
by

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***************
SUMMARY

The rapid increase in the expenditure on below-the-line promotions (consumer and trade promotions, direct marketing, sponsorship and public relations) relative to above-the-line advertising (television, radio, print, outdoor and cinema) in South Africa has earmarked a new era of integrated marketing communication strategies across all sectors. Ultimately, this strategic shift has brought about a need to better understand the relationship between above-the-line advertising and below-the-line promotions and to measure the impact of such changes on company sales/profits over the long-term.

In the research undertaken amongst 250 senior marketing, brand and product managers of South African brand-owned companies, the relationship between above-the-line advertising and below-the-line promotions in the marketing of South African products and services was investigated across six different economic sectors. It was evident from the findings that most brand-owned companies currently integrate above-the-line advertising and below-the-line promotion activities. The study shows that most brand-owned companies in South Africa combine press, radio and television (above-the-line) with consumer promotions (below-the-line). The most frequently used above-the-line advertising medium is television, which is also seen as the most important mode to support long-term brand building amongst consumers. In turn, print is regarded as the most important above-the-line advertising mode to support trade franchise building. Most frequently used below-the-line modes include direct marketing and public relations. Direct mail and cooperative advertising are seen as the most important below-the-line consumer and trade franchise building modes respectively.

Although marketing communication expenditure is positively skewed towards above-the-line advertising, most recent trends show a gradual increase in the use of below-the-line promotions. To prevent a brand’s sales/profits from decreasing over the long-term due to too high below-the-line promotional expenditure, the study encourages a sound balance between above-the-line advertising and below-the-line promotions. Although the ideal ratio of above-the-line advertising to below-the-line promotions is related to the nature of the product and service being marketed, the extent of competitive activity in the market and the frequency of purchase, amongst many other salient factors, the study regards a 60/40 ratio as the most ideal for building long-term brands. On the other hand, a ratio of 35/65 is regarded as the critical point at which company sales/profits may deteriorate because of too high below-the-line promotional spending.
In conclusion it can be said that the marketing communication industry of South Africa has entered a period of integrated marketing communication practices which requires sound marketing communication budget strategies conducive to the long-term survival of South African products and services.

**Key terms:**

Marketing communication; Marketing communication strategies; Marketing communication expenditure; Above-the-line advertising; Below-the-line promotions; Consumer franchise building; Trade franchise building; Advertising tools; Promotional tools; Advertising budgets; Promotional budgets; Advertising expenditure; Promotional expenditure; Brand-image building; Long-term brand-building; Advertising/promotions ratio; Television; Radio; Print media; Outdoor; Cinema; Consumer promotions; Trade promotions; Direct marketing; Public relations; Sponsorship; On-line advertising
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INTRODUCTION AND OBJECTIVES OF THE STUDY

1.1 INTRODUCTION

Since the advent of the marketing communication industry, the means of communicating with end users of products and services have proliferated remarkably. Whereas traditional advertising, such as press, radio, television and outdoor advertising (all commonly termed ‘above-the-line advertising’), traditionally dominated the South African marketing communication industry in the early stages, various alternative marketing communication methods, such as direct mail, pamphlets, point-of-sale material, competitions, giveaways, samples and coupons (all commonly termed ‘below-the-line promotions’), and on-line advertising (see section 2.10) gradually started to feature more prominently at the end of the 20th century. Budgets for below-the-line promotions are currently either separate budgets or closely combined with budgets for different forms of above-the-line advertising. (The terms ‘above-the-line advertising’ and ‘below-the-line promotions’ are further elucidated in section 1.4.)

From a macroperspective it is clear that the transformation from above-the-line advertising to below-the-line promotions was largely brought about by recessionary conditions facing the South African economy as well as increased competition among companies marketing brands, technological developments and greater exposure to international developments. All these brought about additional marketing communication disciplines. More specific factors, such as high media inflation (i.e. increase in the cost of reaching the same number of viewers, readers or listeners), media proliferation (i.e. increase in media categories, such as, for example, more television stations) and media fragmentation (i.e. increased media categories resulting in more fragmented audiences) are regarded as the main reasons for the growing level of disenchantment with traditional advertising media (AdFocus 1997:99-101).
Further factors that exacerbated the shift include the channel captaincy of retailers, the growth in own brands, brand parity (i.e. imitation of rival products) and demands on brand managers for short term profits (Sinclair 1997:3). Linked to this there is also increasing evidence suggesting that traditional advertising messages do not work half as effectively as they used to do. Lord Leverhulme (founder of the Lever Brothers' grocery empire), for example, contends that almost 80% of advertising is wasted, especially when measured in terms of advertising not directly leading to sales (AdFocus 1997:90).

When evaluating the structural changes in the marketing communication industry over time, questions such as the following emerge:

- How widespread is this pattern?

- What are further underlying causes?

- What are the long-term effects on sales/profits?

The above questions can only be subjected to thorough investigation once a relatively accurate calculation of the size of marketing communication expenditure is known. Unfortunately not all marketing communication expenses are formally measured in South Africa. At present a relatively accurate enumeration of expenditure on above-the-line advertising is available but there is no accurate measurement of expenditure on below-the-line promotion activities or marketing research in support of marketing communication efforts. The reason for this is probably the traditional domination of the marketing communication industry by above-the-line advertising activities, which resulted in the development of formal measurement structures geared towards recording expenditure figures for these activities only. Current measurements show that above-the-line advertising accounts for approximately 50% of all marketing communication expenditure in South Africa (AdFocus 2000:30). Previous estimates by AC Nielsen.MRA in 1990 show that above-the-line advertising accounted for
72% of all marketing communication expenditure (Sinclair 1997:88). There has therefore been a decrease of more than twenty percentage points in the share of above-the-line advertising in the total marketing communication budget over a period of nearly ten years. A similar trend is discernible in the United States of America (USA) and Europe where the share of above-the-line advertising has declined considerably. In the USA, for example, the share of above-the-line advertising has already declined to 46% in 2000 (Advertising Age 2001:S12). This is slightly higher than the above-the-line advertising expenditure figure of 1997 that is estimated at below 40% (AdFocus 1997:39).

1.2 SIGNIFICANCE OF THE STUDY

The study is partially justified by the instances mentioned above where the rapid increase in expenditure for below-the-line promotions relative to above-the-line advertising occurred. Further grounds for studying the marketing communication industry can be found in calculations of the size of the South African marketing communication expenditure in relation to the national economy and company turnover.

1.2.1 The South African marketing communication industry in relation to the national economy

In this section the size of the marketing communication industry will be estimated in terms of above-the-line advertising activities as there are no accurate statistics for below-the-line promotions. Figure 1.1 depicts annual South African expenditure on above-the-line advertising activities in terms of overall economic performance (gross domestic product - GDP) from 1990 to 2001.
It is clear from figure 1.1 that advertising in conventional media (above-the-line advertising) has increased relative to the national economy since 1990 and now stands at approximately 1.0% of the total economy. In monetary terms this equals an amount of almost R10,0 billion spent in 2001 (AdEx 2002).

If the estimated ratio of 50:50 for above-the-line advertising to below-the-line promotions (AdFocus 2000:30) is correct, this could mean that the total marketing communication industry accounts for approximately 2.0% of GDP. Based on this assumption, a crude calculation shows that the total marketing communication industry generated as much as R20 billion in 2001.

The magnitude of the marketing communication industry in South Africa is especially noticeable when compared to the share of the marketing communication industry in the national economies of some African states. Table 1.1 compares South Africa’s marketing communication expenditure with those of other African states.

