

Commercial Studies  
class - X

6<sup>th</sup>

Chap - 3

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Questions

- Q1. Discuss the disadvantages of advertising.
- Q2. What do you mean by the term advertising agency?
- Q3. Discuss the functions of advertising agency.
- Q4. Define the term Social Media with example.
- Q5. What is Sales Promotion? Discuss the various techniques of Sales Promotion.



lower costs and lower prices. In developed countries, businessmen have reduced costs and prices while spending millions on advertising every year. "As a competing tool, advertising is perhaps less costly than many other tools which will be used to a greater degree if advertising were banned."

**2. Wasteful Consumption :** (Advertising multiplies the needs of people and encourages unhealthy consumption. By exploiting human sentiments, it persuades people to buy products which they do not need or cannot afford. Advertising promotes artificial living and extravagance and creates demand for trivial goods. Modern society has become a society of Chocolate, Campa Cola and Lolipops instead of natural and wholesome food largely because of advertising. This allegation may be true to some extent but it is based on the assumption that satisfaction of psychological needs is not as important as that of physiological needs. Moreover, new tastes and finer emotional experience of life are necessary for the progress of civilisation. By itself, advertising cannot force people to buy things which they consider unnecessary.)

**3. Misleads the Consumer :** It is said that advertising is often deceptive and misrepresents facts to the consumer. Exaggerated or tall claims and flowery language are used to dupe unwary consumers. They are induced or defrauded through bogus testimonials and false comparisons to buy goods of doubtful value. There is no denying the fact that some firms indulge in false and misleading advertising and unscrupulous use of advertising by them destroys public confidence in advertising. But just because a few people misuse advertising, it does not mean that advertising itself is bad and unnecessary.

**4. Creates monopoly :** Advertising creates brand preferences and restricts free competition. Large firms which can afford huge amount of money on advertising eliminate small firms by creating brand monopoly. Advertising thus

encourages the sale of one brand over another than the best. But advertising creates only temporary brand monopoly as after some time other brands offer competition. For instance 'Amul' brand butter enjoys monopoly of brands but has to face competition from 'Vita' and other brands of butter. In the long run, advertising "often enables the small businessmen to compete with large concerns as well as to start new business."

**5. Wastage of National Resources :** In order to make use of advertising, producers create trivial differences in their products. Valuable resources that can be used to create new industries are wasted in the production of needless varieties and designs. Vance Packard in his book 'The Waste Makers', gives several interesting examples of how producers in America coax consumers to replace their cars, radios, etc., much before their useful life comes to an end. Appearance, design and style have become more important than the physical utility of the product. Manipulative and combative advertising leads to criminal wastage of resources. The natural resources, capital equipment and labour energy which go into the production of new items to take the place of the discarded ones amount to waste when measured in terms of social well-being. Valuable stationery, time and energy used in advertisements go waste as most of the advertisements either escape the attention of the people or are ignored by them.

**6. Undermines Social Values :** Modern advertising exerts such a corrupting influence on cultural and social life that it is not only wasteful but immoral. It degrades ethical and aesthetic values through nude photographs and indecent language. Many advertisements are highly objectionable and socially undesirable as they encourage social evils like drinking and smoking. To some extent advertising spoils the landscape and diverts attention of drivers. Some advertisements may really be in poor taste but majority of them help to improve social standards. The improved attitude towards

Unwary - Not cautioning  
dupe - make a fool, cheat.



- (c) Matrimonial agencies;
- (d) Unlicensed employment services;
- (e) Fortune-tellers or soothsayers, etc., and those with the claims of hypnotism would be excluded from advertising on T.V.

(x) Betting tips and guide books, etc., relating to horse-racing or other games of chance shall not be accepted.

(xi) No advertisement shall contain references which are likely to lead the public to infer that the product advertised or any of its ingredients has some special property or quality which is incapable of being established, e.g., cure for baldness.

(xii) Scientific or statistical excerpts from technical literature, etc., must be used only with a proper sense of responsibility to the ordinary viewer. Irrelevant data and scientific jargon must not be used to make claims appear to have a scientific basis they do not possess. Statistics of limited validity should not be presented in such a way as to make it appear that they are universally true.

