposable Old Spice Cool Contact Refreshment Towels. The Towel Girls also hosted games of Twister on the beach. At some of the same beaches, Calvin Klein introduced its new line of swimwear. “These guys and girls don't shop in department stores,” explained Kim Vernon, senior vice president of global marketing. “The trick is to reach them wherever they are.”

Entrepreneur Mark Vinci used guerrilla marketing to launch his own marketing business, K9 Billboards. Vinci lives in New York, and everywhere he takes his Akita puppy, Ling Ling, passersby seem to want to stop to pet her or talk with him, “So many people were drawn to her that it occurred to me that if I could put a brand banner on her, maybe people would be drawn to the brand,” explains Vinci. He started with a banner for a local ski resort, which was a huge hit with skiers. When Pure Lip wanted to make more people aware of its cold sore lip balm, the firm hired Vinci to do the job, hitting such locations as Times Square and Rockefeller Center. K9 Billboards now has more dogs on its banner payroll – AT&T hired the firm's French poodles to tout its long-distance global plan on Bastille Day. Vinci is careful about choosing the dogs he hires. “We want them to wag their tails, give paw and kisses, but were trying to build brand awareness. Tricks are distracting. The brand is the star,” he says.

The increasing complexity and sophistication of marketing communications require careful promotional planning to coordinate IMC strategies. General Motors's Chevrolet division had been losing ground for several years when GM decided to develop a major new promotional campaign based on a clever theme – rock 'n' roll songs that cite Chevy in their lyrics. "No other brand has inspired pop culture like Chevy has," explained Bill Ludwig, chief creative officer at Campbell-Ewald, the agency that developed the campaign, which was based on a previous Chevy billboard that read, "They don't write songs about Volvos." Researchers for the campaign came up with songs from Billy Joel, Iron Maiden, the Clash, Coolio, the Ramones, the Beach Boys, Meat Loaf, Elton John, Prince, and dozens of others. Television commercials and print ads featured current models as well as the classics, such as a yellow '57 and an old 409. In addition to evoking nostalgia, the promotional strategy included a focus on value – Chevys don't cost as much as other cars.

From this overview of the promotional mix, we now turn to discussions of each of its elements. The following sections detail the major components of advertising, sales promotion, personal selling, and public relations.

**B. Answer the questions and discuss in groups:**

1. What is promotional mix?
2. What is personal selling?
3. What is a nonpersonal selling?
4. What is positioning?
5. What is product placement?
6. What is guerrilla marketing?

**C. Look through the text and find sentences word combination promotional mix and translate into Russian.**

**D. Find in the text Russian equivalents to the following words and phrases:**

promotional mix, personal selling, nonpersonal selling, positioning, product placement, guerrilla marketing

**E. Find in the text English equivalents to the following words and phrases:**

рекламные стратегии, личные продажи, потребительские товары маркетологов, рекламные цели стратегии, позиционирование, стабилизации продаж, акцент ценности продукта, размещение товара, партизанский маркетинг.

**F. Find in the text phrasal verbs and translate them into Russian.**

**G. Say whether the following statements are true, false or there is no information in the text on the subject.**

1. The promotional mix consists of two components – personal selling and nonpersonal selling activities
2. The advantage of sales promotions is that effectiveness is easily measured
3. Public relations enhance product or company credibility
4. Marketers often pursue only one promotional objective at the same time.
5. Promotion can also be used to differentiate a firm's offerings from the competition.
6. Guerrilla marketing, innovative, high-cost marketing efforts designed to get consumers' attention in unusual ways, represents an increasingly popular promotional tactic that marketers – especially those with limited promotional budgets – are using today.

**H. Find the words or expressions in the text which mean the following:**

1. A specific combination of promotional methods used for one product or a family of products. Elements of a promotion mix may include print or broadcast advertising, direct marketing, personal selling, point of sale displays, and/or merchandising
2. Positioning is a marketing strategy that aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer
3. Face-to-face selling in which a seller attempts to persuade a buyer to make a purchase.
4. Type of sales, consisting of advertising, sales promotion, direct marketing, and public relations



5. An advertising technique used by companies to subtly promote their products through a non-traditional advertising technique, usually through appearances in film, television, or other media

6. Innovative, low-cost marketing efforts designed to get consumers' attention in unusual ways, represents an increasingly popular promotional tactic.































**I. Summarize the text and share your own opinion with a partner.**

## Module 3. Advertising.

### A. Read the text and do the following tasks.

Of the elements of the promotional mix, advertising is the most visible form of nonpersonal promotion – and the most effective for many firms. **Advertising** refers to paid nonpersonal communications usually targeted at large numbers of potential buyers. Although U.S. citizens often think of advertising as a typically American function, it is a global activity. As Figure 2 reveals, one-third of the top 10 world advertisers. Each of these companies spends billions of dollars a year on advertising in an attempt to build brand awareness and inform, persuade, or remind current and potential customers about its product offerings.

Figure 2. Largest advertisers in the United States

<u>2015</u>		<u>2014</u>		<u>2013</u>	
Rank		Rank		Rank	
1		1		1	
2		2		2	
3		3		3	
4		4		4	
5		5		5	
6		6		6	
7		7		7	
8		8		8	
9		9		9	
10		10		10	

Source: Reputation Institute, 2015

Advertising expenditures can vary considerably from industry to industry, from company to company, and from one advertising medium to another. For television, the top advertising spenders are manufacturers of cars and light trucks; automobile dealers spend the most on newspaper ads. On the radio, the leading industry is telecommunications, followed by advertising for broadcast and cable television. Among individual companies, giants like Ford and McDonald's have

the financial resources needed to buy \$2 million 30-second ads on the television broadcast of the annual Super Bowl. In contrast, small companies may be able to achieve their promotional objectives by spending a few thousand dollars on carefully targeted ads in local newspapers or coupon packages mailed to consumers or through guerrilla marketing tactics like those described earlier.

### **Types of advertising.**

The two basic types of ads are product and institutional advertisements. **Product advertising** consists of messages designed to sell a particular good or service. Advertisements for Snapple drinks, T-Mobile wireless phones, and Capital One credit cards are examples of product advertising. **Institutional advertising** involves messages that promote concepts, ideas, philosophies, or goodwill for industries, companies, organizations, or government entities. The Michigan Economic Development Corporation created the ad in an effort to attract more technologically based businesses to the state. The ad features Howard Cash, creator of the Sequencher DNA sequencing standard, whose company, Gene Codes Corporation, is located in the state's Life Sciences Corridor.

A form of institutional advertising that is growing in importance, **advocacy advertising**, promotes a specific viewpoint on a public issue as a way to influence public opinion and the legislative process about issues such as America's homeless population, drug abuse, hunger, and efforts to reduce smoking and alcohol abuse. Both not-for-profit organizations and businesses use advocacy advertising, sometimes called *cause advertising*.

### **Advertising and the Product Life Cycle.**

Both product and institutional advertising fall into one of three categories based on whether the ads are intended to inform, persuade, or remind. A firm uses *informative advertising* to build initial demand for a product in the introductory phase of the product life cycle. Highly publicized new product entries attract the interest of potential buyers who seek detailed information about their superiority over existing products, warranties provided, prices, and locations where the new items can be seen and purchased.

*Persuasive advertising* attempts to improve the competitive status of a product, institution, or concept, usually in the growth and maturity stages of the

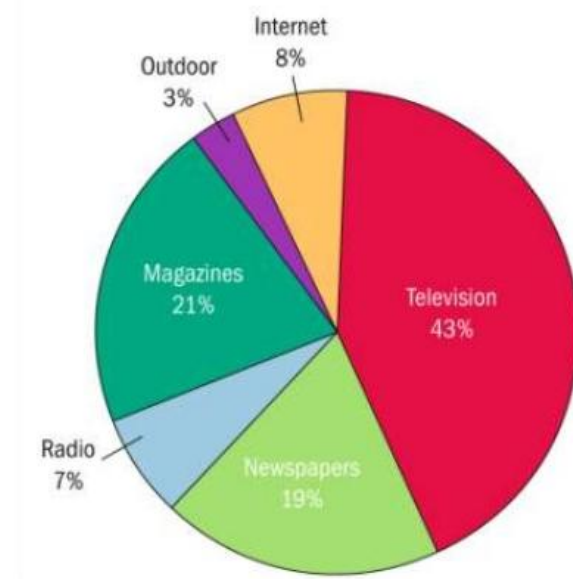
product life cycle. One of the most popular types of persuasive product advertising, *comparative advertising*, compares products directly with their competitors – either by name or by inference. Advertisers need to be careful when they name competitive brands in comparison ads because they might leave themselves open to controversy or even legal action by competitors.

*Reminder-oriented advertising* often appears in the late maturity or decline stages of the product life cycle to maintain awareness of the importance and usefulness of a product, concept, or institution. Reminder advertising can be used to breathe new life into products that have all but disappeared.

### **Advertising Media**

Marketers must choose how to allocate their advertising budgets among various media. All media offer advantages and disadvantages. Cost is an important consideration in media selection, but marketers must also choose the media best suited for communicating their message. As Figure 3 indicates, advertising on television and in newspapers and in the form of direct mail represent the three leading media outlets, in large part because of their flexibility. Online (Internet) advertising receives only about 2 percent of total advertising spending. Still, interactive advertising on the Internet is expected to grow far faster than the other media over the next decade. Other media expected to enjoy strong growth are cable television and outdoor advertising.

Figure 3. Carving up the Advertising Media Pie



**Newspapers.** Daily and weekly newspapers continue to dominate local advertising. Marketers can easily tailor newspaper advertising for local tastes and preferences. Advertisers can also coordinate their newspaper messages with other promotional efforts. In fact, readers rank advertising as the third most useful feature in newspapers, after national and local news. A disadvantage comes from the relatively short life span; people usually discard their papers soon after reading.

The sheer volume of advertising in a typical newspaper produces intense competition for reader attention. Successful newspaper advertisers make newsworthy announcements in their ads, such as sales, the opening of new stores, or the launch of new products. Retailers and automobile dealers rank first among newspaper advertisers.