## TABLE 1.1

**ADVERTISING EXPENDITURE IN SELECTED AFRICAN STATES, 1997**

<table>
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<th>Estimated adspend (US$m)</th>
<th>Adspend as % of GDP</th>
<th>Adspend per capita ($)</th>
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<td>South Africa</td>
<td>42,0</td>
<td>118,3</td>
<td>1 150</td>
<td>0,9</td>
<td>27,38</td>
</tr>
<tr>
<td>Nigeria</td>
<td>96,1</td>
<td>30,7</td>
<td>531</td>
<td>1,7</td>
<td>5,53</td>
</tr>
<tr>
<td>Egypt</td>
<td>57,1</td>
<td>36,5</td>
<td>376</td>
<td>1,0</td>
<td>6,58</td>
</tr>
<tr>
<td>Algeria</td>
<td>27,8</td>
<td>51,1</td>
<td>161</td>
<td>0,3</td>
<td>5,79</td>
</tr>
<tr>
<td>Zaire</td>
<td>42,8</td>
<td>9,9</td>
<td>86</td>
<td>0,9</td>
<td>2,01</td>
</tr>
<tr>
<td>Ivory Coast</td>
<td>14,1</td>
<td>9,4</td>
<td>76</td>
<td>0,8</td>
<td>5,39</td>
</tr>
<tr>
<td>Libya</td>
<td>5,1</td>
<td>30,3</td>
<td>58</td>
<td>0,2</td>
<td>11,37</td>
</tr>
<tr>
<td>Tunisia</td>
<td>8,9</td>
<td>15,2</td>
<td>43</td>
<td>0,3</td>
<td>4,83</td>
</tr>
<tr>
<td>Congo</td>
<td>26,0</td>
<td>16,7</td>
<td>41</td>
<td>0,2</td>
<td>1,58</td>
</tr>
<tr>
<td>Morocco</td>
<td>27,4</td>
<td>28,2</td>
<td>41</td>
<td>0,1</td>
<td>1,5</td>
</tr>
<tr>
<td>Kenya</td>
<td>24,3</td>
<td>7,5</td>
<td>34</td>
<td>0,5</td>
<td>1,4</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>11,0</td>
<td>6,2</td>
<td>34</td>
<td>0,5</td>
<td>3,09</td>
</tr>
<tr>
<td>Tanzania</td>
<td>27,9</td>
<td>3,0</td>
<td>34</td>
<td>1,1</td>
<td>1,22</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>55,2</td>
<td>6,0</td>
<td>30</td>
<td>0,5</td>
<td>0,54</td>
</tr>
<tr>
<td>Senegal</td>
<td>8,3</td>
<td>6,4</td>
<td>27</td>
<td>0,4</td>
<td>3,25</td>
</tr>
<tr>
<td>Namibia</td>
<td>1,6</td>
<td>2,5</td>
<td>21</td>
<td>0,8</td>
<td>13,13</td>
</tr>
<tr>
<td>Cameroon</td>
<td>13,1</td>
<td>10,7</td>
<td>21</td>
<td>0,2</td>
<td>1,6</td>
</tr>
<tr>
<td>Zambia</td>
<td>8,9</td>
<td>4,1</td>
<td>20</td>
<td>0,5</td>
<td>2,25</td>
</tr>
<tr>
<td>Madagascar</td>
<td>13,7</td>
<td>3,1</td>
<td>17</td>
<td>0,5</td>
<td>1,24</td>
</tr>
<tr>
<td>Sudan</td>
<td>28,3</td>
<td>14,7</td>
<td>11</td>
<td>0,1</td>
<td>0,39</td>
</tr>
</tbody>
</table>

Source: AdFocus 1998:85.

It is clear from table 1.1 that, in relation to the national economy, South Africa’s marketing communication industry outperforms that of all African states excluding Nigeria, Egypt and Tanzania. However, in terms of marketing communication expenditure per capita, South Africa measures highest.

In relation to more developed countries such as the United States of America (USA) and European countries, the size of the South African marketing communication industry compares rather poorly. This is particularly evident from table 1.2, which shows the share of the marketing communication industry (above-the-line advertising) in the national economy of the USA from 1998 to 2000.
### TABLE 1.2

**USA ADVERTISING EXPENDITURE, GROSS DOMESTIC PRODUCT AND PRIVATE CONSUMPTION EXPENDITURE, 1995 - 2000**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total advertising expenditure ($bn)</th>
<th>GDP ($bn)</th>
<th>Private consumption expenditure (C) ($bn)</th>
<th>Adspend as % of:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>GDP</td>
</tr>
<tr>
<td>1995</td>
<td>162,930</td>
<td>7,400,5</td>
<td>5,075,6</td>
<td>2,2</td>
</tr>
<tr>
<td>1996</td>
<td>175,230</td>
<td>7,813,2</td>
<td>5,237,5</td>
<td>2,2</td>
</tr>
<tr>
<td>1997</td>
<td>187,529</td>
<td>8,318,4</td>
<td>5,423,9</td>
<td>2,3</td>
</tr>
<tr>
<td>1998</td>
<td>200,830</td>
<td>8,781,5</td>
<td>5,683,7</td>
<td>2,3</td>
</tr>
<tr>
<td>1999</td>
<td>222,308</td>
<td>9,268,6</td>
<td>5,968,4</td>
<td>2,4</td>
</tr>
<tr>
<td>2000</td>
<td>243,680</td>
<td>9,872,9</td>
<td>6,257,8</td>
<td>2,5</td>
</tr>
</tbody>
</table>


When considering the 2,0 % share of the total marketing communication industry (above-the-line advertising and below-the-line promotions) in the South African economy (see start of section 1.2.1), it is clear from table 1.2 that the share of the marketing communication industry in the USA economy outstrips that of South Africa. Even in the UK it is estimated that the above-the-line advertising alone accounts for 2,0 % of GDP (World Advertising Research Centre 2001). The substantially larger share of the marketing communication industry in the economies of the USA and UK, when compared to South Africa, can be ascribed partly to more favourable economic conditions in the USA and UK which, in turn, reflect high corporate profits enabling advertisers to continue spending. Higher literacy rates in the USA and UK may also explain the higher marketing communication expenditure abroad. In view of this probability, the fact that the share of the marketing communication industry in economies of the USA and UK is larger compared to that in South Africa, is actually besides the point. What is more important to note is that, despite the sluggish domestic production in South Africa, marketing communication expenditure remains high and has a notable share in the local economy.
1.2.2 Share of marketing communication expenditure in South Africa at industry level

From the most recent secondary data extracted from *AdFocus* (2000:44, 2001:44 & 2002:40), it is clear that the share in above-the-line advertising expenditure differs across economic sectors. The most logical explanation for this is the fact that products and services are marketed more vigorously in some economic sectors than in others. One of the most important reasons for the above-the-line advertising expenditure is to promote brand-building of these products and services.

To identify sectors where brand building is healthiest, the top 100 South African advertising spenders in 1999, 2000 and 2001 were clustered by economic sector by using the Standard Industrial Classification (SIC) System* in table 1.3.

**TABLE 1.3**

**MAGNITUDE OF ABOVE-THE-LINE ADVERTISING EXPENDITURE OF TOP 100 SA ADVERTISERS BY ECONOMIC SECTOR, 1999 - 2001**

<table>
<thead>
<tr>
<th>Economic sector</th>
<th>Above-the-line advertising expenditure R'million</th>
<th>Market share in adspend of top 100 adspenders (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1999</td>
<td>2000</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1 490.2</td>
<td>1 800.2</td>
</tr>
<tr>
<td>Retail</td>
<td>745.4</td>
<td>877.4</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>392.7</td>
<td>544.8</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>964.5</td>
<td>1 133.8</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>224.7</td>
<td>168.8</td>
</tr>
</tbody>
</table>

Sources: Adapted from AdEx in *AdFocus* 1999:44; *AdFocus* 2000:44 & *AdFocus* 2001:40.

*This international numerical system is used to classify economic activities of industries and is better known as the 'Standard Industrial Classification of all Economic Activities'. The SIC was adopted in the United Nations for the first time in 1948 and was revised several times, the last being in 1990 (Potgieter, Nanny and Van Zyl: 1997:2). This classification system is nowadays used internationally. To elaborate on the methodology used by SIC, Potgieter et al (1997:2) clearly states that SIC is a classification of economic activity and not of ownership, type of enterprise, organisational structure, degrees of mechanisation, size of production unit in respect of turnover, capital or labour. The products produced or services rendered determine the economic activity.*
Table 1.3 shows that the manufacturing and retail trade industries are the market leaders in terms of above-the-line advertising expenditure in South Africa. Subsectors that dominate above-the-line advertising spending in the manufacturing industry are the food, beverage, chemical (beauty products, detergents, soaps and toiletries) and automotive sectors. In turn, non-specialised and specialised retail stores trading mainly in food, clothing and furniture are the biggest above-the-line advertising spenders in the retail industry. Furthermore, the banking, insurance and assurance sectors top the above-the-line advertising expenditure list in the financial and business services sector. Air and land transport and the post and telecommunication sectors are the largest above-the-line advertising spenders in the transport and communication industry. The government, parastatals and the education sector are the biggest above-the-line advertising spenders in the community, social and personal services sectors.

