Pricing decisions

Pricing is a process to determine what manufactures receive in exchange of the product. Pricing depends on various factors like manufacturing cost, raw material cost, profit margin etc.

Objectives of Pricing

The main objectives of pricing can be learnt from the following points −

- Maximization of profit in short run
- Optimization of profit in the long run
- Maximum return on investment
- Decreasing sales turnover
- Fulfill sales target value
- Obtain target market share
- Penetration in market
- Introduction in new markets
- Obtain profit in whole product line irrespective of individual product profit targets
- Tackle competition
- Recover investments faster
- Stable product price
- Affordable pricing to target larger consumer group
- Pricing product or services that simulate economic development

Pricing objective is to price the product such that maximum profit can be extracted from it.

Factors Influencing Pricing

Pricing of a product is influenced by various factors as price involves many variables. Factors can be categorized into two, depending on the variables influencing the price.

Internal Factors

The following are the factors that influence the increase and decrease in the price of a product internally −

- Marketing objectives of company
- Consumer's expectation from company by past pricing
- Product features
- Position of product in product cycle
- Rate of product using pattern of demand
- Production and advertisement cost
- Uniqueness of the product
- Production line composition of the company
- Price elasticity as per sales of product

Internal factors that influence pricing depend on the cost of manufacturing of the product, which includes fixed cost like labor charges, rent price, etc., and variable costs like overhead, electric charges, etc.

External Factors

The following are the external factors that have an impact on the increase and decrease in the price of a product −

- Open or closed market
- Consumer behavior for given product
- Major customer negotiation
- Variation in the price of supplies
- Market opponent product pricing
- Consideration of social condition
- Price restricted as per any governing authority

External factors that influence price depend on elements like competition in market, consumer flexibility to purchase, government rules and regulation, etc.

Pricing Methods

Let us now discuss the various pricing methods −

Cost plus Pricing

Cost plus pricing can be defined as the cost of production per unit of product plus profit margin decided by the management.

Step 1 − (Calculation of average variable cost)

Step 2 − (Calculation of average fixed cost), i.e.,

$$AFC=\frac{Total Fixed Cost}{Units Of Output Products}$$

or,

$$AFC=\frac{Total Fixed Cost}{Expected Unit Sales}$$

Step 3 − (Determination of the desired profit margin)

Selling Price = Unit total cost + Desired unit profit

i.e., Selling Price = AVC + AFC + Mark upi.e.,

$$Selling Price=\frac{Unit Total Cos}{1-(Desired Profit Margin}$$

These are the steps one needs to follow to calculate cost plus pricing.

Break Even Analysis

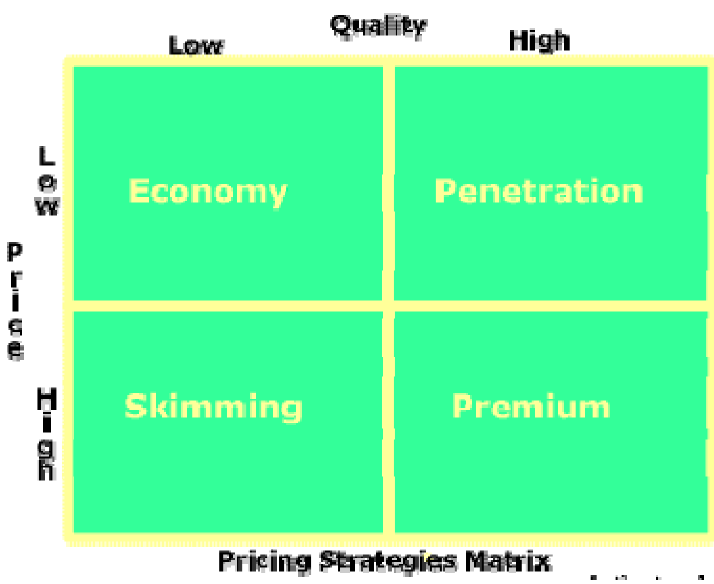
It is a point when the investment and revenue of an enterprise is equal; after this point an enterprise gains profit.

Prices Based on Marginal analysis

In this method, additional cost of that activity is compared to additional profit and the price is calculated according to margin cost. Thus, the cost and price is evaluated and as per the result, the price is decided so as to maximize the profit.