Newspaper publishers, originally concerned that the Web would erode their traditional role of providing news, advertising, and entertainment guides, have instead discovered that even frequent Web users are attracted to traditional print media to obtain more detailed reporting on news items and for coverage of local and regional events. Most newspapers now maintain Web sites to complement their print editions, some of which offer separate material and features.

**Television.** Television is America's leading national advertising medium. Television advertising can be classified as network, national, local, and cable ads. The four major national networks – ABC, CBS, NBC, and Fox – and relative newcomers Warner Brothers (WB) and United Paramount Network (UPN) broadcast about one fourth of all television ads. Despite a decline in audience share and growing competition from cable, network television remains the easiest way for advertisers to reach large numbers of viewers – 10 million to 20 million with a single commercial. Among the heavy users of network television advertising are auto manufacturers, financial services companies, and fast-food chains.

Cable services continue to make inroads into the television sector; nearly two-thirds of the 106 million U.S. households with TVs now subscribe to cable. Drawn to the dozens or even hundreds of channels available through cable or satellite services, many viewers have switched from network programming. Some experts predict that the number of cable subscribers may actually taper off as viewers switch to satellite for more channels. As cable modems and satellite

services broaden their offerings to Internet and interactive programming, their audience is expected to continue growing. The variety of channels on cable and satellite networks lets advertisers target specialized markets and reach selected demographic groups, often very small ones. This capability is drawing more and more ad dollars to cable, making it the second-fastest-growing advertising medium after the Internet. Based on ad revenues, the top five cable networks are ESPN (with ad revenues of more than \$1 billion a year), Nickelodeon, MTV, Lifetime, and TNT.

Although television reaches the greatest number of consumers at once, it is the most expensive advertising medium. The price to air a 30-second ad during weeknight prime time on network television generally ranges from \$100,000 to more than \$500,000 for the most popular shows. Super Bowl ads have been known to command prices of over \$2 million. So marketers want to be certain that their commercials reach the greatest number of viewers. Because of the high cost, advertisers may demand guarantees of audience size and receive compensation if a show fails to deliver the promised number of viewers.

**Radio.** The average U.S. household owns five radios – including those in cars – a market penetration that makes radio an important advertising medium. Advertisers like the captive audience of listeners as they commute to and from work. As a result, morning and evening drive time shows command top ad rates. In major markets, many stations serve different demographic groups with targeted programming. The potential of the Internet to deliver radio programming also offers opportunities for yet more focused targeting. Satellite transmission technology will also offer new opportunities for radio advertisers.

**Magazines.** Magazines include consumer publications and trade journals that serve as B2B links. *Time*, *Country Living*, and *Sports Illustrated* are consumer magazines, whereas *Advertising Age* and the *Oil & Gas Journal* fall into the trade category.

Magazines often can customize their publications and target advertising messages to different regions of the country. One method places local advertising in regional editions of the magazine. Other magazines attach wraparounds – half-size covers on top of full-size covers – to highlight articles inside that relate to

particular areas; different wraparounds appear in different parts of the country. Magazines are natural choice for targeted advertising. Media buyers study demographics of subscribers and select magazines that attract the desired readers.

**Direct Mail.** The average American household receives about 550 pieces of direct mail each year including 100 catalogs. The huge growth within the variety of direct-mail offerings combined with the convenience they offer to today's busy, time-pressed shoppers has made direct mail advertising a multibillion-dollar business. Today this medium is tied with newspaper advertising in second place, trailing only television advertising, among the leading media alternatives. Although the cost per person reached via direct mail is high, a small business may be able to spend less on a limited direct-mail campaign than on a television or radio ad. For businesses with a small advertising budget, a carefully targeted direct-mail effort with a message that interests recipients can be highly effective.

Another way to minimize costs while maximizing the targeting of a direct mail is to use e-mail, which bypasses the printing and postage costs. Marketers can target the most interested Internet users by offering Web site visitors an option to register to receive e-mail. They can gather names through their own Web site, as well as sites like Yesmail.com, which invite consumers looking for special offers to register to receive e-mail on subjects of interest to them. Marketers can then buy lists of names from Yesmail.com.

For both e-mail and postal campaigns, address lists are at the heart of direct-mail advertising. Using data-mining techniques to develop models for market segmentation, direct-mail marketers create profiles that show the traits of consumers who are likely to buy their products or donate to their organizations. Catalog retailers sometimes experiment by mailing direct-mail pieces randomly to people who subscribe to particular magazines. Next, they analyze the orders received from the mailings and develop profiles of purchasers. Finally, they rent lists of additional subscriber names that match the profiles they have developed.

**Outdoor Advertising.** Outdoor advertising, such as billboards and illuminated or animated signs or displays accounts for about 2% of total advertising expenditures. The majority of spending on outdoor advertising is for billboards, and advertising as signs in transit stations, stores, airports, sport

stadiums is growing faster. Outdoor media advertising involves technology: computerized paintings, video billboards, trivision that displays three revolving images on a single billboard, and moving billboards mounted on trucks.

Outdoor advertising suffers from several disadvantages. The medium requires brief messages, and mounting concern for aesthetic and environmental issues is raising opposition.

**Online and Interactive Advertising.** Ranging from Web sites and compact disks (CDs) to information kiosks in malls and financial institutions, interactive media are changing the nature of advertising. Although it currently commands only 2% of media spending, interactive advertising is the fastest-growing media segment.

Just like spam, many consumers resent the intrusion of *pop-up* ads that suddenly appear on their computer screen. These ads can be difficult to ignore, remove, or pass by. Some Internet service providers, like Earthlink, have actually turned this problem into a marketing advantage by offering service that comes without pop-ups.

In addition to the Internet, technological advances are enabling other forms of interactive advertising. After years of hype, interactive television is making inroads into households and presenting new advertising opportunities. Other marketers are combining direct mail and interactive advertising by sending prospective customers computer discs or DVDs containing marketing messages with opportunities to respond.

**Sponsorship.** One of the hottest trends in promotion offers marketers the ability to integrate several elements of the promotional mix. **Sponsorship** involves providing funds for a sporting or cultural event in exchange for a direct association with the event. Sport sponsorships attract two-third of total sponsorship dollars in this \$9 billion annual business in the U.S. alone. Entertainment, festivals, causes and the arts divide up the remaining third of sponsorship dollars.

Sponsors receive two primary benefits: exposure to the event's audience and association with the image of the activity. Sponsors typically gain the rights to use the name of the person or event in their promotions, to advertise during media coverage of the event, to post promotional signs at the venue, to set up sales



promotions, and to engage in personal selling to clients invited to attend the event. Event sponsors frequently set up hospitality tents where they entertain important distributors and potential customers. Sponsorships play an important role in relationship marketing, bringing together the event, its participants, and the sponsoring firm and allowing marketers to reach a narrow but highly desirable audience.

**Other Media Options.** As consumers filter out familiar advertising messages, marketers look for novel ways to catch their attention. In addition to the major media, firms promote through many other vehicles such as infomercials and specialized media. **Infomercials** are a form of broadcast direct marketing, also called *direct response television (DRTV)*. These 30-minute programs resemble regular television programs, but they are devoted to selling goods or services such as exercise equipment, skincare products, or kitchenware.

Other specialized media used for product promotions include advertising in movie theaters and on airline movie screens, for such companies as Coca-Cola, Pepsi, BMW, etc.

Directory advertising includes the familiar Yellow Pages listings in telephone books and thousands of other types of directories, most presenting business-related promotions.

**B. Answer the questions and discuss in groups:**

1. What is advertising?
2. What types of advertising can you name?
3. What is advertising media?
4. What types of advertising media are the most used ones nowadays?

Why?

5. Why infomercials are a useful kind of advertising?
6. What is sponsorship? What are its main advantages and disadvantages?
7. How is advertising connected to product life cycle?

**C. Look through the text and find sentences with the word “advertising” and translate into Russian.**

**D. Find in the text Russian equivalents to the following words and phrases:**

nonpersonal promotion, current and potential customers, advertising expenditures, institutional advertising, product advertising, advocacy advertising, persuasive advertising, advertising budgets, target advertising messages, wraparounds, e-mail and postal campaigns, outdoor media advertising, pop-up ads, sponsorships, direct response television.

**E. Find in the text English equivalents to the following words and phrases:**

реклама, раскрутка, нынешние и потенциальные клиенты, рекламные расходы, предложения продукта, телекоммуникация, государственные органы, рекламный продукт, рекламные бюджеты, целевые рекламные сообщения, сравнительная реклама, интенсивная конкуренция наружная реклама СМИ, всплывающие окна, проникновение на рынок, спонсорство, рекламное шоу.

**F. Find in the text phrasal verbs and translate them into Russian.**

**G. Say whether the following statements are true, false or there is no information in the text on the subject.**

1. Advertising is the most visible form of personal promotion.
2. Advertising expenditures do not vary at all.
3. Advocacy advertising, promotes a specific viewpoint on a public issue as a way to influence public opinion and the legislative process about issues such as America's homeless population, drug abuse, hunger, and efforts to reduce smoking and alcohol abuse.
4. Persuasive advertising attempts to improve the competitive status of a product, institution, or concept, usually in the maturity and declining stages of the product life cycle
5. Infomercials are a form of broadcast indirect marketing, also called direct response television.

**H. Find the words or expressions in the text which mean the following:**

1. A means of communication with the users of a product or service. Advertisements are messages paid for by those who send them and are intended to inform or influence people who receive them.

2. Any method of communication about the promotion of a product in an attempt to induce potential customers to purchase the product. Advertisement usually requires payment to a communication channel. The general objective is to increase brand awareness or to demonstrate the differences between product and competing products in order to sell them.

3. The promotional message aimed at creating an image, enhancing reputation, building goodwill, or advocating an idea or the philosophy of an organization, instead of sales promotion. When employed by an organization to market itself (instead of its products), it is called corporate advertising.

4. The use of marketing used to support a particular message or cause; is considered to be undertaken in the interest of a group or the public, and typically does not promote a product or service.

5. Various means (advertising vehicles) such as billboards, magazines, newspapers, radio, television, and internet by which promotional messages are communicated to the public using words, speech, and pictures.