The above-the-line advertising expenditure of the top three industries listed in table 1.3, totalled just below 85% of the total above-the-line advertising expenditure of the top 100 South African advertisers in 2001. Notable from table 1.3 is the drop in the share of the transport and communication industry from 25.3% in 1999 to 9.0% in 2001. This change emanated from top advertisers like M-Net and the SABC moving out of the top 100 advertiser category in 2001. In total, above-the-line advertising expenditure by the top 100 advertisers in 1999, 2000 and 2001 amounted to R3.8 billion, R4.5 billion and R4.3 billion respectively. These represent about 48%, 54% and 44% of the total above-the-line advertising expenditure in 1999, 2000 and 2001 respectively. The 6.7% drop in above-the-line advertising expenditure by the top 100 advertisers from 2000 to 2001 is partly due to the economic downturn and the ban on tobacco advertising in South Africa (AdFocus 2002:95).
The information depicted in table 1.3 reflects trends similar to those in above-the-line advertising expenditure in the USA. In the USA, for example, most above-the-line advertising expenditure in 2000 was driven by the retail ($17 304.3 million), automotive ($15 478.3 million), entertainment - movies and media ($6 910.1 million), financial ($5 790.3 million), telecommunications ($4 248.9 million), computers, software and Internet ($4 185.5 million), toiletries and cosmetics ($3 669.6 million), restaurants ($3 667.4 million), food - non confection ($3 450.1 million), insurance and real estate ($2 543.1 million) and government, politics and organisations ($2 246.5 million) (Advertising Age 2001:S12).

1.2.3 Share of South African marketing communication expenditure at company level

If disaggregated to company level, the sectoral analysis provided in the previous section could be used to determine the share of above-the-line advertising expenditure in company turnover. The retail sector will be used as framework to ascertain the share of above-the-line advertising expenditure in company turnover. To avoid any misunderstanding of the meaning of the term 'company turnover' it is narrowly defined as equivalent to sales or revenue (The Guardian 1995:454), including invoiced value goods sold, excluding sales taxes (such as Value Added Tax - VAT) and other duties (Extel 1997:11).

The share of above-the-line advertising expenditure in the company turnover of selected retailers from 1996 to 2000 is shown in table 1.4. The list of retailers included in the table is limited mainly because of a lack of comprehensive secondary data that would support similar calculations of other retail companies. (Only a number of retailers are listed on the JSE and limited information is therefore available). The table has been constructed from above-the-line advertising expenditure figures extracted from AdFocus (1997-2001) as well as company turnover figures from the July to December 1999 Stock Exchange Handbook and the June edition of Top Companies (Financial Mail 2001). Although combining figures from different secondary sources is not a wholly satisfactory approach, the results provide at least some indication of above-the-line advertising expenditure as a percentage of company turnover.
TABLE 1.4


<table>
<thead>
<tr>
<th>Company</th>
<th>Above-the-line advertising as percentage of company turnover (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pick 'n Pay</td>
<td>0.8</td>
</tr>
<tr>
<td>Shoprite</td>
<td>0.5</td>
</tr>
<tr>
<td>Toyota</td>
<td>0.9</td>
</tr>
<tr>
<td>Edgars Stores</td>
<td>1.0</td>
</tr>
<tr>
<td>Woolworths</td>
<td>0.5</td>
</tr>
<tr>
<td>Ellerines</td>
<td>*</td>
</tr>
<tr>
<td>Tiger Wheels</td>
<td>*</td>
</tr>
</tbody>
</table>

* Above-the-line advertising or company turnover unknown.


It is clear from table 1.4 that the percentage of above-the-line advertising expenditure at company level remained relatively constant over the four-year period indicated. This probably implies that figures of company turnover are used as a guideline when companies compile annual above-the-line advertising budgets. Furthermore, the information reflected in the table clearly shows that, on average, approximately one out of every hundred rand of company turnover is allocated to above-the-line advertising.

However, it should be noted that the information portrayed in table 1.4 reflects only part of the total marketing communication expenditure (i.e. only above-the-line advertising). Companies operating in the retail industry deal in Fast Moving Consumable Goods (FMCG), which are ideally suited to marketing communication activities directed towards below-the-line promotions. If below-the-line promotional activities are taken into account, the share of the total marketing communication expenditure in company turnover could be far higher than the figures depicted in table 1.4.
When compared to companies abroad, South African companies tend to spend less on above-the-line advertising in relation to company turnover. This is particularly evident from the information reflected in table 1.5. Table 1.5 shows the size of above-the-line advertising expenditure in terms of company revenue for a selection of leading USA advertisers that operate in the retail industry.

**TABLE 1.5**

**ABOVE-THE-LINE ADVERTISING EXPENDITURE AS PERCENTAGE OF COMPANY REVENUE FOR SELECTED USA SPECIALITY RETAILERS, 2000**

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Above-the-line advertising expenditure $million</th>
<th>Revenue $million</th>
<th>Above-the-line advertising expenditure as percentage of company revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Depot</td>
<td>652</td>
<td>53,553</td>
<td>1,2</td>
</tr>
<tr>
<td>Grap</td>
<td>450</td>
<td>13,848</td>
<td>3,2</td>
</tr>
<tr>
<td>Circuit City Stores</td>
<td>479</td>
<td>12,959</td>
<td>3,7</td>
</tr>
<tr>
<td>Office Depot</td>
<td>334</td>
<td>11,154</td>
<td>3,0</td>
</tr>
<tr>
<td>Limited</td>
<td>350</td>
<td>9,363</td>
<td>3,7</td>
</tr>
</tbody>
</table>


It is clear from table 1.5 that above-the-line advertising expenditure in the USA retail industry represents a much higher percentage of company revenue than is the case in South Africa (see table 1.4).

Additional comparisons with USA companies operating in the FMCG industry, like, for example, Pepsico, Proctor & Gamble and Kellogg, also show that these companies spent more than 5% of their company revenue on above-the-line advertising in 2000 (*Advertising Age* 2001:514 and *Fortune* 2002). Similar trends are also detected in the UK (Curtis 1997, *Marketing* 1997:18-21 & Extel 1997).
Given the fact that the international figures provided above represent the smaller portion (above-the-line) of the total marketing communication budget (which includes both above-the-line advertising and below-the-line promotions), they provide additional grounds for the conjecture that South Africa trails the USA and UK insofar as marketing communication expenditure is concerned. However, from the information depicted in table 1.4, local above-the-line advertising expenditure as a percentage of company turnover seems relatively significant when taking into account, among other things, the number of years that South African companies were economically isolated from foreign business and deprived of foreign markets. This brings us to a summary of the problem that will be investigated, namely the relationship between above-the-line advertising and below-the-line promotions in South Africa and the way in which these may be similar to developments in the USA and UK.

1.3 OBJECTIVES OF THE STUDY

As mentioned in the introductory section, the marketing communication industry has experienced a rapid increase in expenditure on below-the-line promotion when compared to the increase of above-the-line advertising. This phenomenon raises the questions previously asked, namely:

- How widespread is this pattern in South Africa?
- What are the underlying causes for this in South Africa?
- What are the long-term effects on sales/profits of companies in South Africa?

Questions of this nature confronted the marketing consultant Robert M Prentice when a similar trend evolved in the UK during the mid-seventies (Strang 1975:1-2). He noted that many consumer goods were successful for a short period only, while others continued to record increased sales and profits long after the expected end of their ‘life cycle’. Although many factors could explain the difference in performance, Prentice believed that the choice of above-the-line advertising and
below-the-line promotion strategy might have been the key to the success of products. He suggested that a strategy that used a combination of advertising (above-the-line) and certain types of promotions (below-the-line) in order to create favourable consumer attitudes might be critical for building a long-term brand franchise. He called this advertising and promotion activities 'Consumer Franchise Building' (CFB). (Also see section 1.4 where this term is further explained.)

In the wake of a similar trend developing in South Africa and in order to determine the validity of the CFB theory outlined above, the primary objective of the study is to gain more understanding of the management of above-the-line advertising and below-the-line promotional spending, and particularly the relationship between above-the-line advertising and below-the-line promotions in the marketing of products and services in South Africa.