Pricing Strategies

In terms of the marketing mix some would say that pricing is the least attractive element. Marketing companies should really focus on generating as high a margin as possible. The argument is that the marketer should change product, place or promotion in some way before resorting to pricing reductions. However price is a versatile element of the mix as we will see. Let us now understand the various pricing strategies −



1. **Penetration Pricing.**

The price charged for products and services is set artificially low in order to gain market share. Once this is achieved, the price is increased. This approach was used by France Telecom and Sky TV. These companies need to land grab large numbers of consumers to make it worth their while, so they offer free telephones or satellite dishes at discounted rates in order to get people to sign up for their services. Once there is a large number of subscribers prices gradually creep up. Taking Sky TV for example, or any cable or satellite company, when there is a premium movie or sporting event prices are at their highest – so they move from a penetration approach to more of a skimming/premium pricing approach.

2. **Economy Pricing.**

This is a no frills low price. The costs of marketing and promoting a product are kept to a minimum. Supermarkets often have economy brands for soups, spaghetti, etc. Budget airlines are famous for keeping their overheads as low as possible and then giving the consumer a relatively lower price to fill an aircraft. The first few seats are sold at a very cheap price (almost a promotional price) and the middle majority are economy seats, with the highest price being paid for the last few seats on a flight (which would be a premium pricing strategy). During times of recession economy pricing sees more sales. However it is not the same as a value pricing approach which we come to shortly.

3. **Price Skimming.**

Price skimming sees a company charge a higher price because it has a substantial competitive advantage. However, the advantage tends not to be sustainable. The high price attracts new competitors into the market, and the price inevitably falls due to increased supply.Manufacturers of digital watches used a skimming approach in the 1970s. Once other manufacturers were tempted into the market and the watches were produced at a lower unit cost, other marketing strategies and pricing approaches are implemented. New products were developed and the market for watches gained a reputation for innovation.The diagram depicts four key pricing strategies namely premium pricing, penetration pricing, economy pricing, and price skimming which are the four main pricing policies/strategies. They form the bases for the exercise. However there are other important approaches to pricing, and we cover them throughout the entirety of this lesson.

4. **Psychological Pricing.**

This approach is used when the marketer wants the consumer to respond on an emotional, rather than rational basis. For example Price Point Perspective (PPP) 0.99 Cents not 1 US Dollar. It's strange how consumers use price as an indicator of all sorts of factors, especially when they are in unfamiliar markets. Consumers might practice a decision avoidance approach when buying products in an unfamiliar setting, an example being when buying ice cream. What would you like, an ice cream at $0.75, $1.25 or $2.00? The choice is yours. Maybe you're entering an entirely new market. Let's say that you're buying a lawnmower for the first time and know nothing about garden equipment. Would you automatically by the cheapest? Would you buy the most expensive? Or, would you go for a lawnmower somewhere in the middle? Price therefore may be an indication of quality or benefits in unfamiliar markets.

Product Line Pricing.

Where there is a range of products or services the pricing reflects the benefits of parts of the range. For example car washes; a basic wash could be $2, a wash and wax $4 and the whole package for $6. Product line pricing seldom reflects the cost of making the product since it delivers a range of prices that a consumer perceives as being fair incrementally – over the range.

If you buy chocolate bars or potato chips (crisps) you expect to pay X for a single packet, although if you buy a family pack which is 5 times bigger, you expect to pay less than 5X the price. The cost of making and distributing large family packs of chocolate/chips could be far more expensive. It might benefit the manufacturer to sell them singly in terms of profit margin, although they price over the whole line. Profit is made on the range rather than single items.

Optional Product Pricing.

Companies will attempt to increase the amount customers spend once they start to buy. Optional 'extras' increase the overall price of the product or service. For example airlines will charge for optional extras such as guaranteeing a window seat or reserving a row of seats next to each other.

Again budget airlines are prime users of this approach when they charge you extra for additional luggage or extra legroom.

Captive Product Pricing

Where products have complements, companies will charge a premium price since the consumer has no choice. For example a razor manufacturer will charge a low price for the first plastic razor and recoup its margin (and more) from the sale of the blades that fit the razor. Another example is where printer manufacturers will sell you an inkjet printer at a low price. In this instance the inkjet company knows that once you run out of the consumable ink you need to buy more, and this tends to be relatively expensive. Again the cartridges are not interchangeable and you have no choice.