(xiii) Advertisers or their agents must be prepared to produce evidence to substantiate any claim or illustrations.

(xiv) Advertisements should not contain disparaging reference to another product or service.

(xv) Imitation likely to mislead viewers even though it may not be of such a kind as to give room for legal action or be deemed as breach of copyright must be avoided.

(xvi) Visual and verbal representation of actual comparative prices and costs must be accurate and should

emphasis or distortion.

(xvii) Testimonials must be genuine and must not be used in a manner likely to mislead the viewers. Advertisers or the agencies must be prepared to produce evidence in support of a testimonial and any claims it may contain.

3. In all other respects, the Director General Doordarshan will be guided for purposes of commercial telecasting in Doordarshan by the Code of Ethics for Advertising in India as modified from time to time.

4. Notwithstanding anything contained herein this Code is subject to such modifications as may be made/issued by the Government of India from time to time.

### 3.5. MEANING OF ADVERTISING AGENCY

Business firms and other organisations advertise their products/services/ideas, etc. on a regular basis. They need an institution which is an expert in designing advertisements, releasing them through appropriate media, etc. An advertising agency is a specialised organisation which provides all advertising related services for some fee/commission. When it is owned and operated by the advertiser himself, it is called an **in-house agency**. But few firms have their own advertising agency. Most of them choose an outside or independent advertising agency. There are hundreds of advertising agencies in India most of them are located in Mumbai, Kolkata, Delhi and Chennai.

There are several departments such as copy writing, media, production, research, finance control, public relations, etc. in an advertising agency. A typical organisation of advertising agency is given below :

Account  
Manager

Client  
Services

Copywr

### 3.6. FUNCTION OF ADVERTISING AGENCY

The main functions of an advertising agency are given below :

(i) **Planning** : The advertising agency takes the responsibility of planning the advertising campaign. It has a fair knowledge of the present market conditions, methods, price levels, etc. on the basis of these data it plans the advertising campaign.

(ii) **Creative** : The advertising agency creates advertisements and copy. The copy is written; the layout is drawn; photographs are taken; mechanical forms are prepared; and the media is produced. The agency prepares a suitable plan for the advertisement in all the media.

(iii) **Co-ordination** : The advertising agency co-ordinates the advertising campaign with the client's requirements. It sets up a network to ensure the advertising campaign is successful. It also coordinates the sales personnel.