This study of the relationship between above-the-line advertising and below-the-line promotions is confined to a discussion of the evolution of the marketing communication industry in South Africa and the profiling of the marketing communication service providers operating in South Africa. The typical marketing communication budgets and marketing research methods used by the marketing communication industry to market brands are also investigated (see the bibliography for a list of secondary sources consulted). Besides providing an overview of the market situation, secondary sources serve to identify typical marketing communication disciplines, as well as budget and research options supporting marketing communication efforts.

The secondary objectives of the study may be stated in the following terms:

- To analyse the level of integration of above-the-line advertising and below-the-line promotion activities. This will include an investigation of the way in which above-the-line advertising and below-the-line promotion campaigns are planned, budgeted, implemented and handled, either together or separately by in-house agencies, advertising agencies or specialist agencies in South Africa.
• To describe the budgeting process through which above-the-line advertising and below-the-line promotion expenses are planned. The goal is specifically to identify the most commonly used marketing communication budgeting methods in South Africa and to identify how budget decisions are made and which factors cause executives to give weight to either above-the-line advertising or below-the-line promotions.

• To identify the directions in which above-the-line advertising and below-the-line promotional spending in South Africa are going. This includes an examination of underlying forces that appear to affect spending patterns on a market-wide basis.

• To analyse the effects of different above-the-line advertising and below-the-line promotional strategies on sales and profits of companies in South Africa.

• To measure the size of marketing research in support of above-the-line advertising and below-the-line promotions.

• To construct a long-term brand-building model for South Africa that could assist marketing, brand and product managers to better manage the budgeting process of their marketing communication activities.

• To construct a quantitative method of budgeting for marketing communication activities, which could guide marketing, brand and product managers in their annual marketing communication budget planning. Such a method may ultimately support long-term brand building.

Furthermore, the study aims at:

• providing additional insight into the allocation of communication resources useful to those in the practical setting in South Africa.

• stimulating further research and analysis.
1.4 EXPLANATION OF TERMINOLOGY

There are numerous definitions for 'above-the-line advertising' and 'below-the-line promotions' and related concepts. However, for purposes of this study, the following definitions are used:

- 'Above-the-line advertising' includes advertising in conventional media such as television, radio, cinema, outdoors and print media (Sinclair 1997:2). It includes marketing in all main (commissionable) advertising media (Wilmshurst 1993:6).

- 'Below-the-line promotion' includes all other forms of sponsored communication apart from activities traditionally associated with personal selling. Below-the-line promotions thus include trade-shows and exhibits, couponing (manufacturer and retailer-based), sampling, premiums, trade allowances, contents, price-off packs, free goods, rebates, bonus packs, point-of-purchase material and different types of direct mail (Sinclair 1997:264 and Strang 1975:3). To differentiate between the various below-the-line promotion terms referred to above, consult section 2.6.

- Above-the-line advertising / below-the-line promotion ratio. The relationship between above-the-line advertising and below-the-line promotion may be conveniently expressed as a ratio (A/P), which is the proportion of the above-the-line advertising and below-the-line promotional budget accounted for by each activity. It may be written as a ratio, for example 60/40, or as a single percentage, for example 60 %. Both these expressions would read, 'for the period under consideration, 60 % of the total marketing communication budget was spent on above-the-line advertising'.
• Consumer franchise building (CFB) activities. These include all activities that impact on the consumer’s mind about brand attributes distinguishing the brand from other brands (Strang 1975:4). CFB thus includes both above-the-line advertising and below-the-line promotional activities as defined above. In essence it represents ‘through-the-line’ marketing activities (combining above-the-line advertising and certain kinds of below-the-line promotions) used to create a favourable consumer acceptance that is conducive to building long-term brand success.

• Non-consumer franchise building (non-CFB) activities. These include mainly below-the-line promotional activities used to produce immediate sales volume.

• CFB ratio. The relationship between CFB expenditure, which is aimed at building long-term brands and non-CFB expenditure, intended to produce immediate sales volume over the short-term, is likewise expressed as a ratio. A CFB of 60% means that 60% of a brand’s total marketing communication expenditure was spent on CFB activities.

• Trade franchise building (TFB) activities. These include all activities that impact on the minds of resellers (such as retailers and wholesalers) about brand attributes distinguishing the specific brand from other brands. TFB activities include both above-the-line advertising and below-the-line promotional activities aimed at resellers in order to create favourable reseller acceptance conducive to building long-term brand success.

• TFB ratio. The relationship between TFB expenditure (which is aimed at building long-term brands) and non-TFB expenditure (intended to produce immediate sales volume over the short-term) is likewise expressed as a ratio. A TFB of 60% means that 60% of a brand’s total marketing communication expenditure was spent on TFB activities such as those of wholesalers and retailers.
• All research terms used in relation to above-the-line advertising and below-the-line promotions are explained in Annexure A (see section 3.5).

1.5 RESEARCH METHODOLOGY

Based on (i) investigative talks with senior marketing, brand and product managers, (ii) the format of the available sample frame (see section 5.3.2), and (iii) the outcome of the pilot study (see section 5.5.3.1) it was finally decided to conduct two surveys, namely a brand company survey and a brand survey (see section 5.3.2.1). Whereas the brand company survey collected data of the marketing communication strategies of the entire brand portfolio of South African brand-owned companies, the brand survey collected data of the marketing communication strategies of single brands (see table 5.1). With both surveys being linked, the same sample frame was used to select the sample units/elements for the surveys. The sample units (South African brand-owned companies) for both surveys were identical (see section 5.3.1). Marketing or brand managers qualified as sample elements for the brand company survey, while brand or product managers mostly represented the sample elements for the brand survey.

It should also be noted that the sampling approach for the two surveys differed significantly. Probabilistic systematic sampling was applied in selecting the sample units/elements for the brand company survey (see section 5.3.3.2.1). In contrast, a non-probabilistic sampling procedure was used to select the sample units/elements available for further participation in the brand survey (see section 5.3.3.2.2). The probabilistic systematic sampling procedure used in the brand company survey also allowed for some inferential analyses whereby projections of the population, based on the outcome of the brand company survey results, was performed (see section 6.4). Such analysis was impossible under non-probabilistic sampling conditions that applied for the brand survey. A full 250 brand-owned companies (see sections 5.3.4.1 & 5.4) participated in the on-line quantitative brand company survey while only 30 brand/product managers participated in the on-line qualitative brand survey (see section 5.3.4.2). More specifically, data collection for the brand company survey was concluded via e-mail and telephonic interviews, while a modified Delphi-
technique was used to collect data for the brand survey. Separate research instruments (questionnaires) were constructed to collect data for both surveys (see Annexure B for brand company questionnaire and Annexure C for brand questionnaire).

1.6 CHAPTER OUTLAY

The objectives of the study having been introduced and the importance thereof explained, chapters 2 - 8 can be outlayed as follows:

Chapter 2: This chapter discusses marketing communication in South Africa. The marketing communication model is explored after which follows a discussion of the marketing communication concept and elements commonplace to the South African marketing communication industry. Finally, the history of marketing communication in South Africa is discussed.

Chapter 3: A profile of above- and below-the-line marketing communication service agencies in South Africa is provided in this chapter. Typical service providers of above- and below-the-line marketing communication disciplines are also explored.

Chapter 4: This chapter places the focus on the budgeting of marketing communication. The various budgeting methods of marketing communication is explored.

Chapter 5: The survey methodologies of the brand company and brand surveys conducted among brand-owned companies in South Africa are explained in this chapter. More specifically, the various stages of the sampling process are described. The first part of the chapter throws more light on the survey population, sample frame, sampling methods, sample sizes and data collecting methods for both surveys. The sample error for the brand company survey as well as the response rates for both surveys are also discussed in detail. The chapter concludes with a detailed discussion of the research instruments (questionnaires) constructed for both surveys, as well as the editing and coding of the data.
Chapters 6 & 7: Empirical findings. These chapters provide information on, inter alia, the following:

- Directions in above-the-line advertising and below-the-line promotional expenditure across economic sector.

- Impact of above-the-line advertising and below-the-line promotions on company sales/profits.

- Most common methods applied to construct annual marketing communication budgets.

- Marketing communication research in support of marketing communication efforts.