Product Bundle Pricing.

Here sellers combine several products in the same package. This also serves to move old stock. Blu-ray and videogames are often sold using the bundle approach once they reach the end of their product life cycle. You might also see product bundle pricing with the sale of items at auction, where an attractive item may be included in a lot with a box of less interesting things so that you must bid for the entire lot. It’s a good way of moving slow selling products, and in a way is another form of promotional pricing.

Promotional Pricing.

Pricing to promote a product is a very common application. There are many examples of promotional pricing including approaches such as BOGOF (Buy One Get One Free), money off vouchers and discounts. Promotional pricing is often the subject of controversy. Many countries have laws which govern the amount of time that a product should be sold at its original higher price before it can be discounted. Sales are extravaganzas of promotional pricing!

Geographical Pricing.

Geographical pricing sees variations in price in different parts of the world. For example rarity value, or where shipping costs increase price. In some countries there is more tax on certain types of product which makes them more or less expensive, or legislation which limits how many products might be imported again raising price. Some countries tax inelastic goods such as alcohol or petrol in order to increase revenue, and it is noticeable when you do travel overseas that sometimes goods are much cheaper, or expensive of course.

Value Pricing.

This approach is used where external factors such as recession or increased competition force companies to provide value products and services to retain sales e.g. value meals at McDonalds and other fast-food restaurants. Value price means that you get great value for money i.e. the price that you pay makes you feel that you are getting a lot of product. In many ways it is similar to economy pricing. One must not make the mistake to think that there is added value in terms of the product or service. Reducing price does not generally increase value.

See also eMarketing Price and international Marketing price.

Our financial objectives in terms of price will be secured on how much money we intend to make from a product, how much we can sell, and what market share will get in relation to competitors. Objectives such as these and how a business generates profit in comparison to the cost of production, need to be taken into account when selecting the right pricing strategy for your mix. The marketer needs to be aware of its competitive position. The marketing mix should take into account what customers expect in terms of price.

There are many ways to price a product. Let’s have a look at some of them and try to understand the best policy/strategy in various situations.

Premium Pricing.

Use a high price where there is a unique brand. This approach is used where a substantial competitive advantage exists and the marketer is safe in the knowledge that they can charge a relatively higher price. Such high prices are charged for luxuries such as Cunard Cruises, Savoy Hotel rooms, and first class air travel.

Promotion Decisions

Promotion decision is used to find the appropriate and effective method to promote a particular product to increase the sales.

Integrated Marketing Communication

Integrated marketing communication (IMC) is a continuous effort to plan, execute and evaluate techniques for selling or advertising a product by using traditional and nontraditional methods of promotion.

The following are the major features of promotion decisions −

- Awareness of target consumer and their preference of media
- Knowledge of consumers’ beliefs that can be related to the product to get the expected response
- Setting different promotional tools, each tool for specific target but all linked to acquire a common target
- Coordinating of advertising, sales, promotion and public relation as proportional strategy
- Continuous broadcasting of information about the product

Promotion decisions are made on the basis of characteristics. Such decisions help in target marketing of the product; this decreases the advertising expenses.

Marketing Communication Process

Marketing communication process comprises the following eight stages −

- Stage I − Source
- Stage II − Encoding
- Stage III − Transmission
- Stage IV − Decoding

- Stage V − Receipt
- Stage VI − Response
- Stage VII − Feedback

The source is the information which is introduced for the promotion while the feedback is provided by the consumer, which is evaluated and changes are made for promotion.

Promotion Decisions

Special pricing strategy is mostly used for the promotion of the product. In this strategy, pricing is changed for a short interval of time.

Promotion decision can be executed by implementing the following steps −

- Step 1 − Setting of the objectives
- Step 2 − Determining promotion budget
- Step 3 − Target Market
- Step 4 − The appeal
- Step 5 − Promotion Mix

Promotion Mix

Promotion mix is a combination of various marketing techniques, oriented to acquire a common target. It provides a structure for budget allocation for different elements of the promotional mix.

Some elements of promotional mix are as follows −

- Advertising
- Sales promotion
- Public relations and publicity
- Personal selling
- Direct marketing
- Type of product market
- Overall marketing strategy
- Buyer readiness stage
- Product life cycle stage

Direct Marketing

Direct marketing is a form of marketing in which a single customer is approached for advertisement of the product.