6. The act of providing money for a television or radio programme, website, sports event, or other activity in exchange for advertising.

7. A television program that is an extended advertisement often including a discussion or demonstration.

8. Any television advertising that asks consumers to respond directly to the company – usually either by calling an 800 number or by visiting a web site. This is a form of direct response marketing.

**I. Summarize the text and share your own opinion with a partner.**

## Module 4. Sales Promotion.

### A. Read the text and do the following tasks.

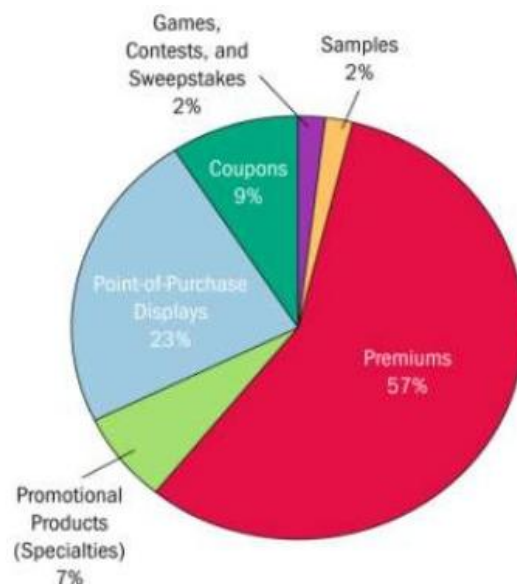
Traditionally viewed as a supplement to a firm's sales or advertising efforts, sales promotion has emerged as an integral part of the promotional mix. Promotion now accounts for close to half as many marketing dollars as are spent on advertising, and promotion spending is rising faster than ad spending. **Sales promotion** consists of forms of promotion such as coupons, product samples, and rebates that support advertising and personal selling.

Both retailers and manufacturers use sales promotions to offer consumers extra incentives to buy. Beyond the short-term advantage of increased sales, sales promotions can also help marketers to build brand equity and enhance customer relationships. Examples include samples, coupons, contests, displays, trade shows, and dealer incentives.

### Consumer Oriented Promotions.

The goal of a consumer-oriented sales promotion is to get new and existing customers to try or buy products. In addition, marketers want to encourage repeat purchases by rewarding current users, increase sales of complementary products, and boost impulse purchases. Figure 4 shows how marketers to consumers allocate their spending among the categories of promotions.

Figure 4. Spending on Consumer-Oriented Promotions



**Premiums, Coupons, Rebates, and Samples.** Two of every five sales promotion dollars are spent on *premiums* – items given free or at a reduced price with the purchase of another product. Cosmetics companies like Estee Lauder and Clinique offer gifts with purchases of special cosmetics and perfume sets. Fast-food restaurants are also big users of premiums. Often, McDonald's and Burger King give away a free toy with every children's meal.

Customers redeem *coupons* for small price discounts when they purchase the promoted products. Such offers may persuade a customer to try a new or different product.

Coupons have the disadvantage of focusing customers on price rather than brand loyalty, and major consumer-products companies like Procter & Gamble tried to cut back on distributing coupons during the previous decade. However, discount stores like Wal-Mart have made that strategy difficult. Wal-Mart lures price-conscious shoppers with its own brands.

*Rebates* offer cash back to consumers who mail in required proofs of purchase. Rebates help packaged-goods manufacturers increase purchase rates, promote multiple purchases, and reward product users. Processing rebates gives marketers a way to collect data about their customers.

A *sample* is a gift of a product distributed by mail, door to door, in a demonstration, or inside packages of another product.

**Games, Contests, and Sweepstakes.** Contests, sweepstakes, and games offer cash, merchandise, or travel as prizes to participating winners. Firms often sponsor these activities to introduce new goods and services and to attract additional customers. Games and contests require entrants to solve problems or write essays and sometimes provide proof of purchase. Sweepstakes choose winners by chance and require no product purchase. Consumers typically prefer them since games and contests require more effort. Companies like sweepstakes, too, because they are inexpensive to run and determine the number of winners from the beginning. With games and contests, the company cannot predict the number of people who will correctly complete a puzzle or gather the right number of symbols from scratch-off cards. Sweepstakes, games, and contests can reinforce

a company's image and advertising message, but consumer attention may focus on the promotion rather than the product.

**Promotional Products.** Do you have any pens, T-shirts, or refrigerator magnets imprinted with a business name that you received for free? These offers are examples of **promotional products** (sometimes called *specialty advertising* or *advertising specialties*). This type of sales promotion involves the gift of useful merchandise carrying the name, logo, or slogan of a profit-seeking business or a not-for-profit organization. Because those products are useful and sometimes personalized with recipients' names, people tend to keep and use them, giving advertisers repeated exposure. Originally designed to identify and create goodwill for advertisers, promotional products now generate sales leads and develop traffic for stores and trade show exhibitors. Like premiums, these advertising specialties should reinforce the brand's image and its relationship with the recipient.

#### **Trade-Oriented Promotions.**

Sales promotion techniques can also contribute to campaigns directed to retailers and wholesalers. **Trade promotion** is sales promotion geared to marketing intermediaries rather than to consumers. Marketers use trade promotion to encourage retailers to stock new products, continue carrying existing ones, and promote both new and existing products effectively to consumers. Successful trade promotions offer financial incentives. They require careful timing, attention to costs, and easy implementation for intermediaries. These promotions should bring quick results and improve retail sales. Major trade promotions include point-of-purchase advertising and trade shows.

**Point-of-purchase (POP) advertising** consists of displays or demonstrations that promote products when and where consumers buy them, such as in retail stores. A high-tech version of POP advertising is the use of kiosks that display product information and promotional offers. Whether cardboard or electronic, POP advertising takes advantage of many shoppers' tendencies to make purchase decisions in the store.

Manufacturers and importers often host or exhibit at *trade shows* to promote goods or services to members of their distribution channels. These shows are often

organized by industry trade associations, typically during annual meetings or conventions.

**B. Work with a partner. Make a discussion about which marketing strategy is the most suitable for domestic market (Russia).**

**C. Answer the questions and discuss in groups:**

1. What is sales promotion?
2. What is consumer-oriented sales promotion?
3. What is the difference between premiums, coupons, rebates, and samples?
4. What are the advantages and the disadvantages of using contests, sweepstakes, and games as a promotion tool? When can each of them be used?
5. What specialty advertising or advertising specialties?
6. What is the difference of trade promotion and Point-of-purchase (POP) advertising?

**D. Look through the text and find sentences with the phrase “sales promotion”, translate them into Russian and make up your own sentences.**

**E. Find in the text Russian equivalents to the following words and phrases:**

point-of-purchase (POP) advertising, trade shows, trade-oriented promotions, specialty advertising or advertising specialties, premiums, coupons, rebates, samples, consumer oriented promotions, sales promotion.

**F. Find in the text sentences in Passive voice and translate them into Russian.**

**G. Say whether the following statements are true, false or there is no information in the text on the subject.**

1. Sales promotion consists of forms of promotion such as coupons, product samples, and rebates that support advertising and personal selling
2. Coupons – items given free or at a reduced price with the purchase of another product.
3. Samples have the advantage of focusing customers on price rather than brand loyalty.

4. Marketers use trade promotion to encourage retailers to stock new products, continue carrying existing ones, and promote both new and existing products effectively to consumers.

5. Manufacturers and importers often host or exhibit at trade exhibitions to promote goods or services to members of their distribution channels.

**H. Find the words or expressions in the text which mean the following:**

1. is sales promotion geared to marketing intermediaries rather than to consumers

2. promotional products

3. items given free or at a reduced price with the purchase of another product

4. stimulation of sales achieved through contests, demonstrations, discounts, exhibitions or trade shows, games, giveaways, point-of-sale displays and merchandising, special offers, and similar activities.

5. promotion tools oriented at increasing the sales to existing consumers and to attract new customers = pull strategy.

6. Promotion tools directed at the dealer network of the company to motivate them to sell more of the company's brand than other brands = push strategy.

**I. Concept Check:**

1. What is the greatest disadvantage of using coupons.

2. What is the benefit of POP advertising?

3. What are "pull and push" strategies? Think of some examples of each of them concerning sales promotions in Russia, Europe and the USA.



## Module 5.

### Personal Selling.

#### A. Read the text and share your opinion about it.

Many companies consider *personal selling* – a person-to-person promotional presentation to a potential buyer – the key to marketing effectiveness. Unless a seller matches a firm's goods or services to the needs of a particular client or customer, none of the firm's other activities produce any benefits. Today, sales and sales-related jobs employ about 16 million Americans. Businesses often spend five to 10 times as much on personal selling as on advertising. Given the significant cost, businesses are very concerned with the effectiveness of their personal selling.

How do marketers decide whether to make personal selling the primary component of their firms marketing mix? In general, firms are likely to emphasize personal selling rather than advertising or sales promotion under four conditions:

1. Customers are relatively few in number and geographically concentrated.
2. The product is technically complex, involves trade-ins, and requires special handling.
3. The product carries a relatively high price.
4. It moves through direct-distribution channels.

The sales functions of most companies are experiencing rapid change. Today's salespeople are more concerned with establishing long-term buyer-seller relationships and acting as consultants to their customers than in the past.

Personal selling can occur in several environments, each of which can involve business-to-business or business-to-consumer selling. Sales representatives who make sales calls on prospective customers at their homes or businesses are involved in *field selling*. Companies that sell major industrial equipment typically rely heavily on field selling. *Over-the-counter selling* describes sales activities in retailing and some wholesale locations, where customers visit the seller's facility to purchase items. *Telemarketing* sales representatives make their presentations over the phone.

## **Sales Tasks**

All sales activities involve assisting customers in some manner. Although a salesperson's work can vary significantly from one company or situation to another, it usually includes a mix of three basic tasks: order processing, creative selling, and missionary selling.

**Order Processing.** Although both field selling and telemarketing involve this activity, **order processing** is most often related to retail and wholesale firms. The salesperson identifies customer needs, points out merchandise to meet them, and processes the order. Route sales personnel process orders for such consumer goods as bread, milk, soft drinks, and snack foods. They check each store's stock, report inventory needs to the store manager, and complete the sale. Most of these jobs include at least minor order-processing functions.