The empirical findings are discussed in two different chapters with the aim to firstly provide an overview of the marketing communication strategies and investment bands of South African-based brand-owned companies. This overview is presented in chapter six. A sectoral breakdown of the research findings among a representative portion of South African brand-owned companies are provided to highlight some discrepancies in the industry in terms of marketing communication approaches and investments bands. The findings presented in chapter six reflect information on the total brand portfolio of South African-based brand-owned companies who more than often own and market more than one brand. The research instrument (brand company questionnaire), especially constructed for the study, facilitated the primary data collection process. The brand company questionnaire is attached as Annexure B.

In order to cast additional light on the marketing communication strategies of individual brands, chapter seven analyses and interprets the research findings obtained from studying a selection of individual brands marketed by South African
brand-owned companies. These findings are based on the information obtained via a pre-structured research instrument (questionnaire) developed for the brand survey in a follow-up of the brand company survey. The brand questionnaire, which is much lengthier compared to the brand company questionnaire (Annexure B), is attached as Annexure C. The information collected via the brand questionnaire allowed for more detailed analyses on marketing communication systems, strategies, budget approaches, investment and research support on individual brands marketed by South African brand-owned companies. This collection of information on individual brands further supports the exploration of solutions for some of the secondary objectives set for the broad study (see section 1.3).

Chapter 8: The last chapter deals with some conclusions and recommendations. The chapter provides a summary of the main findings emanating from the brand company and brand surveys. Based on the outcome of both survey findings, a long-term brand-building model is finally constructed. This model serves to guide marketing, brand and product managers to better manage their annual marketing communication budgets. Finally, future research needs are identified.
CHAPTER 2

MARKETING COMMUNICATION IN SOUTH AFRICA

2.1 INTRODUCTION

This chapter starts with a description of the marketing communication model. The concept of marketing communications is then discussed in terms of its definition and the various elements of marketing communication. The various above-the-line advertising (television, radio, print, outdoor and cinema) and below-the-line promotional elements (personal selling, sales promotions, direct marketing, publicity and sponsorship) are discussed in detail. In addition, on-line advertising is explored as an alternative marketing communication tool. The chapter concludes with a discussion of the historical development of marketing communication in South Africa.

2.2 THE MARKETING COMMUNICATION MODEL

The key process underlying each of the components of the marketing communication mix (above-the-line advertising and below-the-line promotions) is communication. ‘Communication’ is defined by the Oxford dictionary as ‘something that communicates information from one person to another’ (Hawkins 1998). In a marketing context, the process of communicating with consumers or customers is called marketing communication. In fact, marketing communication is a transactional process between two or more persons whereby meaning is exchanged through the intentional use of symbols (Botha, Brink, Loubser, Machado and Rudansky 1994:15). The communication conveyed from the marketer to the consumer or customer also contains a persuasive element. In a simple marketing communication system the sender (the marketer of the product) ‘speaks’ directly to the final consumer or customer in the market. In a more complex system, the marketer must also relay communication messages to middlemen in the distribution channel besides those he or she transmits directly to the consumer. The marketer may receive feedback from the consumer or customer. He or she normally receives
this type of feedback through the middlemen, e.g. the retailer. This marketing communication model is shown in figure 2.1.

**FIGURE 2.1**

**THE MARKETING COMMUNICATION MODEL**

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Figure 2.1 depicts the marketing communications model. It is evident from the figure that the marketing communication model comprises a marketing communicator (transmitter of the message) who directs a particular message at a particular audience through a communication medium. The feedback to the communication from this audience is directed back to the marketing communicator. It should be noted that the marketing communication model as shown in figure 2.1 is generally, and not absolutely, accurate in its representation of the marketing communication process. It implies, firstly, that all messages reach their target audience, and secondly, that the audience, (that is the consumer) reacts to the message immediately. In practice, only a small percentage of messages issued by the communicator reaches the audience and an even smaller percentage of such messages has any effect on the audience.
The various components of the marketing communication model, as shown in figure 2.1, will now be discussed. The marketing organisations (see chapter 3) responsible for each step in the marketing communication process, shown at the bottom end of figure 2.1, will also form part of this discussion.

2.2.1 The marketing communicator

The marketing communicator is also called the sender or communication source. He or she is the person who sends the message to the receiver. The marketing manager of the enterprise is usually the communicator who has to create the message that will persuade the consumers to buy the products. The communicator encodes the message by means of all kinds of verbal and nonverbal symbols, which make the message clear to the target audience. Assael (1993:557) defines encoding as 'the process by which the source translates its objectives into an advertising or sales promotional strategy that will communicate the appropriate message'. An advertising agency, a sales promotional agency, sales person, or public relations department of a company may be responsible for encoding the message. Even opinion leaders, defined as individuals whom others may look to when they have to form opinions and take consumer decisions (Botha et al 1994:23), ordinary people or representative members of a reference group could be used to encode messages.

2.2.2 The message

Effective communication entails identifying the target audience, selecting a suitable communications channel, and designing an effective message that constitutes a representation of the information and persuasive elements that will have a favourable effect on the attitude and behaviour of the audience towards the product of the enterprise. In designing a message, an analysis of the message content (that is the meaning of the product or service for the consumer) serves as point of departure. The first step in the development of a message is to select those components of the message content that have meaning and value for the target audience in terms of its needs. This means, briefly, that the message must be reconcilable with the background, attitudes, interests and needs - both physical and psychological - of the
target audience. It should be noted, therefore, that a message is a combination of symbols. This combination determines the meaning of the message. If the symbols are foreign to the recipient but familiar to the communicator, it is highly likely that the message will be misinterpreted by the recipient.

Strydom, Jooste and Cant (2000:343) refers to a message as the process whereby the message is compiled in words, images, or sounds, or a combination of these (encoded). Different symbols are used in the different marketing communication elements. Sales representatives, for example, use mainly verbal phonetic symbols when they transmit their sales message to the customer. A variety of nonverbal symbols, such as gestures and posture supplement, reinforces the message. However, in brochures and other sales material, the symbols that are used are words and pictures. Sales representatives must integrate all these symbols to formulate a message of persuasive force.

The message in an advertisement, for example, consists of written or spoken words, and other nonverbal symbols. The meaning and content of a message are transferred by verbal symbols. The receiver must understand these verbal symbols. Nonverbal symbols are frequently used to complement the verbal message in an advertisement. The best example is picture material.

A picture that accompanies an advertisement in a magazine has a specific meaning for the receiver. This is why the advertiser looks for a nonverbal symbol that conveys a certain meaning correctly. The advertisement placed in AdFocus (2001:139) by Imperial Car Rental South Africa, serves to demonstrate the latter. With the aim to market Imperial's new call centre services, the advertisement features a cell-phone in the shape of a motor vehicle (nonverbal). To support the nonverbal communication, the advertisement also contains a verbal message worded as follows: Besides our legendary services, easy-on-the-wallet rates and lightning fast check in and out, we're also the only car rental company to offer a 24-hour call centre should you need any assistance.
Compared to printed media, a television advertisement consists basically of picture material with the spoken word and other complementary sounds, such as music. This, of course, is the best way to bring home a message to the receiver, because the message (audio visual) involves both the receiver's hearing and sight.

The message in a radio commercial is mainly verbal, while nonverbal sounds could help to strengthen the message. A signboard, on the other hand, consists of simple verbal symbols only because passers-by on a highway do not have enough time to read the lengthy message. The nonverbal material is made to be highly visible so that it could be seen at a glance.

Advertising through a sales representative means that the message is conveyed face to face, though the representative may also use written material and nonverbal symbols to persuade the client. For example, a manufacturer's sales representative who has to persuade a retailer, uses a presentation or brochures to augment his or her persuasive arguments. The representative who has to persuade a doctor to prescribe the products of a pharmaceutical company may give a desk gift that displays the name of the product. The verbal message is also reproduced in written format on the package, while the shape of the package also may convey a message. Perfume bottles are the best example of the latter. A round bottle appeals to female consumers, while geometric shapes have masculine appeal (Strydom et al 2000:244).