It attempts to acquire and retain customers by contacting them without the use of an intermediary. The objective of direct marketing is to garner a direct response, which may take one of the following forms −

- A purchase over the telephone or by post
- A request for a catalogue or sales literature
- An agreement to visit a location / event (e.g., an exhibition)
- Participation is some form of action (e.g., joining a political party)
- A request for a demonstration of a product

- A request for a sales person's visit

Forms of Direct Marketing

The following are the different forms of direct marketing −

- Catalogue marketing
- Direct mail marketing
- Telemarketing
- Teleshopping /home shopping
- Database marketing
- Kiosk marketing

In these methods, the product is advertised directly to the potential customers by approaching them.

services

We generally associate buying with goods. But in a market a customer also buys services. Everyone from your doctor to your plumber is selling you a service. Let us learn in detail about business services and their nature and characteristics of a service.

Nature of Services

The definition of service is "any intangible product, which is essentially a transaction and is transferred from the buyer to the seller in exchange for some consideration (or no consideration). Let us take a look at some of the characteristics of a service.

Services are unique and four characteristics separate them from goods, namely intangibility, variability, inseparability, and perishability.

1. **Intangibility:**

Services are intangible, that is, they cannot be seen. Services being acts, deeds, and performance can be experienced but not possessed. That is, a service unlike a good cannot be sampled, seen, touched, and felt before their consumption. For instance, it is impossible to sample surgery, travel, and theatre performance.

Similarly, an insurance cover bought for life or a car or the service provided by a marriage counsellor or consultant cannot be seen, touched, or smelled. On the other hand, the tangibility of a television set or a mobile phone allows customers to see, touch, hear, and even smell them.

The results of a service experience are discernible to only those customers who experience it. A sample class by a teacher, sample consultation of a doctor, sample experience of a hotel, or a sample flight is distinct from what it purports to be sample of. The sampled event is different from the service event that suggests it being a sample of. Each service experience is distinct and unique.

Service intangibility is the fundamental reason that their marketing assumes different dimensions from physical products. Bateson considers it as a very critical distinguishing feature. Intangibility can have two aspects—palpable intangibility that implies lack of touch ability and mental intangibility that means difficult to grasp something mentally.

This makes service buying difficult for customers. Service buyers therefore bank upon cues to form judgement about marketed services. The extrinsic elements that surround a service are often used by consumers as indicators of quality of service. For instance, a hotel’s quality is judged by tangible elements such as building, lawn, lobby, decor, paintings, staff dress, and lighting.

2. Inseparability:

Goods being physical entities are separable from their production systems. For instance, a mobile phone may be manufactured in China and packed, stored, and shipped to the markets where it is sold to end customers. Goods are separable from their producers in terms of time and place.

Whereas, services do not allow this flexibility; they are not inseparable from their producers. For instance, a surgeon’s surgery, flight of an airline, makeup of an artist, and a hotel’s stay cannot be separated from their producers. This inseparability between the service product and service producer unfolds unique challenges for service marketers.

The lack of separation does not allow services to go to markets without taking service production system along with it. This makes interaction between consumer and service production system essential for its creation and marketing. For example- health services require patients to go to health clinics and a traveller must check in an aircraft in order to be able to use their services. On the other side, customers do not go to Nokia’s factory or Toyota’s plant to buy their products.

The lack of inseparability in services blurs the boundaries between production systems and markets. In marketing of goods, production takes place in factories and goods travel to markets for sales. However in services, this sequence is thwarted because of inseparability.

There are two options—either the customers move to service systems or the service system moves to customers. When patients, students, and travellers move to hospitals, schools, and aircrafts respectively, the market moves to production system. On the other hand, when hotels open branches and doctors pay visit to patient’s house, the production system moves to markets.

Inseparability makes centralized production difficult in services. This is a radical departure from goods marketing. Goods production is generally centralized at some locations in order to reap the advantage of large scale. Services are performed in real time.

Inseparability makes customer-provider interaction mandatory in case of services, which further makes operations and marketing intersect with each other. Services therefore are co-created experiences. This often breeds conflicts between the two functions.

Absence of their conflict resolution often sits at the heart of poor customer satisfaction. The interactions between provider and customer may differ in terms of intimacy and involvement. The interactions between doctor and patient is intimate and involving and whereas in retail it is not so.