**Creative Selling.** Sales representatives for most business products and some consumer items perform **creative selling**, a persuasive type of promotional presentation. Creative selling promotes a good or service whose benefits are not readily apparent or whose purchase decision requires a closer analysis of alternatives. Sales of intangible products such as insurance rely heavily on creative selling, but sales of tangible goods benefit as well.

**Missionary Selling.** Sales work also includes an indirect form of selling in which the representative promotes goodwill for a company or provides technical or operational assistance to the customer; this practice is called **missionary selling**.

## **The Sales Process**

The sales process typically follows the seven-step sequence shown in Figure 5: prospecting and qualifying, the approach, the presentation, the demonstration, handling objections, the closing, and the follow-up. Remember the importance of flexibility, though; a good salesperson is not afraid to vary the sales process based on a customer's responses and needs. The process of selling to a potential customer who is unfamiliar with a company's products differs from the process of serving a long-time customer.

Figure 5. Seven Steps in the Sales Process



**Prospecting, Qualifying, and Approaching.** At the prospecting stage, salespeople identify potential customers. They may seek leads for prospective sales from such sources as previous customers, friends, business associates, neighbors, other sales personnel, and other employees in the firm. The qualifying process identifies potential customers who have the financial ability and authority to buy. Those who lack the financial resources or who cannot make purchase decisions are not qualified prospects.

Companies use different tactics to identify and qualify prospects. Some companies rely on business development teams to do this legwork. They send direct mail and use the responses to provide leads to sales reps. Other companies believe in the paramount importance of personal visits from sales representatives.

**Presentation and Demonstration.** At the presentation stage, salespeople communicate promotional messages. Usually, they describe the major features of their products, highlight the advantages, and cite examples of satisfied consumers. A demonstration helps reinforce the message that the salesperson has been communicating – a critical step in the sales process.

**Handling Objections.** Some salespeople fear potential customers' objections because they view the questions as criticism. But a good salesperson

can use objections as an opportunity to answer questions and explain how the product will benefit the customer. As a general rule, the key is to sell benefits, not features: How will this product help die customer?

**Closing.** The critical point in the sales process – the time at which the salesperson actually asks the prospect to buy – is the closing. If the presentation effectively matches product benefits to customer needs, the closing should be a natural conclusion. If there are more bumps in the process, the salesperson can try some different techniques, such as offering an alternative product, offering a special incentive for purchase, or restating the product benefits. Closing the sale – and beginning a relationship in which the customer builds loyalty to the brand or product – is the ideal outcome of this interaction. But even if the sale is not made at this time, the salesperson should regard the interaction as the beginning of a potential relationship anyway. The prospect might very well become a customer in the future.

**Follow-Up.** A salesperson’s actions after the sale may determine whether the customer will make another purchase. After closing, the seller should process the order quickly and efficiently and reassure the customer about the purchase decision. Follow-up is a vital activity for building a long-term relationship with customers to ensure that products satisfy them and to deliver service activities. By calling soon after a purchase, the salesperson provides psychological reinforcement for the customers decision to buy. It also gives the seller a chance to correct any problems.

### **Recent Trends in Personal Selling**

Personal selling is taking on a new face. Companies are constantly looking for ways to reach existing and potential customers, meet their needs with goods and services, and build long-term relationships. To accomplish this, they are coming to telemarketing, relationship selling, consultative selling, team selling, and sales force automation – major personal selling trends that are changing the sales forces of companies of all sizes.

**Telemarketing.** **Telemarketing**, personal selling conducted entirely by Telephone, provides a firm’s marketers with a high return on their expenditures, an immediate response, and an opportunity for personalized two-way conversation.

Many firms use telemarketing because expense or other obstacles prevent salespeople from meeting all potential customers in person. Telemarketers can use databases to target prospects based on demographic data. Telemarketing takes two forms. A sales representative who calls you is practicing *outbound telemarketing*. *Inbound telemarketing* occurs when you call a toll-free phone number to get product information or place an order.

**Relationship Selling and Consultative Selling.** As competitive pressures mount, a widening universe of firms is emphasizing relationship selling, in which a salesperson builds a mutually beneficial relationship with a customer through regular contacts over an extended period.

Businesses often carry out relationship marketing by using consultative selling, which shifts the emphasis of the sales process from the product to the customer and often relies on creative selling. Consultative selling means meeting customers' needs by listening to them, understanding and caring about their problems, paying attention to details, suggesting solutions, and following through after the sale. Consultative selling is not cheap; however, because of the time one salesperson takes with one customer. But it can pay off in the form of customer loyalty.

**Team Selling.** Team selling joins salespeople with specialists from other functional areas of the firm to complete the selling process. In this way, it complements relationship and consultative selling strategies. Teams can be formally assigned units or assembled for specific, temporary selling situations.

**Sales Force Automation.** Recent advances in communications and information technology have many applications to the sales process. These applications have produced a trend called sales **force automation (SFA)**. This trend incorporates a broad range of tools, from e-mail, telecommunications devices such as pagers and cell phones, and notebook computers to increasingly sophisticated software systems that automate the sales process. These SFA software packages help sales managers develop account territories, plan sales campaigns, perform detailed analyses of sales trends, and forecast future sales. Sales personnel can use the system to analyze customer databases to develop leads,

schedule sales campaigns, automatically file orders and expense reports, and tap into company databases for instant updates on prices and product availability.

Among its many benefits, SFA improves the consistency of the sales approach; speeds response times, and reduces the sales cycle. Salespeople can design product packages and close deals on the spot, instead of collecting information from customers and returning to their offices to prepare proposals.

**B. Work with a partner. Discuss different types of marketing research data and ways to get them.**

**C. Answer the questions and discuss in groups:**

1. What is order processing?
2. What is the difference between creative selling and missionary selling?
3. What are the steps of sales process? Characterize each of them.
4. Which are the different ways of personal selling?
5. What are advantages and disadvantages of relationship selling and consultative selling?
6. What were the reasons of producing sales force automation? What is it used for?
7. Why the process of selling to a potential customer who is unfamiliar with a company's products differs from the process of serving a long-time customers?
8. Explain how a potential customer can become a long-time customer. Which measures are to be taken?

**D. Look through the text and find sentences with the phrase “sales process”, translate them into Russian and make up your own sentences.**

**E. Find in the text Russian equivalents to the following words and phrases:**

relationship selling and consultative selling, outbound telemarketing, inbound telemarketing, order processing, missionary selling, field selling, telemarketing, creative selling.

**F. Find in the text complex subject sentences and translate them into Russian.**

**G. Find the words or expressions in the text which mean the following:**

1. a person-to-person promotional presentation to a potential buyer
2. the trend incorporates a broad range of tools, from e-mail, telecommunications devices such as pagers and cell phones, and notebook computers to increasingly sophisticated software systems that automate the sales process.
3. calling a toll-free phone number to get product information or place an order.
4. set of steps aimed at initiating and supporting the identification and evaluation of likely customers(prospects), sales presentation, and successful conclusion of sales activities.
5. the marketing process that involves having sales staff form well established associations with consumers in order to promote repeat purchases.
6. personal selling in which a salesperson plays the role of a consultant, assisting the buyer in identifying his or her needs, and suggesting products that satisfy those needs.

**H. Discuss the questions in groups**

1. Identify two environments in which personal selling takes place
2. List the steps in the sales process.(Figure 5). Distinguish between inbound and outbound telemarketing

## **Module 6.**

### **Public Relations**

#### **A. Read the text and share your opinion about it.**

A final element of the promotional mix, public relations (PR) – including publicity – supports advertising, personal selling, and sales promotion, usually by pursuing broader objectives. Through PR, companies attempt to improve their prestige and image with the public by distributing specific messages or ideas to target audiences. Cause-related promotional activities are often supported by PR and publicity campaigns. As such, PR is an important part of a company's promotional plan. In fact, some experts now believe that public relations can be as important to a company's marketing effort as much of its advertising is. That's because consumers are so bombarded with advertising messages that the messages lose either their impact or their credibility.

**Public relations** refers to an organization's nonpaid communications with its various public audiences, such as customers, vendors, news media, employees, stockholders, the government, and the general public. Many of these communication efforts serve marketing purposes. Public relations is an efficient, indirect communications channel for promoting products. It can publicize products and help to create and maintain a positive image of the company.

The PR department links a firm with the media. It provides the media with news releases and video and audio clips, as well as holding news conferences to announce new products, the formation of strategic alliances, management changes, financial results, and similar developments. Publications issued by the PR department include newsletters, brochures, and reports.

#### **Publicity**

The type of public relations that most closely approaches promoting a company's products is **publicity**, nonpersonal stimulation of demand for a good, service, place, idea, event, person, or organization by unpaid placement of information in print or broadcast media. Businesses generate publicity by engaging in unusual or significant activities that are picked up by local or national news.



While good publicity can promote a firm's positive image, negative publicity can cause problems. The financial industry has suffered from bad publicity due to the unethical behavior of executives, accountants, financial advisors, and others. Many of these companies are now engaged in marketing campaigns designed to reinstall people's confidence in them. Negative publicity can cause a firm to lose credibility in the marketplace, which may be very difficult to reestablish.

**B. Work with a partner. Discuss different types of products or services in terms of good and negative publicity .**

**C. Answer the questions and discuss in groups:**

1. What are public relations (PR)?
2. What is publicity?
3. What role does publicity play being a part of public relations? How is it being generated?
4. Why is it necessary to differentiate PR and publicity?
5. How losing credibility can affect the company's market place?
6. What are the functions of PR department in domestic and international companies? How do they differ?

**D. Look through the text and find sentences with the phrase “public relations”, translate them into Russian and make up your own sentences.**

**E. Find in the text Russian equivalents to the following words and phrases:**

public relations, element of promotional mix, to improve prestige, publicity campaigns, public audiences, news releases, nonpersonal stimulation of demand, credibility in the marketplace.