### 2.2.3 The communication channel

The communication channel is the medium through which the message reaches the target audience. The particular communication channel is selected with the target audience in mind. It is important that the channel be appropriate to the intended recipient, for example, people who never watch television cannot be reached through the medium of television advertisements. There are three different channels through which a message could be sent, namely the mass media (television, radio and press), personal conveyance (through the sales force or other consumers) or interactive media (Internet). Sections 2.4 to 2.10 elaborate in more detail on these and other marketing communication channels.
2.2.4 **Target audience (receiver)**

The receiver of the message is the person or persons (producer, intermediary or consumer) who receive(s) the message from the sender. The receiver must first decode the message before he or she can comprehend its meaning. The interpretation of the message refers to the meaning that the receiver attaches to the words, images, sounds or a combination of these.

2.2.5 **The reaction**

The reaction of the receiver determines whether or not the communication process was a success. That is, whether the receiver is better informed, reminded or persuaded as the communication intended.

2.2.6 **The feedback**

The feedback indicates the degree to which the sender is aware of the reaction elicited from the receiver by the marketing communication process.

2.2.7 **Noise**

Noise consists of competitive stimuli and other disturbances that prevent the successful transfer of the message. Noise and disturbances work on all components of the communications model and place obstacles in the way of effective communication. The sender is influenced by noise if he or she is not fully informed about the nature and ability of the target market. The communicator causes noise when, for example, conflicting symbols are used to encode the message. Noise interferes with the message, especially if other conflicting messages also compete for the receiver's attention. If the chosen channel limits the flow of the message, there is an interference in the transfer of the message. If the receiver does not have enough knowledge to decode the message, and does not know the meaning of the symbols used in encoding, his or her interpretation of the message will be incorrect. If the sender does not actively look for feedback or the reaction of the receiver, this is also regarded as a disturbance and he or she will not be able to evaluate the success of the message.
According to Koekemoer (1998:38&50) noise can be any interference or disturbance, such as literal noise (loud talking, a blaring radio, too many advertisements, continual coughing, the telephone ringing) or metaphorical noise (aspects competing for a receiver’s attention, such as a lack of time, feelings of uncertainty, emotions, distrust, problems at home, et cetera). Whether external or internal in nature, noise can form an important barrier to any effective communication process.

2.3 DEFINING MARKETING COMMUNICATION

The process of communicating with consumers or customers is called marketing communication (Koekemoer 1998:1). It entails a two-way process of informing and reporting (Botha et al 1994:13). On the one hand, the marketer conveys information about his/her product or service with a view not only to inform the consumer or customer, but also to persuade or remind him/her to adopt a favourable attitude towards the product or service. On the other hand, the consumer or customer conveys information to the marketer. The communication model referred to above often occurs when, mainly through his/her close contact with the end-user, the intermediary consumer or customer informs the marketer of products required by the consumer or customer. Botha et al (1994:14) emphasises that communication between the marketer and the consumer is essential for several reasons, namely:

- to keep abreast of the host of products and services offered on the market on a day-to-day basis

- to inform and remind the consumer or customers of the variety of products and services offered and

- to persuade consumers/customers to choose the marketer’s products or services above that of the competitors.
To achieve the goals outlined above, marketers use several marketing communication elements. These include above-the-line advertising (television, radio, print, outdoor and cinema), below-the-line promotions (personal selling, sales promotion, direct marketing, public relations and sponsorship) and on-line advertising.

Before discussing these marketing communication elements, a better understanding on how marketing communication works, is required. For this, a basic understanding of a marketing strategy is firstly required.

A marketing strategy is defined by Koekemoer (1998:1) as a set of conscious decisions a marketer makes in determining who is going to be offered a particular product or service, referred to collectively as the target market, and how the chosen market will be reached via a specific marketing communication medium. The target market is a well-defined set of existing and/or potential customers the marketer aims to satisfy with a particular product offering (a product or service). In reaching and influencing the chosen target market the marketer uses what is known as the ‘marketing mix’.

The basic elements of the marketing mix, commonly referred to as the ‘four Ps’ are product, price, place (distribution) and promotion.

A product is defined by Schoell and Guiltinan (1995) as ‘a bundle of perceived tangible and intangible attributes that may potentially satisfy existing or potential consumers’ or customers’ wants in exchange for money or any other form of payment. It may be a physical object (a good), a service, a person, an idea, or a combination of any of these’. Koekemoer (1998:7) defines price as ‘the amount of money asked for a product offering at a point in time’ and place or distribution as ‘the process of ensuring that the marketer’s product offering is made available to the targeted consumers in the right place(s) and at the right time and in the right quantities’. Promotion or marketing communication, is defined as ‘all activities and tools used by a marketer to inform or remind prospective consumers about a particular product offering and to attempt to persuade them to purchase or use it’.
From the discussion above it is clear that marketing communication forms an integral part of the overall marketing strategy. In order to communicate effectively, marketers could use different marketing communication elements.

The various elements of the marketing communication mix, as classified under the two categories above-the-line advertising and below-the-line promotions by Belch & Belch (1995:9), Koekemoer (1998:9) and Strydom et al (2000:350-352) are the following:

- **Above-the-line advertising elements**
  - Television
  - Radio
  - Print
  - Outdoor
  - Cinema

- **Below-the-line promotional elements**
  - Personal selling
  - Sales promotion
  - Direct marketing
  - Public relations
  - Sponsorship

Besides the above-the-line advertising and below-the-line promotional elements listed above, on-line marketing or advertising on the Internet and viral marketing (see section 2.10) have also become attractive marketing communication mediums in South Africa.
Before providing a detailed discussion on each of the listed marketing communication elements highlighted above, the size of each marketing communication element in terms of total advertising spending in South Africa in 2001 is explored in figure 2.2.

**FIGURE 2.2**

COMPOSITION OF ADVERTISING EXPENDITURE IN SOUTH AFRICA, 2001*

* Expenditure on self promotion is excluded.

Source: *AdFocus* 2002:96.

Figure 2.2 depicts the composition of advertising expenditure in South Africa for 2001. It is clear from the figure that print media and television accounted for just below 80% of the total marketing communication expenditure in South Africa during 2001. Radio advertising accounted for 13.9% and outdoor advertising for 4.5% of all advertising expenses. In total, R8.5 billion was spent on advertising (excluding self promotions) in South Africa during 2001. Figure 2.2 excludes, among others, sponsorship expenditure (below-the-line), which is valued to have been R1.986 billion or 22% of all media advertising expenditure in 2000 (*AdFocus* 2001:106). Expenditure on sales promotions and public relations (below-the-line promotions) is also not reflected in figure 2.2.
Marketers can improve their communication efforts with target markets (consumers and customers) by using either one or a combination of the above-mentioned marketing communication elements. In the next section each element of the marketing communication mix will be discussed separately. Each marketing communication element will be discussed in terms of its definition as well as the advantages and disadvantages of each element.

It should be noted that the research on the various marketing communication elements was used to construct part of the research instruments (questionnaires) for the brand company and brand surveys. For example, questions 4 and 5 of the brand company questionnaire (see annexure B) deal with the various marketing communication elements. Furthermore, the comprehensive discussion on each of the marketing communication elements provided below closely coincides with the main aim of the study. As stated in section 1.3, the latter entailed a better understanding of the management of above-the-line advertising and below-the-line promotional spending and particularly the relationship between above-the-line advertising and below-the-line promotion in the marketing of South African products and services.

Prior to discussing each marketing communication element separately it should be noted that many research literature use the terms 'advertising' and 'promotions' instead of 'above-the-line advertising' and 'below-the-line promotions'. This study gives preference towards the latter terms although their meanings are the same as those used in other research literature. The latter explanation largely serves to avoid possible confusion during the discussion on the six marketing communication elements in the sections to follow.
2.4 Advertising

2.4.1 Defining advertising

The American Marketing Association’s definition of advertising as contained in Belch and Belch (1995: 11) is as follows: ‘*any paid form of nonpersonal presentation and promotion of ideas, goods, and services by an identified sponsor*’. The paid aspect of this definition reflects the fact that the space or time for an advertising message generally must be bought. The nonpersonal component of advertising means advertising involves mass media, for example, television, radio, magazines and newspapers that can transmit a message to large groups of individuals, often at the same time. The nonpersonal nature of advertising also means that there is generally no opportunity for immediate feedback from the message recipient (except in direct response advertising). Therefore, before the message is sent, the advertiser must consider how the audience will interpret and respond to it.