3. Variability:

Physical goods are produced with a high degree of standardization. They are factory produced or assembled in large numbers with enormous consistency. It is rare to find two cakes of soap like Pears or two pieces of car like Alto different from one another. However, this kind of similarity is near impossible in services. For instance, two visits to a doctor or two lectures of a professor are never exactly same. Two separate stays at a particular hotel are unlikely to be an exact replica of one another. Variability is inherent in services because of their peculiar characteristics including intangibility and inseparability.

There are several reasons that make standardization of services difficult. First, intangibility prevents setting up of precisely defined standards for service product, their conformance, and control. The advances in quality like zero defect has been possible due to their tangible character.

Physical goods have tangible dimensions that permit setting up of quality standards, deviations measurement, and their minimization. Second, service variability is caused by human involvement and customer- provider interactions. Services are produced and consumed in real time.

Unlike goods, services cannot be produced and then quality checked. The lack of separation between production and consumption prevents post-production quality control. 'A major difference between product marketing and service marketing is that we cannot control the quality of our products as well as a P&G control engineer on a production line can control the quality of his product.

When you buy a box of Tide, you can be sure that it will work to get your clothes clean. When you buy a Holiday Inn room, you are sure to some lesser percentage that it will work to give a good night's sleep without any hassle, or people banging on walls and all the bad things that can happen to you in a hotel'.

Each service episode tends to be unique in its own right. The interaction between customer and provider cannot be programmed and controlled cent per cent. In spite of a highly regimented service delivery process, each customer brings unique psycho-social aspect to a service encounter.

For instance, service encounters are affected by moods and personality combinations between provider and customer. For instance, service provider's mood and emotional state despite high training is difficult to control like a machine. Similarly, one customer is unlikely to have similar mental state in two service episodes. Service inconsistency manifests in different forms.

For instance, quality variation can be experienced across different service outlets, for example two branches of Cafe Coffee Day (CCD) may provide different service experience. Variations in service can also be found across time too. For instance, the service quality between lunch and dinner services of a restaurant may differ.

4. Perishability:

Services cannot be stored like goods because of simultaneity of production and consumption. Unlike goods, which enjoy separation between production and consumption, services are produced and consumed at the same time. For instance, most of the consumer durable companies accumulate inventories prior to the arrival of festive seasons.

These inventories allow them to meet overfull demand later when festivals arrive. However, this luxury is not possible for a service marketer. For instance, hotels and airlines cannot create stocks of their rooms or seats to supply them during the time of excess demand. Inventory is not possible in services.

The lack of inventories greatly reduces flexibility of service firms in coping with fluctuating demand conditions. The inability to align service supply as per demand situations causes service to suffer from revenue loss when demand exceeds capacity and incur excess cost when demand is less than available capacity.

Consider the case of a typical airline company. During the prime travel time during morning and evening between cities such as Mumbai and New Delhi, the demand for travel generally exceeds capacity. Similarly, restaurants have to turn away their customers during lunch and dinner time and cinema theatres fail to accommodate demand during prime shows.

The unaccommodated customers are lost revenue opportunities. On the hand, during the non-peak time aircrafts, restaurants, and cinema theatres face demand conditions far lower than available capacity. Unused capacity is undesirable because assets remain idle.

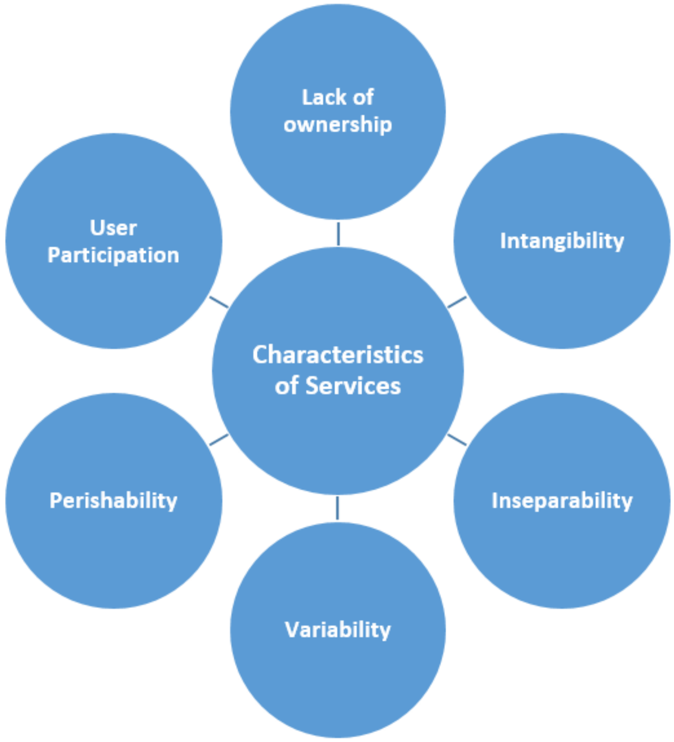
Unoccupied theatre, airline, and restaurant seats cannot be stored and carried over to cater supply during the time of excess demand. In service industries, output is wasted if it is not consumed simultaneously. The 'unused capacity in a service business is rather like having as running tap in a sink with no plug, the flow is wasted unless customers, or their possessions that require servicing, are present to receive it'.