**F. Find in the text complex subject sentences and translate them into Russian.**

**G. Discuss the questions in groups**

1. What function does a firm's PR department serve?
2. Choose one company offering products or services. Think of the ways to develop a good publicity on Russian and international markets.

## **Module 7.**

### **Promotional Strategies**

#### **A. Read the text and share your opinion about it.**

Many of this chapter's examples demonstrate the considerable overlap among the elements of the promotional mix. Clear boundaries no longer distinguish advertising from sales promotion. The Internet and other interactive media also change how marketers promote products. By blending advertising, sales promotion, personal selling, and public relations, marketers create an integrated promotional mix that reflects the market, product type, stage in the product life cycle, price, and promotional budget. Then they implement one of two promotional alternatives: pulling or pushing strategies. Finally, marketers must measure the effectiveness of their promotional strategies.

#### **Selecting a Promotional Mix**

Choosing the most appropriate promotional mix is one of the toughest tasks confronting a company's marketers. The following questions provide some general guidelines for allocating promotional efforts and expenditures among personal selling and advertising:

*What is your target market?* The U.S. Department of Defense wanted to reconnect American adults with their military and remind them of the values and competencies that can be gained through military service and brought into professional life.

*What is the value of the product?* Although low-priced products like soda or toothpaste usually do well with advertising, high-priced products in both business and consumer markets require promotional mixes that include personal selling. Examples include commercial real estate and luxury automobiles.

*What time frame is involved?* Is the product something that will expire like a ski vacation-within a certain time period? If so, advertising and sales promotions may be the preferred option.

## **Pushing and Pulling Strategies**

Marketers can choose between two general promotional strategies: a pushing strategy or a pulling strategy. A **pushing strategy** relies on personal selling to market a product to wholesalers and retailers in a company's distribution channels. So marketers promote the product to members of the marketing channel, not to end users. Sales personnel explain to marketing intermediaries why they should carry a particular item, usually supported by offers of special discounts and promotional materials. Marketers also provide **cooperative advertising** allowances, in which they share the cost of local advertising of their firm's product or line with channel partners. All of these strategies are designed to motivate wholesalers and retailers to push the good or service to their own customers.

A **pulling strategy** attempts to promote a product by generating consumer demand for it, primarily through advertising and sales promotion appeals. Potential buyers will then request that their suppliers (retailers or local distributors) carry the product, thereby pulling it through the distribution channel.

Most marketing situations require combinations of pushing and pulling strategies, although the primary emphasis can vary. Consumer products usually depend more heavily on pulling strategies than do B2B products, which favor pushing strategies.

**B. Work with a partner. Think of different types of promotional strategies. Which is the most effective one?**

**C. Divide into groups. Try to select a promotional mix for any type of international company having allocated promotional efforts and expenditures among personal selling and advertising. Compare your results with other groups.**

**D. Answer the questions and discuss in groups:**

1. What is promotional strategy?
2. What is sales promotion?
3. What an integrated promotional mix?
4. What is target market? What types of markets do you know?
5. What is the value of a product or a service?
6. How is a time frame and what are its functions?

7. What are the differences of pulling and pushing strategies?
8. When and how the combination of pushing and pulling strategies are used?

**E. Look through the text and find sentences with the phrase “promotional strategies”, translate into Russian and make your own sentences.**

**F. Find in the text Russian equivalents to the following words and phrases:**

elements of promotional mix, interactive media, to blend advertising, integrated promotional mix, to reflect the market, stages in product life cycle, promotional budget, pulling and pushing strategies, to measure the effectiveness of promotional strategies, to confront a company's marketers, target markets, value of a product or service, commercial real estate, time frame, wholesalers and retailers, marketing intermediaries, cooperative advertising.

**G. Find the words or expressions in the text which mean the following:**

1. The choice of a target market and formulation of the most appropriate promotion mix to influence it.
2. A specific combination of promotional methods used for one product or a family of products, elements of which may include print or broadcast advertising, direct marketing, personal selling, point of sale displays, and/or merchandising.
3. The market (customers) a company wants to sell its products and services to, and to whom it directs its marketing efforts.
4. An assessment of the worth of a good or service.
5. A set period of time in which covers certain events or in which certain things are expected to occur.
6. Promotional strategy involving taking the product directly to the customers via whatever means, ensuring the customer is aware of your brand at the point of purchase.
7. Promotional strategy involving motivating customers to seek out your brand in an active access.

**H. Review.**

1. Think of an example of a pulling strategy in international market.
2. Give an example of a pushing strategy in domestic market.

## **Module 8.**

### **Ethics in Promotion**

#### **A. Read the text and share your opinion about it.**

Of all the elements in a 21st-century business organization, promotion probably raises the most ethical questions. Many people view advertising with a cynical eye, criticizing its influence on consumers, its potential for creating unnecessary needs and wants, its overemphasis on sex and beauty, and its delivery of inappropriate messages to children.

#### **Puffery and Deception**

Legally as well as ethically, there are limits on the claims a marketer may make. Claims such as “bigger,” “best,” “most advanced,” or “number 1” are examples of puffery, exaggerated claims of a product's superiority or use of the doubtful, subjective, or vague statements. Puffery is actually legal because it doesn't imply a guarantee, but it certainly raises ethical questions. Is it ethical to make a boastful statement that has no objective basis? Can an advertiser be absolutely certain that every consumer knows the difference between exaggeration and reality? While advertisers argue that most people are not deceived by puffery, one critic responds this way: “Advertising people are smart. If puffery means nothing to consumers, why do they bother with it? If advertisers had the facts, they might use the facts and forget the puffs.”

Deception involves deliberately making promises that are untrue, such as guaranteed weight loss in five days, get-rich-quick schemes for would-be entrepreneurs, or promised return on investments. Today's climate of skepticism among consumers may actually present an opportunity for ethical companies to shine.

#### **Promotion to Children and Teens**

Marketers recognize the huge purchasing power that today's children and teens have, whether making their own purchases or influencing the buying decisions of their families. It is tempting for some marketers to do anything to influence these young consumers. Although today's children are certainly accustomed to promotional messages, they are not sophisticated at analyzing them.

In addition, to woo young consumers, advertisers often make ads as unadlike as possible – designing messages that resemble entertainment. With modern media companies owning a variety of broadcast, print, Internet, and other outlets, children watching Saturday-morning cartoons are exposed to an integrated marketing effort that combines advertising for related videos, books, and video games, as well as licensed merchandise from toys to backpacks to T-shirts.

### **Promotion in Public Schools and on College Campuses**

A related ethical issue is the placement of promotional messages in schools, from kindergartens through university campuses. The idea of school as a place where students are free from marketing messages is long gone. In the public school district of Philadelphia, lunch menus are printed courtesy of the Cartoon Network. In addition to the daily specials, they feature the Turner network's logo, characters, and information about upcoming shows. Some schools are bringing in income by signing contracts that give certain brands exclusive access to their students.

### **Personal Selling Strategies**

Developing effective personal selling strategies involves more than just presenting a product to the customer. Personal selling is a direct person-to-person promotional presentation. This takes the form of business-to-business or business-to-consumer selling, but your personal selling strategy should remain the same in either case. Here are some tips to developing an effective personal selling strategy.

Know your product. The best way to make an impression when selling is to know product backward and forward. Being extremely knowledgeable helps you sell your wares without having to say “I don't now” to a buyer's question. This not only applies to the products you represent; it also applies to the organization itself and its policies.

Don't waste your customer's time. Be prepared for every sales call, communicate the benefits quickly and efficiently, and try to establish an immediate rapport with your client. Businesspeople are busy people, and sales-people are sometimes seen as necessary evils. If you cultivate a positive attitude with businesslike strategies, you have a better chance of making the sale.

Always follow up. Sometimes your customer has to consult senior management, committees, boards, or his or her team before making a purchase, so

be sure you have a plan for following up on each sales call. Don't wait for the phone to ring with an order-be proactive about finding out how long the committee usually takes to reach a decision, how many weeks to wait before calling your contact again, and the like.

Be genuine with your customers. Always be upbeat and friendly when making sales calls or presentations. Present yourself as a professional but relate as a consumer yourself if necessary. Don't try to fake kindness or concern; if you don't genuinely feel it, your customer won't either. Use the time to catch up on paperwork or lead generation instead!

**B. Work with a partner. Create a product or service and make a promotion plan for children and teens. Develop effective personal selling strategies to promote your product or service in public schools and on college campuses. Discuss the results with the class.**

**C. Answer the questions and discuss them in groups:**

1. How can you describe ethics in promotion?
2. What is puffery?
3. What is deception?
4. What is purchasing power and how is it possible to influence it?
5. What is the most important about promotion to children and teens?
6. What is the difference between promoting in public schools and on college campuses?
7. What is personal selling?
8. How can an effective personal selling strategy be developed?

**D. Look through the text and find sentences with the word “promotion”, translate into Russian and make your own sentences.**

**E. Find in the text Russian equivalents to the following words and phrases:**

cynical eye, firm's marketing mix, puffery and deception, promotion to children and teens, and promotion in public schools and on college campuses, products superiority, deliberately making promises, rival brand, get-rich-quick schemes, return on investments, influencing the buying decisions, are certainly accustomed to promotional messages, effective personal selling strategies,

business-to-business or business-to-consumer selling.

**F. Concept Check**

1. Define puffery.
2. Define deception.
3. How are schools actually benefiting from advertising aimed at students?



## **Module 9.**

### **Price in the Marketing Mix**

#### **A. Read the text and share your opinion about it.**

The final variable of the marketing mix is made up of many major decisions that greatly influence the success of any organization. Price is focused on such economic concepts as determinants of demand and supply, equilibrium prices, impact of changes in price on customer behavior and company revenues, and the elasticity of demand and supply. All of these concepts influence the pricing decisions that business decision makers must make in formulating their overall marketing strategies.

Every successful product offers some utility, or want-satisfying power. However, individual preferences determine how much value a particular consumer associates with a good or service. One person may value leisure-time pursuits while another assigns a higher priority to acquiring property and automobiles. But all consumers have limited amounts of money and a variety of possible uses for it. So the price-the exchange value of a good or service-becomes a major factor in consumer buying decisions.