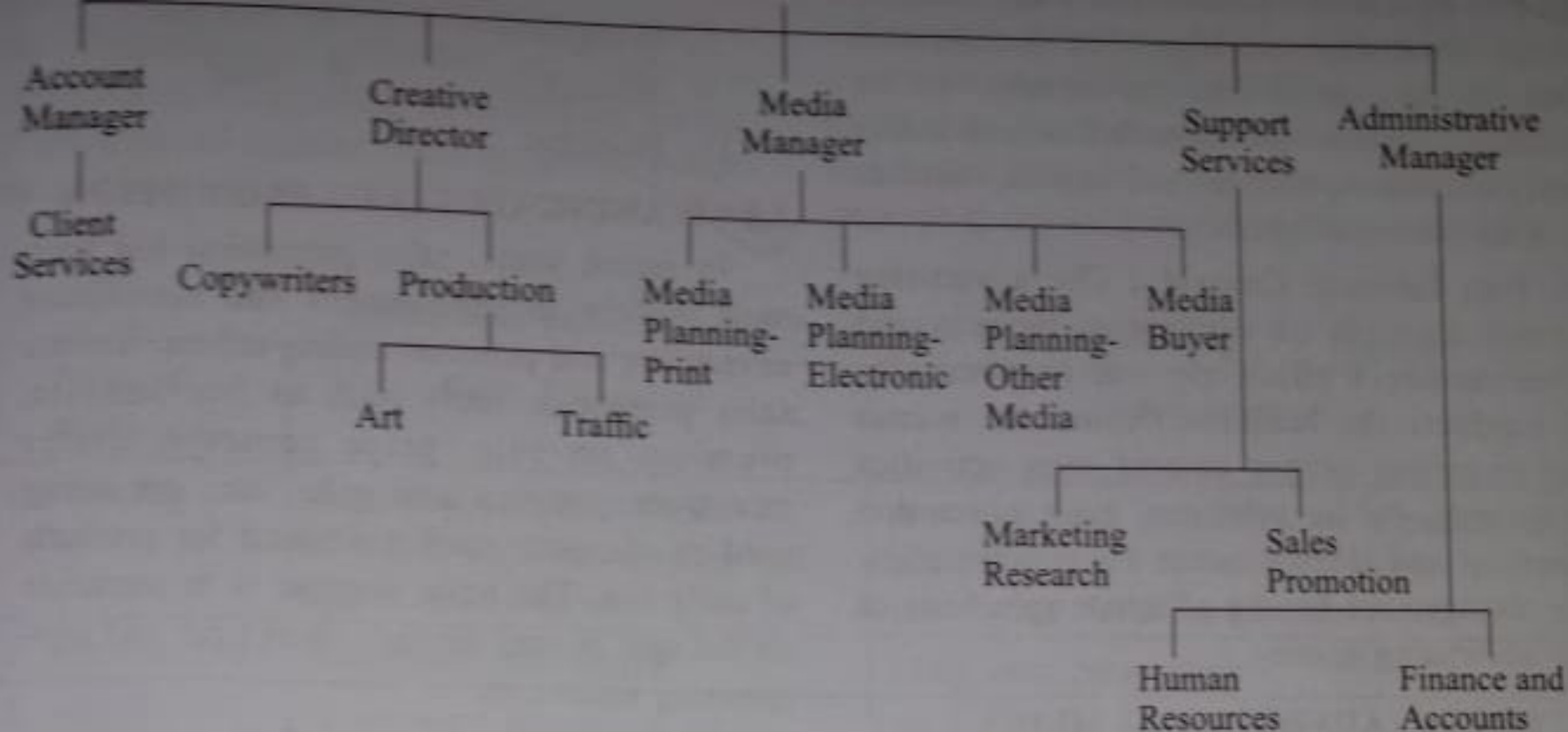


Fig. 3.1 : Organisation of an Ad Agency

### 3.6. FUNCTIONS OF ADVERTISING AGENCY

The main functions of an advertising agency are given below

(i) **Planning** : The advertising agency plans the advertising campaign. A client firm delegates the responsibility of advertising planning and execution to the agency. The agency must have a fair knowledge of the firm's products, its history, the present market conditions, distribution methods, price level and other conditions. A successful advertising programme is built on the basis of these data.

(ii) **Creation and Execution** : Specific advertisements are created. The advertising copy is written; the layout is prepared; illustrations are drawn; photographs are finalised; and a correct mechanical form for running it in the selected media is produced. The advertising agency prepares a suitable advertising copy for insertion in all the media.

(iii) **Co-ordination** : The advertising agency co-ordinates several activities. It often works with the client's sales force and distribution network to ensure the long-run success of the advertising programme. The combined efforts of sales persons, distributors and retailers

ensure maximum sales.) Ideas, media, copy and decisions are co-ordinated properly to project and implement the advertising programme.

(iv) **Accounting** : The advertising agency maintains proper accounts in co-operation with the client. The account executives see to it that the agency keeps to the stated plan. The accountant is in charge of the administration of the advertising programme on the agency side. A misunderstanding arising between the agency and the client is eliminated by the accountant. The amount of fees received from the client and the payment of taxes, bills and other charges are accounted for by the accountant.

(v) **Media Planning** : The advertising agency selects the media or a set of suitable media for the client to reach the right type of audience which is an important factor in media selection. The rates, circulation, population, audience income and other important information are collected for the purpose. It has to see to it that the media plan is carried out properly which is devised to implement the campaign's communication objectives. The media experts know all about the media and their coverage. They prepare the schedule of advertising, publication, data on printing and the time available from television and radio.



(vi) **Research** : Research is a key function in an advertising campaign. The decisions on creativity and media selection are taken on the findings uncovered for research. Research makes every decision systematic and logical, based as it is on facts and figures.