Goods marketers are better equipped to align their supply according to demand conditions due to their ability to maintain inventories as a buffer. Services on the other hand stand to lose due to the absence of inventories.

Characteristics of Services

In the following, we will go into the most relevant characteristics of services. Characteristics of services apply universally to any service. The most important characteristics of services are:

- Lack of ownership
- Intangibility
- Inseparability
- Variability
- Perishability
- User participation



1. Lack of Ownership – Characteristics of Services

Lack of ownership may be one of the most obvious ones of the characteristics of service. It refers to the fact that you cannot own and store a service like you can a product. This characteristic is strongly linked to several other characteristics of services, such as intangibility, perishability, inseparability.

2. Intangibility – Characteristics of Services

When thinking about the characteristics of services, intangibility may come to your mind first. Service intangibility means that services cannot be seen, tasted, felt, heard or smelled before they are bought. You cannot try them out. For instance, airline passengers have nothing but a ticket and a promise that they will arrive at a certain time at a certain destination. But there is nothing that can be touched.

3. Inseparability – Characteristics of Services

Characteristics of services include inseparability, which means that services are produced and consumed at the same time. This also entails that services cannot be separated from their providers. Contrary to services, physical goods are produced, then stored, later sold, and even later consumed. Services are first sold, then produced and consumed at exactly the same time. A product can, after production, be taken away from the producer. However, a service is produced at or near the point of purchase. For instance, when visiting a restaurant, you order your meal, the waiting and delivery of the meal, the service provided by the waiter/ress etc. All these parts, including the providers, are part of the service and therefore inseparable. In services marketing, a service provider is the product.

4. Variability – Characteristics of Services

Variability does also belong to the important characteristics of services. It refers to the fact that the quality of services can vary greatly, depending on who provides them and when, where and how. Because of the labour-intensive nature of services, there is a great deal of difference in the quality of service provided by various providers, or even by the same providers at different times.

5. Perishability – Characteristics of Services

Perishability means that services cannot be stored for later sale or use. In other words, services cannot be inventoried. This is one of the most significant characteristics of services, since it may have a major impact on financial results. Doctors or dentists often charge patients for missed appointments because the service value has foregone. The value existed only at that particular point and disappeared when the patient did not come. When demand is steady, the perishability of services is not a problem. However, in case of fluctuating demand, service firms can have difficult problems. For this reason, transport companies own much more equipment than they would if demand were even throughout the day: the demand during rush-hours needs to be served at that specific time, it cannot be served later or earlier. Consequently, service companies use various techniques for creating a better match between demand and supply: Demand shifting.

6. User participation – Characteristics of Services

Finally, the characteristics of services include user participation. Indeed, users participate in every service production. Even when the user is not required to be at a location where the service is performed, users participate in every service production. A service cannot be separated from its provider, but neither can it be separated from its user.