Businesspeople attempt to accomplish certain objectives through their pricing decisions. Pricing objectives vary from firm to firm, and many companies pursue multiple pricing objectives. Some try to improve profits by setting high prices; others set low prices to attract new business. As Figure 6 shows, the four basic categories of pricing objectives are (1) profitability, (2) volume, (3) meeting competition, and (4) prestige.

#### **Profitability Objectives**

Profitability objectives are perhaps the most common objectives included in the strategic plans of most firms. Marketers know that profits are the revenue the company brings in, minus its expenses. Usually, there is a big difference between revenue and profit.

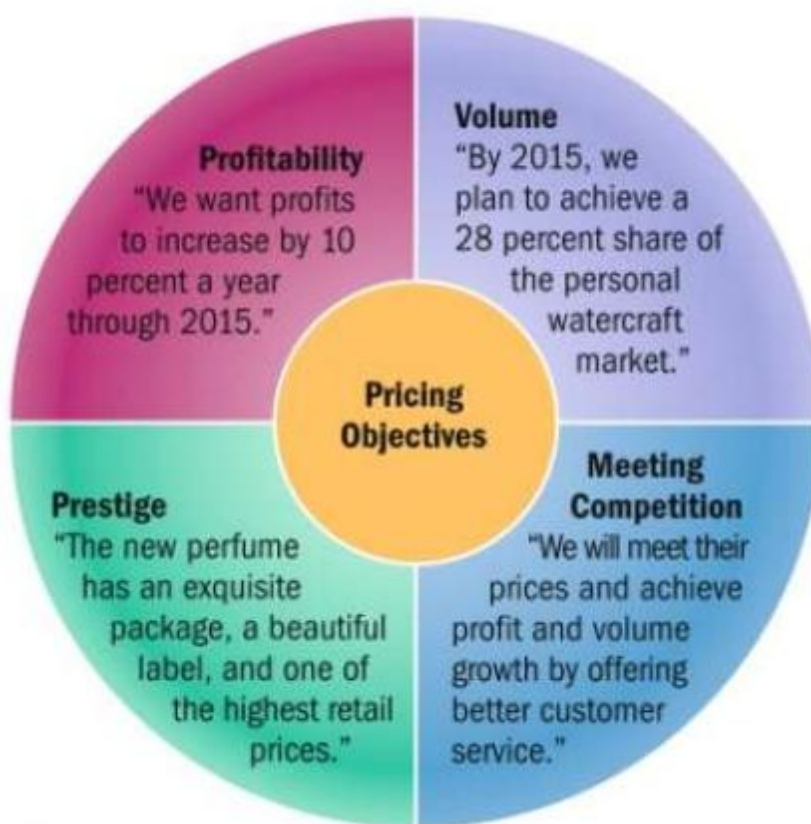
Some firms try to maximize profits by reducing costs rather than through price changes. Companies can maintain prices and increase profitability by

operating more efficiently or by modifying the product to make it less costly to produce.

### Volume Objectives

A second approach to pricing strategy – **volume objectives** – bases pricing decisions on *market share* – the percentage of a market controlled by a certain company or product. One firm may seek to achieve a 25 percent market share in a certain industry, and another may want to maintain or expand its market share for particular products.

Figure 6. Pricing Objectives



### Pricing to Meet Competition

A third set of pricing objectives seeks simply to meet competitors' prices so that price essentially becomes a nonissue. In many lines of business, firms set their own prices to match those of established industry leaders. But companies may not legally work together to agree on prices or force retailers to sell at a set price, which is called *pricefixing*, as described in the Solving an Ethical Controversy box.

Price is a highly visible component of a firm's marketing mix and an easily used and effective tool for obtaining an advantage over competitors. But

sometimes the race to match competitors' prices can result in a *price war*, which has happened periodically in the airline and fast-food industries. The ability of competitors to match a price cut leads many marketers to try to avoid price wars by favoring other strategies, such as adding value, improving quality, educating consumers, and establishing relationships.

### **Prestige Objectives**

The final category of objectives encompasses the effect of prices on prestige. **Prestige pricing** establishes a relatively high price to develop and maintain an image of quality and exclusiveness. Marketers set such objectives because they recognize the role of price in communicating an overall image for the firm and its products. People expect to pay more for prestigious brands like Rolls Royce, Gucci, Coach, or a Whistler skivacation outside Vancouver.

**B. Work with a partner. Create a company which uses multiple principles of pricing objectives. Think of the following questions: what role does price of your product or service play for your company? How can multiple principles of pricing objectives develop your company? Or maybe is it better to choose only one of them according to your company's future objectives? Discuss the results with the class.**

**C. Answer the questions and discuss them in groups:**

1. What is price?
2. What role does price play in marketing mix?
3. What are profitability objectives?
4. What are volume objectives? What is market share?
5. How can you explain pricing to meet competition? When should it be used?
6. What is price fixing? What are the pros and cons of price war?
7. What are prestige objectives?
8. What is prestige pricing?

**D. Look through the text and find sentences with the phrase “pricing objectives”, translate into Russian and make your own sentences.**

**E. Find in the text Russian equivalents to the following words and phrases:**

Price in the marketing mix, determinants of demand and supply, impact of changes on customer behavior and company revenues, want-satisfying power, multiple pricing objectives, profitability, volume, meeting competition, prestige objectives, market share, price fixing, price war, prestige pricing.

**F. Find the words or expressions in the text which mean the following**

1. **exchange value of a good or service.**
2. approach to pricing strategy' which bases pricing decisions on market share.
3. the percentage of a market controlled by a certain company or product.
4. set of pricing objectives which seeks simply to meet competitors' prices so that price essentially becomes a nonissue.
5. an agreement between participants on the same side in a market to buy or sell a product, service, or commodity only at a fixed price, or maintain the market conditions such that the price is maintained at a given level by controlling supply and demand.
6. process when companies continuously lower prices to undercut the competition.
7. Process of establishing a relatively high price to develop and maintain an image of quality and exclusiveness that appeals to status conscious consumers.

**G. Concept Check**

1. Define price
2. Which pricing objective results in diverting consumer attention from price.
3. Think of examples of domestic and international companies in terms of their pricing objectives.
4. Analyze 1 domestic and 2 international companies in terms of their pricing decisions and implementing multiple or just one pricing objectives.
5. Think of well-known price wars in domestic and international markets for last 10 years.

## **Module 10.**

### **Pricing Strategies**

#### **A. Read the text and share your opinion about it.**

People from different areas of a company contribute their expertise to set the most strategic price for a product. Accountants, financial managers, and sales representatives provide relevant sales and cost data, along with customer feedback. Designers, engineers, and systems analysts all contribute important data as well.

Prices are determined in two basic ways: by applying the concepts of supply and demand and by completing cost-oriented analyses. Economic theory assumes that a market price will be set at the point where the amount of a product desired at a given price equals the amount that suppliers will offer for sale at that price. In other words, this price occurs at the point where the amount demanded and the amount supplied are equal. Online auctions, such as those conducted on eBay, are a popular application of the demand-and-supply approach.

#### **Price Determination in Practice**

Economic theory might lead to the best pricing decisions, but most businesses do not have all the information they need to make those decisions, so they adopt **cost-based pricing** formulas. These formulas calculate total costs per unit and then add markups to cover overhead costs and generate profits.

Cost-based pricing totals all costs associated with offering a product in the market, including research and development, production, transportation, and marketing expenses. An added amount, the *markup*, then covers any unexpected or overlooked expenses and ensures a profit. The total becomes the price. Manufacturers, wholesalers, and retailers usually practice markup pricing. Although the actual markup used varies by such factors as brand image and type of store, the typical markup for clothing is determined by doubling wholesale price (the cost to the merchant) to arrive at the retail price for the item.

## Break-even Analysis

Businesses often conduct a **break-even analysis** to determine the minimum sales volume a product must generate at a certain price level to cover all costs. This method involves a consideration of various costs and total revenues. *Total cost* is the sum of total variable costs and total fixed costs. *Variable costs* change with the level of production, as labor and raw materials do, while *fixed costs* like insurance premiums and minimum utility rates charged by water, natural gas, and electric power suppliers remain stable regardless of the production level. *Total revenue* is determined by multiplying price by the number of units sold.

**Finding the Break-even Point** The level of sales that will generate enough revenue to cover all of the company's fixed and variable costs is called the break-even point. It is the point at which total revenue just equals total costs. Sales beyond the break-even point will generate profits; sales volume below the break-even point will result in losses. The following formulas give the break-even point in units and dollars:

$$\text{Break-even point (in units)} = \frac{\text{Total Fixed}}{\text{Contribution to Fixed Costs per Unit}}$$

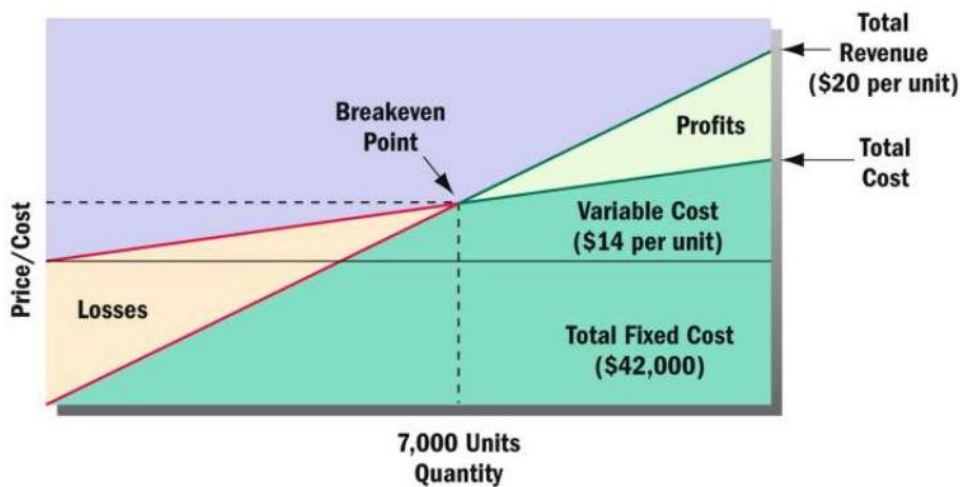
$$\text{Break-even point (in dollars)} = \frac{\text{Total Fixed Costs}}{1 - \text{Variable Cost per Unit/Price}}$$

Marketers use break-even analysis to determine the profits or losses that would result from several different proposed prices. Since different prices produce different break-even points, marketers could compare their calculations of required sales to break even with sales estimates from marketing research studies. This comparison can identify the best price, one that would attract enough customers to exceed the break-even point and earn profits for the firm.