(vii) **Internal Control** : The advertising agency manages its employees, finances and other resources effectively and economically. It conducts the business behind the scenes and exercises proper control over activities and funds. Public relations, sales promotion functions and client contacts are maintained by the management for the effective operations of the advertising agency.

### 3.7 SOCIAL ADVERTISING MEDIA

Social advertising means advertising of socially useful ideas, schemes, programmes, causes, etc. Beti Bachao Beti Padhao, Blood Donation, Smoking is injurious to health, Swachh Bharat Abhiyan, are some of the examples of social advertising.

Print (newspapers and magazines), radio, television, films, outdoor and other media are used for social advertising. In recent years, social media has become quite popular.

**Concept** : Social media means the various means of communication on the Internet used by public and members of society to show their opinions, views, information, etc.)



#### Examples

1. Facebook
2. Twitter
3. YouTube
4. Google Hangout

5. Skype
6. LinkedIn
7. Instagrams
8. WeChat
9. WhatsApp
10. Hike
11. Snapchat

### 3.8 MEANING OF SALES PROMOTION

In recent years, sales promotion has been used widely to supplement and coordinate advertising and personal selling efforts. Various sales promotion tools such as free sample, premium on sale, prize contests, dealer incentives, coupons and gifts, etc., are being used to stimulate market demand for products of daily use. The basic purpose is to stimulate on the spot buying through short term and recurring incentives.

Sales promotion consists of all promotional activities other than advertising, personal selling and publicity that help to increase sales through non-repetitive and one-time communication. According to the American Marketing Association, sales promotion includes "those marketing activities other than personal selling, advertising and publicity, that stimulate consumer purchasing and dealer effectiveness such as point of purchase displays, shows and exhibitions, demonstrations and various non-recurring selling efforts not in the ordinary routine."

The ultimate aim of sales promotion is increasing the sales and profits. But it is different from advertising and personal selling in approach and techniques. Personal selling involves face to face contact with specific individuals while advertising is directed at a large number of potential customers. Sales promotion serves as a link between the two by focussing selling effort on selected small groups of people. Sales promotion usually involves non-recurring and non-routine methods, in contrast to the routine and recurring nature of advertising and personal selling. Under advertising, the media are not owned and controlled by the advertiser except in direct mail advertisements but sales promotion

methods are controlled by the advertiser. Advertising and personal selling are the basic ingredients of promotional strategy. Sales promotion is a supporting element of promotional strategy. It bridges the gap between advertising and personal selling.

Point of Distinction	
1. Meaning	Marketing
2. Time horizon	Short term
3. Aim	To increase sales
4. Scope	Narrow
5. Regularity	Irregular
6. Emphasis	On dealer and consumer

Sales promotion is a part of the promotional mix. It is a sales promotion and not a sales promotion. Consumer sales promotion is designed to inform and to stimulate demand. Sales promotion are gift coupons, premium shows or parades, exhibition-cum-sale, is used to help dealer effectiveness. It includes free window display and trials, trade dealer gifts, sales contests, trade show, dealers' training of dealers, display allowance, etc.

Sales promotion achieves the following



methods are controlled by the advertiser. Advertising and personal selling are essential or basic ingredients of promotion mix while sales promotion is a supporting or facilitating element of promotional strategy. Sales promotion bridges the gap between advertising and personal selling.

It supplements and reinforces the personal selling and advertising efforts of the firm. Sales promotion covers miscellaneous stimulants directed to the consumers and dealers. It may stimulate consumer buying at the point of sale or improve dealer effectiveness at the retail outlets.

#### Distinction between Sales Promotion and Advertising

Point of Distinction	Sales Promotion	Advertising
1. Meaning	Marketing activities which stimulate consumer buying and dealer effectiveness.	Any paid form of impersonal presentation and promotion of a product, service or idea by an identified sponsor.
2. Time horizon	Short term perspective.	Long term perspective.
3. Aim	To increase immediate sales.	To build image of producer and his product
4. Scope	Narrow — Free samples, coupons, contests, premium offers, displays, exhibitions, etc.	Wide — Newspapers, magazines, TV, radio, posters, films and other media.
5. Regularity	Limited period, non-recurring.	Regular and recurring.
6. Emphasis	Supplement to advertising and personal selling, pushes product towards buyers.	Informs, persuades and reminds, attracts customers towards the product.