<u>Service marketing mix in healthcare industries</u>

<u>Introduction</u>

Healthcare in India is one of the largest service sectors, with more than 4 million people engaged. The hospital services market represents one of the most lucrative segments of the Indian healthcare industry. The Indian hospital industry would be worth USD 280 billion by 2020 as against USD 44 billion in 2010. Various factors such as increasing prevalence of diseases, improving affordability and rising penetration of health insurance continue to fuel growth in the Indianhospitalindustry. One of the most important elements in human life is achieving the appropriate health care on time and this growing need of sound health has not only increased the number of hospitals and also has shaped competitive hospital industry but still there is a shortage of 4,477 primary healthcare centers and 2,337 community healthcare centersService Marketing Mix
The essence of any marketing activity is its marketing mix which has been defined as the set of marketing tools the firm uses to pursue its marketing objective. The components of traditional marketing mix are Product, Price, Place and Promotion but while talking about hospital sector it is better to apply Service Marketing Mix which has three additional elements viz. People, Physical Evidence & Process. Having the right marketing mix to market the services of the hospital industry is very important. Using the right balance of marketing elements, hospital service marketers can ensure that their marketing efforts fetch them expected result.

Product

The product is the central component of any marketing mix which can be defined as a set of attributes offered to consumer. Most products of the hospitals are services which can be classified as line services, supportive services and auxiliary services. Line services which are also called core services include indoor & outpatient services, emergency services i.e. ICU & operation theater. Services offered by medical & Para-medical staff come under supportive services which directly determine the quality of medical services. At last auxiliary services include ambulatory services, dietary services, indoor & outdoor patient registration services, engineering & maintenance services which all help in making hospital services effective.

Main stages of a well managed advertising campaign of a hospital

Five main stages involved in a well managed advertising campaign. The stages are:
1. Set the Advertising Objectives
2. Set the Advertising Budget
3. Determine the Key Advertising Message
4. Decide which Advertising Media to Use
5. Evaluate the Results of the Advertising Campaign.

Stage # 1. Set the Advertising Objectives:

An advertising objective is a specific communication task to be achieved with a specific target audience during a specified period of time.

Advertising objectives fall into three main categories:

a) To inform, e.g. tell customers about a new product.
b) To persuade, e.g. encourage customers to switch to a new brand.
c) To remind, e.g. remind buyers where to find the product.

Stage # 2. Set the Advertising Budget:

Marketers should remember that the role of advertising is to create demand for a product. The amount spent on advertising should be relevant to the potential sales impact of the campaign. This in turn will reflect the characteristics of the product being advertised.

For example, new products tend to need a larger advertising budget to build awareness and to encourage consumers to make a trial of the product. A product that is highly differentiated may also need more advertising to help set it apart from the competition.

Setting the advertising budget is not easy—how can a business predict the right amount to spend? Which parts of the advertising campaign will work best and which will have a relatively little effect? Businesses often use the rule of thumb as a guide to set budgets.

Stage # 3. Determine the Key Advertising Message:

Spending a lot on advertising does not guarantee success. Research suggests that the clarity of the advertising message is often more important than the amount spent. The advertising message must be carefully targeted to make an impact on the target customer audience.

A successful advertising message should have the following characteristics:

(a)Meaningful:

Customers should find the message relevant, e.g. the ad by Vodafone made it clear that their network extends everywhere customers want it to reach.

(b) Distinctive:

The ad must capture the customer's attention, like the Hoodibaba ad by Baja Auto. The photography and sound effects generated much interest.

(c)Believable:

This is a difficult task, since researchers suggest that most consumers doubt the truth of advertising in general.

Stage # 4. Decide which Advertising Media to Use:

There are a variety of advertising media from which to choose. A campaign may use one or more of the media alternatives.

The key factors in choosing the right media include:

(a) Reach:

What proportion of the target customers will be exposed to the advertising?

(b) Frequency:

How many times will the target customers be exposed to the advertising message?

(c) Media impact:

Where should the target customer see the message for it to have most impact? For example, does an advertisement promoting holidays for elderly people have more impact on television (if so, when and which channels) or in a national newspaper or perhaps a magazine focused on this segment of the population?

Another key decision is the timing of the campaign. Some products are suited to seasonal campaigns on television (e.g. Diwali or Christmas hampers) whereas for other products, a regular advertising campaign throughout the year in media such as newspapers and niche magazines (e.g. a resort holiday in a hill station) may be more appropriate.

Stage # 5. Evaluate the Results of the Advertising Campaign:

The evaluation of an advertising campaign should focus on two key areas:

Communication effect:

Is the intended message being communicated effectively and to the intended audience? For example, it is important for the company to make a note of the effects of its communication efforts. Airtel saw a huge increase in sales after the release of its ad featuring A.R. Rehman.

Sales effect:

Has the campaign generated the intended sales growth? This is much more difficult to measure than the communication effect.

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