Most firms add demand – determining whether enough customers will buy the number of units the firm must sell at a particular price to break even – by developing estimates of consumer demand through surveys of likely customers, interviews with retailers that would be handling the product, and assessments of prices charged by competitors. Then the break-even points for several possible

prices are calculated and compared with sales estimates for each price. This practice is referred to as *modified breakeven analysis*.

Figure 7. Breakeven Analysis



### Alternative Pricing Strategies

The strategy a company uses to set its prices should grow out of the firm's overall marketing strategy. In general, firms can choose from four alternative pricing strategies: skimming, penetration, discount or everyday low pricing, and competitive pricing.

#### Skimming Pricing

A skimming pricing strategy sets an intentionally high price relative to the prices of competing products. The term comes from the expression "skimming the cream." This pricing strategy often works for the introduction of a distinctive good or service with little or no competition, although it can be used at other stages of the product life cycle as well. A skimming strategy can help marketers to set a price that distinguishes a firm's high-end product from those of competitors. It can also help a firm recover its product development costs before competitors enter the field.

#### Penetration Pricing

By contrast, a **penetration pricing** strategy sets a low price as a major marketing weapon. Businesses may price new products noticeably lower than competing offerings when they enter new industries characterized by dozens of competing brands. Once the new product achieves some market recognition through consumer trial purchases stimulated by its low price, marketers may increase the price to the level of competing products. However, stiff competition might prevent the price increase.

## **Everyday Low Pricing and Discount Pricing**

**Everyday low pricing (EDLP)** is a strategy devoted to maintaining continuous low prices rather than relying on short-term price-cutting tactics such as cents-off coupons, rebates, and special sales. This strategy is used by retailers like Wal-Mart to consistently offer low prices to consumers; manufacturers also use EDLP to set stable prices for retailers.

With *discount pricing*, businesses hope to attract customers by dropping prices for a set period of time.

## **Competitive Pricing**

Although many organizations rely heavily on price as a competitive weapon, even more implement competitive pricing strategies. They try to reduce the emphasis on price competition by matching other firms' prices and concentrating their own marketing efforts on the product, distribution, and promotional elements of the marketing mix. In fact, in industries with, relatively homogeneous products, competitors must match one another's price reductions to maintain market share and remain competitive. By pricing their products at the general levels of competing offerings, marketers largely negate the price variable in their marketing strategies.

**B. Work with a partner. Make a breakeven analysis of the following company.** A product of selling for \$20 with a variable cost of \$14 per unit produces a \$6 per-unit contribution to fixed costs. If the firm has total fixed costs of \$42,000, then it must sell 7,000 units to break even on the product. Calculate the breakeven point in units and in dollars. Discuss the results with the class.

## **C. Answer the questions and discuss them in groups:**

1. What are pricing strategies?
2. What is cost-based pricing?
3. What is breakeven analysis and how is it calculated?
4. What is skimming pricing?
5. How does penetration pricing differ from skimming pricing?
6. Why EDLP (everyday low pricing and discount pricing is commonly used only by retailers?
7. What is competitive pricing?



8. What are advantages and disadvantages of every type of pricing strategies?

**D. Look through the text and find sentences with the phrase “pricing strategies”, translate into Russian and make your own sentences.**

**E. Find in the text Russian equivalents to the following words and phrases:**

concepts of supply and demand, cost-based pricing, marketing expenses, markup, breakeven analysis, total cost, total revenue, breakeven point, skimming pricing, high-end product, penetration pricing, EDLP, discount pricing, price-cutting tactics, competitive pricing.

**F. Find the words or expressions in the text which mean the following**

1. a pricing method in which a fixed sum or a percentage of the total cost is added (as income or profit) to the cost of the product to arrive at its selling price

2. an analysis to determine the point at which revenue received equals the costs associated with receiving the revenue; this analysis calculates what is known as a margin of safety, the amount that revenues exceed the break-even point. This is the amount that revenues can fall while still staying above the break-even point.

3. point in time (or in number of units sold) when forecasted revenue exactly equals the estimated total costs; where loss ends and profit begins to accumulate. This is the point at which a business, product, or project becomes financially viable.

4. set of pricing objectives which seeks simply to meet competitors' prices so that price essentially becomes a nonissue.

5. the amount added by a seller to the cost of a commodity to cover expenses and profit in fixing the selling price.

6. the addition of all costs-direct and indirect, or (2) how much an investor paid to acquire an investment. The cost includes commissions and trading fees.

7. Total sales revenue and other revenue for a particular period.

**G. Concept Check**

1. Define cost-based pricing formula.

2. What is the breakeven point in a breakeven analysis?

3. Give your opinion about what is the best pricing strategy.

## **Module 11.**

### **Consumer Perceptions of Prices**

#### **A. Read the text and share your opinion about it.**

In addition to costs and competitors, marketers must also consider how consumers perceive prices. If large numbers of potential buyers consider a price too high or too low, the marketer must correct the situation. Price-quality relationships and the use of odd pricing are important considerations, as discussed in the Best Business Practices box.

#### **Price-Quality Relationships**

Research shows that a consumer's perception of product quality is closely related to an item's price. Most marketers believe that this perceived price-quality relationship holds over a relatively wide range of prices, although consumers may view extreme prices as either too expensive or too cheap to consider paying. Businesspeople need to study and experiment with prices because the price-quality relationship can critically affect a firm's pricing strategy.

Some consumers are perfectly willing to pay more for foods that are certified to be organically grown, even when cheaper alternatives are readily available. Others will pay more for foods that are labeled "natural," regardless of what the word actually means. Home buyers are often willing to pay more for a house in one neighborhood than another, regardless of construction quality.

#### **Odd Pricing**

Have you ever wondered why retailers set prices like \$ 1.99 instead of \$2 or \$9.99 instead of \$10? Before the age of cash registers and sales taxes, retailers reportedly followed this practice of odd pricing to force clerks to make correct change as part of cash control efforts. But now odd pricing is commonly used because many retailers believe that consumers favor uneven amounts or amounts that sound less than they really are: It's easier to justify a purchase of \$299 than one of \$300.

#### **B. Answer the questions and discuss them in groups:**

1. What are consumer perception of price?
2. What is price-quality relationships?
3. What is odd pricing? How does it attract customers?

**C. Look through the text and find sentences with the word "price", translate into Russian and make your own sentences.**

**D. Work with a partner. Create your own company and implement consumer perceptions of price. Discuss the results with the class.**

#### **E. Concept Check**

1. Give an example of the price-quality relationship.
2. Why is odd pricing used and when is it used?

### **Review Questions.**

1. Explain the concept of integrated marketing communications. Why do marketers use this process to develop their companies' promotional strategies?
2. What are the two major components of the promotional mix? What promotional mix might be appropriate for each of the following?
  - a. six-pack of yogurt for kids
  - b. wireless phone service
  - c. specialty auto parts sold to car manufacturers
  - d. JetBlue Airlines
3. Identify and define each of the three categories of advertising based on their purpose.
4. What are the benefits of television advertising? What are the drawbacks? What are the benefits of radio advertising? What are the drawbacks?
5. For each of the following, describe potential benefits of a sponsorship relationship:
  - a. NASCAR and Krispy Kreme
  - b. the Olympics and Visa
  - c. the recent "Global Extremes" Mt. Everest expedition and Toyota
  - d. the World Cup and Corona
6. If you were a marketer for General Mills, what kind of sales promotion might you use for your line of prepackaged chicken and pasta dinners?
7. What are some of the recent trends in personal selling? In what ways might these trends help build long-term relationships with customers?
8. Distinguish between pushing and pulling strategies. Under what conditions should each be used?
9. Identify and define the four basic categories of pricing objectives.
10. What are the four alternative pricing strategies used by marketers? Give an example of the circumstances under which each might be selected.

### **Projects and Applications.**

1. Choose a product that you purchased recently. Identify the various media that were used to promote the product and analyze the promotional mix. Do

you agree with the company's marketing strategy, or would you recommend changes to the mix? Why? Create your own print ad for the product you chose using any business strategies or knowledge you have learned in this course so far.

2. As a consumer, what is your typical response to personal selling? Do you like personal attention or do you prefer to be left alone while making a decision? Does your preference change whether you are making a fairly routine purchase, such as a garden hose, or a large, complicated purchase, such as a computer?

3. You read in the chapter that some schools have received financial benefits by allowing companies to promote their goods and services to students within the school. Prepare a list of the major arguments for such practices. Create a similar list of reasons school administrators should avoid this practice.

4. Imagine that a mid-size city located near you has made an agreement with Major League Baseball to build and develop a new baseball stadium for a minor league team. The park will be small – about 7,500 seats. The town will be able to sell food and souvenirs at the park. As a marketer, what kind of approach would you take for establishing ticket prices?

5. Calculate the breakeven point for a baseball cap embroidered with a team logo, which sells for \$20 with a variable cost of \$12 per unit and produces a \$4 per-unit contribution to fixed costs. The company that makes the cap has a total fixed cost of \$40,000. What is the breakeven point in units? In dollars?

### **Experimental Exercise.**

Background: This exercise, which may be done either as an individual or a group project, will help you apply many of the chapter concepts to the promotion and pricing of a product that interests you.

Directions: Develop a promotional mix and choose a pricing strategy for an existing product that interests you or for a new product that you think could compete successfully with an existing product.

1. Identify your product and its target market.
2. Outline your firm's promotional objectives for the product.

3. Research the promotional mix for competing products by going online, looking at magazines and newspapers, and watching television. Then create a chart illustrating a competitor's promotional mix and your selection of promotional mix elements for your product.