Sales promotion is of two kinds—consumer sales promotion and dealer sales promotion. Consumer sales promotion includes activities designed to inform and educate the consumer and to stimulate demand. Examples of consumer sales promotion are samples, demonstrations, gift coupons, premium and price offers, fashion shows or parades, bonus stamps, contests, exhibition-cum-sale, etc. Dealer sales promotion is used to help dealers and to improve dealer effectiveness. It includes free display material, free window display services, free demonstrations and trials, trade deals offering discounts and gifts, sales contests for dealers or salesmen, trade show, dealers' conference, house organs, training of dealers' sales force, advertising display allowance, etc.

Sales promotion activities are designed to achieve the following objectives :

- to introduce new products
- to attract new customers and stimulate demand
- to increase sales during slack periods and thereby clear old stock immediate
- to encourage dealers to carry large stocks
- to improve the public image of the firm
- to counter sales promotion campaigns of competitors.

#### 3.9. ROLE OF SALES PROMOTION

Sales promotion techniques are used to perform several functions and to achieve the following benefits.

- Provides Information :** Sales promotion tools help to inform the prospective buyers about the availability, features and uses of a product. Due to the diversity of



initiates buying action. Such material induces dealers to stock new products, to introduce special offers, and to increase the size of retail orders.

- (d) *Store demonstration* : In this method, salespersons of the manufacturer carry out special demonstration of the product at retailers' places. The aim is to educate the dealers and consumers about the features and uses of the product. This method is used in case of products of a complex and technical nature, e.g., computers, electrical equipments, cosmetics, etc.
- (e) *Special displays* : The producer in collaboration with dealers may put up special shows of the product at fairs and exhibitions. In some cases display and advertising allowances are given to compensate dealers for the space given for the display of the product.

### 3.10. TECHNIQUES OF SALES PROMOTION

At present a wide variety of devices are available for sales promotion. Some of the important sales promotion methods are described below.

**1. Distribution of Free Samples** : Many a time free samples of low-priced and repeat sales items are distributed to selected people to gain consumer acceptance and to popularise the product. The sample may be distributed in the shop or door-to-door. Pharmaceutical firms distribute free samples of medicines among doctors and publishers distribute samples of books among professors so that they may recommend the products to ultimate users. This is an effective device of sales promotion as consumers can test the product before buying it. It is particularly useful in the introduction of new products and frequently purchased convenience goods such as tea, coffee, detergent, ketchup, etc. Explanatory literature stating the features and uses of the product can be added to the

sample. However, this device is costly and can be used by big firms. It is not suitable for products which are very expensive or do not give repeated sales.

**2. Coupons** : Some firms issue coupons to prospective buyers through newspapers, direct mail, dealers, package and door-to-door salesmen. A coupon is a certificate that entitles its holder to a specified saving or discount or gift on the purchase of a particular product. The holders of coupons present their coupons to retailers and get the product at a reduced price. The manufacturer reimburses the retailers for the value of coupon redeemed by them in addition to some commission to cover handling costs. Coupons are used to introduce new products and to increase sales of established products. Coupons are often used for consumer products of daily use to increase sales during the slack period. For example, Reliance Industries and Raymonds issue discount coupons.

**3. Premiums or Bonus Offers** : A sales premium or bonus offer is the offer of an article free of cost or at a nominal price on the purchase of a specified product. For instance, one 'Lux' toilet soap may be given free on the purchase of an economy pack of 'Surf' detergent powder. A premium is also known as a combination offer. It is a practical persuasion to buy that helps to increase immediate sales and to clear accumulated stock. Premiums are used in case of convenience goods like detergents, toothpaste, toilet preparations which are bought frequently. Success of the premium offer depends upon judicious choice of the bonus item which should be useful and in good taste.