2.4.2 Forms of advertising

Because of its ability to deliver messages cheaply and effectively, advertising is very widely used in many different ways. The various forms of advertising as described by Wilmshurst (1985:17-20) and Koekemoer (1998:58-66) are:

- **Personal advertising**

  Individuals and families in South Africa buy space in their local newspaper, such as *The Star*, to sell their car or the furniture they no longer need, find owners for their puppies or kittens, to announce the birth of their baby or their daughter’s engagement.

- **Local ‘classified’ advertising**

  The high proportion of advertising space, in regional and local newspapers especially, is concerned with jobs, cars and houses. Advertising is the standard method by which companies find staff, car dealers sell cars and estate agents...
find buyers for their clients' houses. The term 'classified advertising' (or sometimes 'small ads') is used to distinguish this type of advertising from bigger 'display' advertisements that usually stand on their own.

- Consumer advertising

Consumer advertising is aimed at people who buy a brand or service for their own or someone else's use (for the husband or wife, for the family, et cetera). Consumer advertising includes end-product (brand or service) advertising, retail advertising and direct response advertising. Each of these advertising forms is discussed below.

- **End-product advertising** (brand or service) entails, for example, the way in which large manufacturers communicate directly with their 'end user' customers (as distinguished from the wholesalers, retailers et cetera to whom they sell directly and from whom the 'end user' ultimately buys). It includes the advertising of food, drink, tobacco, clothing, cars, household goods, toiletries and leisure goods. Although not strictly manufactured, books, magazines, tourism and entertainment are also included in this category. End-product advertising is often done on a national basis, although smaller manufacturers or local service providers (such as a hotel) may use local advertising.

- **Retail advertising** is advertising by large, medium and small retailers who attempt to bring consumers in their target area into their store(s) to buy the merchandise that the store carries or to buy the specific brands on special offer. Retail advertising often includes price information, service and return policies, location of the store and hours of operation. Often retailers include a number of products in a single advertisement to show and promote the range of merchandise available. Many retail advertisements are designed to feature sales merchandise that will build store traffic with the hope that customers will buy other full-priced items
once they are inside the store. With more and more retailers developing their ‘own label’ brands, retail advertising is quite a common phenomenon in South Africa nowadays. In fact, as pointed out in chapter one (see section 1.2.2), the retail industry is one of the biggest advertising spenders in South Africa.

*Direct response advertising* is one of the fastest-growing tools of marketing communication. It entails direct marketing whereby a product is promoted through an advertisement that offers the customer the opportunity to purchase directly from the manufacturer. Traditionally direct mail has been the primary medium for direct response advertising although television is becoming an increasingly important medium. Direct response advertising has become very popular in recent years owing primarily to changing lifestyles, particularly the increase in dual-income households. This has meant more discretionary income but less time for in-store shopping. Thus, the convenience of shopping through the mail or by telephone has led to the tremendous increase in direct response advertising. Credit cards and tollfree telephone numbers have also facilitated the purchase of products from direct-response advertisements.

- **Business-to-business advertising**

The three basic categories of business-to-business advertising are industrial, professional and trade advertising. Each of these categories is discussed below.

*Industrial advertising* targets individuals who buy or influence the purchase of industrial goods or other services. Industrial goods include those products that either become a physical part of another product (raw material, component parts), are used in the manufacture of other goods (machinery, equipment) or are used to help the manufacturer conduct business (office supplies, computers, copy machines, et cetera). Business
services such as insurance, financial services and health care are also included in this category. Because the audiences are smaller and more specialised, such advertising tends to appear in specialist publications like *Engineering News* and *Farmers Weekly*, rather than in national newspapers or on television (although some industrial advertising does use the latter).

- **Professional advertising** entails advertising targeted at professional groups such as doctors, lawyers, dentists, engineers or professors to encourage them to use or specify the advertiser’s product for others’ use. Professional groups are important because they constitute a market for products and services they use in their business. Also, their advice, recommendation or specification of a product or service often influences many consumer purchase decisions. For example, pharmaceutical companies advertise in medical journals and in sales aids to doctors to encourage them to prescribe these products to their patients.

- **Trade advertising** is advertising directed at wholesalers, retailers and agents to convince them to carry certain national brands in their inventory or to list them and sell them to consumers. Trade advertising can be used for an initial trial for the product, increase trade support or to announce consumer promotions.

- **Corporate advertising**

A substantial proportion of the advertising carried out by companies is not designed directly to promote products. It aims rather at encouraging people to have a clear understanding of what the company stands for - its ‘corporate image’ as often called. This type of advertising can have a number of objectives, in particular to give ‘added value’ to the products of the company, to encourage people to trust and enjoy dealing with the company and to encourage shareholders to think well of the company. This type of advertising largely fulfills a public relations objective.
• Government advertising

Government advertising includes recruitment advertising (for police, nurses, the armed forces, et cetera), consumer advertising (for example Eskom) and cause advertising (for example, safety, anti-drinking such as the drive-alive campaign, health, anti-smoking, et cetera).

• Charity and educational advertising

Charities such as the Cancer Association and the Red Cross advertise to collect funds from supporters and to educate the public. Much charity advertising uses donated newspaper space or poster sites.

• Cause advertising

This type of advertising is also known as advocacy advertising. Advertising is used, for example, to seek support for preventing the destruction of wildlife (for example the SA Wildlife Association) or for many other campaigns to marshal public support for a particular cause, for example the government’s anti-smoking campaign. Political parties similarly use advertising to win support for their policies and gain votes in elections.

• Recruitment advertising

Besides local classified advertising, many companies also use display advertising (usually standing on their own) to recruit staff.
2.4.3 **Advertising media**

This section will focus on the main above-the-line advertising media, which include the following:

- Television
- Radio
- Print
- Cinema
- Outdoor

The above-the-line advertising media as outlined above will be discussed below as electronic/broadcast media (television and radio), print media, and out-of-home media (cinema and outdoor media).

*Electronic/broadcast media*

Advertisers use electronic media because they can reach mass audiences with their message at a relatively low cost per person. It also allows advertisers to add visual and/or sound dimensions to their messages. The opportunity to demonstrate or to show the benefits or results that a particular product can bring gives life and energy to an advertiser's message. The two main forms of electronic media are television and radio. Television uses sight, sound and movement whereas radio can only use its audio capacity to convey meaning. Both media have the potential to sell stories and to appeal to people’s emotions when transmitting a message. These are dimensions that print media find difficult to achieve.
Electronic media are often used by retailers and Fast Moving Consumable Goods (FMCG) companies because of the ability it has to reach particular mass audiences. The advantages and disadvantages of electronic/broadcast media are outlined in table 2.1.

**TABLE 2.1**

<table>
<thead>
<tr>
<th>Advertising media</th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tbody>
<tr>
<td>Television</td>
<td>• Involves most of the senses&lt;br&gt;• Viewers are unlikely to ignore the message&lt;br&gt;• Good for demonstrations&lt;br&gt;• Programming allows for a degree of psychographic targeting&lt;br&gt;• Wide coverage&lt;br&gt;• Prestige value&lt;br&gt;• Can involve the entire family&lt;br&gt;• High impact</td>
<td>• Limited availability of quality time&lt;br&gt;• No reference back to message&lt;br&gt;• Relatively expensive medium&lt;br&gt;• Reaches a general audience&lt;br&gt;• Relatively lengthy preparation&lt;br&gt;• Repetition can irritate the viewer&lt;br&gt;• Only national reach</td>
</tr>
<tr>
<td>Radio</td>
<td>• Is a personal medium&lt;br&gt;• Geographically selective in regional services&lt;br&gt;• National coverage with certain transmissions&lt;br&gt;• Can reach specific audiences at certain times&lt;br&gt;• No literacy necessary&lt;br&gt;• Listening sometimes habitual&lt;br&gt;• Offers theatre of the mind</td>
<td>• Limited availability&lt;br&gt;• No reference back to message&lt;br&gt;• No illustration possible&lt;br&gt;• Only short messages&lt;br&gt;• A background medium demanding attention</td>
</tr>
</tbody>
</table>


A discussion on above-the-line advertising would be incomplete without reference to the type of electronic/broadcast media available in South Africa. Table 2.2 lists the electronic/broadcasting media currently available.
TABLE 2.2