4. Write a brief memo explaining the reasons for your choice of such elements as advertising or ways in which you think public relations could assist in your efforts.

Select the pricing strategy that you think would work best for your product and explain your choice.

### **Business Terms You Need to Know**

**Promotion** – the advancement of a product, idea, or point of view through publicity and/or advertising. See also sales promotion.

**Integrated marketing communications (IMC)** – an approach to achieving the objectives of a marketing campaign, through a well coordinated use of different promotional methods that are intended to reinforce each other.

**Promotional mix** – a blend of promotional variables chosen by marketers to help a firm reach its goals. It has been identified as a subset of the marketing mix.

**Personal selling** – face-to-face selling in which a seller attempts to persuade a buyer to make a purchase.

**Advertising** – the act or practice of calling public attention to one's product, service, need, etc., especially by paid announcements in newspapers and magazines, over radio or television, on billboards, etc.

**Sales promotion** – stimulation of sales achieved through contests, demonstrations, discounts, exhibitions or trade shows, games, giveaways, point-of-sale displays and merchandising, special offers, and similar activities.

**Public relations** – the profession or practice of creating and maintaining goodwill of an organization's various publics (customers, employees, investors, suppliers, etc.), usually through publicity and other nonpaid forms of communication. These efforts may also include support of arts, charitable causes, education, sporting events, and other civic engagements.

**Publicity** – type of promotion that relies on public relations effect of a news story carried usually free by mass media. The main objective of publicity is not

sales promotion, but creation of an image through editorial or 'independent source' commentary. While the publicist can control the content of the story, he or she may not have any control over its placement or interpretation by the media.

**Price** – a value that will purchase a finite quantity, weight, or other measure of a good or service. As the consideration given in exchange for transfer of ownership, price forms the essential basis of commercial transactions. It may be fixed by a contract, left to be determined by an agreed upon formula at a future date, or discovered or negotiated during the course of dealings between the parties involved.

**Cost-based pricing** – a pricing method in which a fixed sum or a percentage of the total cost is added (as income or profit) to the cost of the product to arrive at its selling price.

**Breakeven analysis** – study of the mathematical relationship between costs and sales revenue, under a given set of assumptions regarding the firm's fixed costs and variable costs. In this financial analysis, the objective is to determine (in manufacturing) number of products that must be sold at a given price to cover the costs, or (in project financing) number of months or years required by the forecasted total net cash flow to equal estimated total project cost. An integral part of financial planning, it is performed either by using a breakeven-formula or by drawing a breakeven graph

### **Other Important Business Terms**

**Positioning** – a marketing strategy that aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer.

**Product placement** – an advertising technique used by companies to subtly promote their products through a non-traditional advertising technique, usually through appearances in film, television, or other media. Product placements are often initiated through an agreement between a product manufacturer and the media company in which the media company receives economic benefit. A company will often pay a fee to have their product used, displayed, or significantly featured in a movie or show.

**Guerrilla marketing** – a marketing tactic in which a company uses surprise and/or unconventional interactions in order to promote a product or service. Guerrilla marketing is different than traditional marketing in that it often relies on personal interaction and has a smaller budget, and it focuses on smaller groups of promoters that are responsible for getting the word out in a particular location rather than on wide-spread media campaigns.

**Product advertising** – any method of communication about the promotion of a product in an attempt to induce potential customers to purchase the product.

**Institutional advertising** – the promotional message aimed at creating an image, enhancing reputation, building goodwill, or advocating an idea or the philosophy of an organization, instead of sales promotion. When employed by an organization to market itself (instead of its products), it is called corporate advertising.

**Advocacy (cause) advertising** – The use of marketing used to support a particular message or cause. Unlike commercial advertising, advocacy advertising is considered to be undertaken in the interest of a group or the public, and typically does not promote a product or service. Funding for advocacy advertising can be through non-profit organizations, by corporations or private advocacy groups. Some governments require that organizations engaging in advocacy advertising clearly state how the funding is provided.

**Sponsorship** – the act of providing money for a television or radio programme, website, sports event, or other activity in exchange for advertising.

**Informercial** – a television program that is an extended advertisement often including a discussion or demonstration.

**Promotional product** – item such as a bag, calendar, cap, clock, diary, pen, etc., given away to current or prospective customer. These items usually carry the name and address of the firm, as well as information on the products and services, and serve as reminders. Also called advertising novelty or advertising specialty.

**Trade promotion** – marketing activities that are executed in retail between these two partners. Trade Promotion is a marketing technique aimed at increasing demand for products in retail stores based on special pricing, display fixtures, demonstrations, value-added bonuses, no-obligation gifts, and more.

**Point-of-purchase advertising (POP)** – advertising that is built around impulse purchasing and that utilizes display designed to catch a shopper’s eye particularly at the place where payment is made, such as a checkout counter. There are various types of point-of-purchase displays, including window displays, counter displays, floor stands, display bins, banners of any kind, and all types of open and closed display cases. Generally, these displays are created and prepared by the manufacturer for distribution to wholesalers or retailers who sell the manufacturer’s merchandise. Often, a manufacturer will discount the cost of merchandise or in some other way compensate the retailer for using a point-of-purchase display.

**Order processing** – the process or work-flow associated with the picking, packing and delivery of the packed items to a shipping carrier. Order processing is a key element of order fulfillment. Order processing operations or facilities are commonly called "distribution centers".

**Creative selling** – an approach to selling in which salespeople aggressively seek out customers and use well-planned strategies to secure orders.

**Missionary selling** – a form of indirect selling in which a salesperson tries to provide information about the given product to an individual who has an influence on the buying decision rather than directly selling the product. This is used to convince a person who has never used a product to buy it.

**Telemarketing** – the act of marketing goods or services to potential customers over the telephone. Telemarketing may either be carried out by telemarketers, or increasingly, by automated telephone calls or "robocalls." The intrusive nature of telemarketing, as well as reports of scams and fraud perpetrated over the telephone, has spurred a growing backlash against this direct marketing practice.

**Relationship selling** – the marketing process that involves having sales staff form well established associations with consumers in order to promote repeat purchases. Even if it does not usually employ the marketing strategy, a business might still use relationship selling for particularly desirable group of customers that might gain access to such benefits as the ability to communicate with more experienced staff members or a more favorable product servicing arrangement.



**Consultative selling** – personal selling in which a salesperson plays the role of a consultant. He or she first assists the buyer in identifying his or her needs, and then suggesting products that satisfy those needs.

**Team selling** – the concept of selling the product as a team rather than individually, the team may consist of people from different department which together present the product to the client in a better way than an individual.

**Sales force automation (SFA)** – a technique of using software to automate the business tasks of sales, including order processing, contact management, information sharing, inventory monitoring and control, order tracking, customer management, sales forecast analysis and employee performance evaluation. SFA is often used interchangeably with CRM; however, CRM does not necessarily imply automation of sales tasks.

**Pushing strategy** – promotional strategy involves taking the product directly to the customer via whatever means, ensuring the customer is aware of your brand at the point of purchase. "Taking the product to the customer".

**Cooperative advertising** – 1. agreement between a manufacturer and a member of distribution chain (distributor, wholesaler, or retailer) under which the manufacturer shares a certain percentage of the member's advertising and promotion costs, or contributes a fixed sum; 2. agreement between two or more marketers with complementary products (such as cosmetics and toiletries) or different seasonal sales cycles (such as raincoats and winter coats) to promote or sell each other's products with their own. Also called cooperative marketing or co-marketing.

**Pulling strategy** – strategy involves motivating customers to seek out your brand in an active process. "Getting the customer to come to you".

**Puffery** – exaggerated commendation especially for promotional purposes.

**Prestige pricing** – marketing strategy where prices are set higher than normal because lower prices will hurt instead of helping sales, such as for high-end perfumes, jewelry, clothing, cars, etc. Also called image pricing.

**Skimming pricing** – a pricing strategy in which a marketer sets a relatively high price for a product or service at first, then lowers the price over time. It is a temporal version of price discrimination/yield management. It allows the firm to recover its sunk costs quickly before competition steps in and lowers the market

price. Price skimming is sometimes referred to as riding down the demand curve. The objective of a price skimming strategy is to capture the consumer surplus early in the product life cycle in order to exploit a monopolistic position or the low price sensitivity of innovators. Price skimming is a product pricing strategy by which a firm charges the highest initial price that customers will pay. As the demand of the first customers is satisfied, the firm lowers the price to attract another, more price-sensitive segment.

**Penetration pricing** – a marketing strategy used by firms to attract customers to a new product or service. Penetration pricing is the practice of offering a low price for a new product or service during its initial offering in order to attract customers away from competitors. The reasoning behind this marketing strategy is that customers will buy and become aware of the new product due to its lower price in the marketplace relative to rivals.

**Everyday low pricing (EDLP)** – a pricing strategy promising consumers a low price without the need to wait for sale price events or comparison shopping. EDLP saves retail stores the effort and expense needed to mark down prices in the store during sale events, and is also believed to generate shopper loyalty.

**Competitive pricing** – setting the price of a product or service based on what the competition is charging. Competitive pricing is used more often by businesses selling similar products, since services can vary from business to business while the attributes of a product remain similar. This type of pricing strategy is generally used once a price for a product or service has reached a level of equilibrium, which often occurs when a product has been on the market for a long time and there are many substitutes for the product.

**Odd pricing** – a strategy whereby retail prices are set at levels a little less than a round number, for example \$19.99, £8.98, £99.95.

## **ЗАКЛЮЧЕНИЕ**

Углубленное изучение текстов по маркетингу, использованных в данном учебно-практическом издании, интегрировано в образовательное пространство студентов экономических специальностей и отвечает требованиям формирования необходимых знаний, умений, навыков и компетенций. Использование текстов и практических заданий, стимулирующих ситуацию общения между участниками устного дискурса в сфере экономики, позволяет осуществлять контроль учебных достижений студентов и корректировать ошибки непосредственно в процессе обучения. Данное учебно-практическое издание призвано давать углубленные знания в сфере маркетинга, направленного на покупателя, путем использования практических заданий на примерах реально существующих компаний.

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