Premiums can be of following types :

- (a) *With pack premium* : In which the bonus item is included either inside or outside the package, e.g., one spoon free in the packet of Horlicks.
- (b) *Price off premium* : Which implies a reduction in price on the purchase of a large or economy pack. e.g. save Rs. 5 on purchase of family pack.



(c) **Money refund premium** : Wherein the cost of the article is fully or partially refunded on the presentation of the proof of purchase, e.g., wrapper, cash memo, etc.

(d) **Extra quantity premium** : Under which a customer can get one unit of the product free on the purchase of specified units, e.g., one tooth brush free on the purchase of six tooth brushes.

**4. Trading Stamps** : (Trading or bonus stamps are issued by retailers to customers who buy goods from them. The number of stamps given to a buyer depends upon the amount of purchases made by him.) For instance, in India Ramon Bonus Stamps are issued at the rate of 2½ per cent of the purchase amount. These stamps are given free of charge and the customer can redeem them to obtain products out of the specified list.) This technique induces customers to buy their requirements from the retailers who offer such stamps. The purpose is to increase

customer loyalty.

**5. Prize Contests** : Under this scheme consumers are given rewards for original or creative thinking about the product in the form of slogan writing, sentence completion, problem solving quiz, etc. Rewards are given to successful participants in the form of prizes, merchandise, or free travel. Such contests help to create consumers' interest in the product, provide new ideas for advertising, and reveal buying motives. Contests are often held through newspapers, magazines, and radio. Such contests may also be used to encourage salesmen and dealers to induce them to make greater effort or to obtain new sales. To be successful, sales contests should be well planned and objectively executed. The duration and period of the contest should be such that all people have equal opportunity. Entries should be judged by competent people in a fair manner. Rewards should be given promptly.

For instance, the Trade Fair Authority of India organises trade fairs of various types all over the country. Every two years a World Book Fair is held in Delhi. The National Book Trust organises trade fairs of various types where publishers all over the country display their publications. Sometimes, sales conventions of dealers are held. Producers often organise fashion shows to display their products.

**8. Merchandising Aids** : These are services provided to induce customers to purchase goods in large quantities.

#### Examples of Sales Promotion Schemes

Scheme	Company/Brand	Offer
1. Free samples	Hindustan Lever	Vim Dishwash.
2. Coupons	—	—
3. Premium offer	Ponds	Bring any toilet soap wrapper and get 5 off on any Ponds Face Wash.
4. Prize contest	Economic Times	Brand equity contest.
5. Free offer	Asian Sky shop	Buy easy food processor. Take citrus juicer free.
6. Exchange offer	LML	Bring old scooter. Take new LML scooter.

**6. Free Offer** : In order to promote sales, some firms offer a free gift with the purchase of an expensive product. For example, a cordless phone is offered free on the purchase of a refrigerator or colour TV.

**7. Fairs and exhibitions** : Trade shows, fashion shows or parades, fairs and exhibitions are an important technique of sales promotion. They provide a forum for the exhibition or demonstration of the product. Free literature can be distributed to introduce the firm and its

products to the public. Fairs and exhibitions are organised usually by big firms or associations. At these fairs and exhibitions business firms are allotted stalls where they display their products. Fairs and exhibitions have wide appeal as several people visit. Customers can be attracted through free special concessions and free demonstration of technical and speciality products. They provide an opportunity to the visitors to observe competing products and help to promote

1. Advertising is a non-personal communication.
2. It seeks to create, sustain, or change consumer attitudes.
3. It plays a vital role in business success.
4. Advertising has been criticised for its wastefulness, social values.
5. It provides information and facilitates market control.
6. Free samples, prize contests, etc. are forms of sales promotion.

#### SHORT ANSWER QUESTIONS

1. Define advertising.
2. Define sales promotion.
3. Distinguish between advertising and sales promotion.
4. Distinguish between advertising and sales promotion.
5. Give any two suggestions for effective advertisement of a product.
6. State any two demerits of advertising.
7. Distinguish between advertising and sales promotion.
8. Mention any two benefits of advertising.
9. Advertising encourages competition.
10. State two methods of advertising.
11. What do you mean by sales promotion?
12. What is Direct Mail Advertising?