ELECTRONIC/BROADCASTING MEDIA CHANNELS IN SOUTH AFRICA

<table>
<thead>
<tr>
<th>Advertising media</th>
<th>Advertising media channels/stations</th>
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<tbody>
<tr>
<td>Television</td>
<td>• SABC 1</td>
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<td>• SABC 2</td>
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<td>• SABC 3</td>
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<td>• e.tv</td>
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<td></td>
<td>• M-Net:</td>
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<td></td>
<td>- Main service (including open time)</td>
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<td></td>
<td>- Community Service Networks</td>
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<td>- East Net</td>
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<td>- TV Portuguese (TVP)</td>
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<td></td>
<td>- Christian Network (CNW)</td>
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<td>- Shalom TV</td>
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<td>• BOP TV</td>
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<td></td>
<td>• Trinity Broadcast Network (TBN)</td>
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<td></td>
<td>• Digital Satellite TV:</td>
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<td></td>
<td>- ART Africa</td>
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<td></td>
<td>- BBC World on DStv</td>
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<td>- BET on Jazz</td>
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<td>- Bloomberg Information TV</td>
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<td>- Carlton Food Network</td>
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<td>- Carlton Select</td>
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<td>- Cartoon Network</td>
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<td>- CCTV-4 (Central China TV)</td>
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<td>- Channel Africa</td>
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<td>- CNBC</td>
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<td>- CNN International on DStv</td>
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<td>- Deukrom</td>
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<td>- Discovery Channel</td>
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<td>- ERT SAT (Greek)</td>
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<td></td>
<td>- ESPN</td>
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<td></td>
<td>- Hallmark Entertainment Network</td>
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<td></td>
<td>- KTV on DStv</td>
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<td></td>
<td>- MTV Europe (Music Television)</td>
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<td>- Movie Magic Channel in DStv</td>
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<td>- Parliamentary Services</td>
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<td></td>
<td>- SABC Africa</td>
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<td>- Sci-Fi Channel</td>
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<td>- Sky News on DStv</td>
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<td>- Super Sport on DStv</td>
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<td>- Super Sport 2 on DStv</td>
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<td>- Super Sport International on DStv</td>
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<td>- Super Track</td>
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<td>- The Series Channel</td>
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<td>- The Soap Channel</td>
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<td></td>
<td>- TNT Classic Movies</td>
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<tr>
<td></td>
<td>- Travel Channel</td>
</tr>
<tr>
<td></td>
<td>- VII-1</td>
</tr>
<tr>
<td></td>
<td>- Zee-TV</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL: 52 TV STATIONS</strong></td>
</tr>
</tbody>
</table>
Table 2.2 lists the major television channels and radio stations across South Africa. The table lists 52 television stations and 121 radio stations. It should be noted that many electronic media (such as Voice of Soweto) are used for the narrowcasting ability rather than the broadcasting ability they have. This improves the ability to advertise to specific market segments.
Print media

Newspapers and magazines are the main types of print media. They attract advertisers for a variety of reasons but the most important reason is that print media are very effective at delivering a message to the target audience. The print media allow advertisers to explain their message in a way that most other media cannot - visually and verbally. Explanations can be made by a picture or a photograph, such as a demonstration of how a product is to be used. Alternatively, the written word can be used to point out why a product should be used while detailing the advantages and benefits. In reality, advertisers use a combination of visual and verbal communication.

In South Africa advertisers rely heavily on print media to reach target audiences. However, there is still a large portion of the market that is illiterate or semi-illiterate and also aliterate - people who have the ability to read but are unwilling to read (Koenderman 1998a). In these circumstances out-of-home media (see next section below) is a more successful advertising medium.

Table 2.3 outlines the advantages and disadvantages of the main types of print media.

**TABLE 2.3**

ADVANTAGES AND DISADVANTAGES OF PRINT MEDIA BY MAIN TYPE

<table>
<thead>
<tr>
<th>Advertising media</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| Newspapers        | • Provides illustrations and explanations  
                   | • Suitable for high frequency  
                   | • Adaptable to change  
                   | • Relatively cheap per reader  
                   | • Geographically selective  
                   | • Buyers use it as a guide  
                   | • A good news medium |  
                   | • Poor reproduction  
                   | • Short lifespan  
                   | • Is read cursorily  
                   | • Reaches a general audience  
                   | • Many advertisers and little chance of dominating | ...continue |
As for electronic/broadcasting media, an overview of the print media available in South Africa is of the utmost importance. The major print media available locally are depicted in table 2.4.

**TABLE 2.4**

**PRINT MEDIA TYPES IN SOUTH AFRICA**

<table>
<thead>
<tr>
<th>Newspapers</th>
<th>DAILY NEWSPAPERS:</th>
<th>WEEKLY NEWSPAPERS:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Die Burger</td>
<td>The Citizen (Saturday issue)</td>
</tr>
<tr>
<td>Beeld</td>
<td>Cape Times</td>
<td>City Press</td>
</tr>
<tr>
<td>Cape Argus</td>
<td>Daily News</td>
<td>Eastern Province Herald (Saturday issue)</td>
</tr>
<tr>
<td>Daily Dispatch</td>
<td>Evening Post</td>
<td>The Independent on Saturday</td>
</tr>
<tr>
<td>Eastern Province Herald</td>
<td>Pretoria News Weekend</td>
<td>The Natal Witness (Saturday issue)</td>
</tr>
<tr>
<td>The Natal Witness</td>
<td>Die Volksblad</td>
<td>Rapport</td>
</tr>
<tr>
<td>The Star</td>
<td>Die Volksblad</td>
<td>Sunday Argus Weekend</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sunday Tribune</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMMUNITY NEWSPAPERS:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Cape (weekly newspaper):</td>
<td></td>
</tr>
<tr>
<td>• Athlone News</td>
<td>• Atlantic Sun</td>
</tr>
<tr>
<td>• False Bay Echo</td>
<td>• Metro Burger</td>
</tr>
<tr>
<td>• Southern Mail</td>
<td>• Southern Suburbs Tatler</td>
</tr>
<tr>
<td>• Tygerberg Burger</td>
<td>• Tygertalk</td>
</tr>
<tr>
<td>• Eikestad Nuus</td>
<td>• George Herald</td>
</tr>
<tr>
<td>• Paarl Post &amp; Wellington Gazette</td>
<td>• Standard (Worcester)</td>
</tr>
<tr>
<td>• KITS (Kimberley News Digest)</td>
<td>• Noordkaap</td>
</tr>
<tr>
<td>• Stellander</td>
<td>• Overvaal</td>
</tr>
<tr>
<td>Eastern Cape (weekly newspapers):</td>
<td></td>
</tr>
<tr>
<td>• Algoa Sun</td>
<td>• GO and EXPRESS</td>
</tr>
<tr>
<td>• Kei Mercury</td>
<td>• Kowie Annunciator</td>
</tr>
<tr>
<td>• Port Elizabeth Express</td>
<td>• The Representative</td>
</tr>
<tr>
<td>• Kokstad Advertiser and Griqualand Gazette</td>
<td>• UD Nuus / News</td>
</tr>
<tr>
<td>Free State (weekly newspapers):</td>
<td></td>
</tr>
<tr>
<td>• Bloemnuus</td>
<td>• Express</td>
</tr>
<tr>
<td>• Goldfields Tribune</td>
<td>• Heilbron Herald</td>
</tr>
<tr>
<td>• Kroonnuus</td>
<td>• Mshati</td>
</tr>
<tr>
<td>• Noordwes Gazette</td>
<td>• Ons Stad</td>
</tr>
<tr>
<td>• Record (West Transvaal)</td>
<td>• Sasolburg Bulletin</td>
</tr>
<tr>
<td>• Ster (Vaal)</td>
<td>• Vaal Vision</td>
</tr>
<tr>
<td>• Vaal Weekly</td>
<td>• Vrystaat</td>
</tr>
<tr>
<td>North West (weekly newspaper):</td>
<td></td>
</tr>
<tr>
<td>• Herald (Carltonville)</td>
<td>• Herald (Potschefstroom)</td>
</tr>
<tr>
<td>• Record (Klerksdorp)</td>
<td>• Lentswe</td>
</tr>
<tr>
<td>• Noordwes Gazette</td>
<td>• Noordwester</td>
</tr>
<tr>
<td>• Record (Western Transvaal)</td>
<td>• Rustenburg Herout - Herald</td>
</tr>
<tr>
<td>• The Mail</td>
<td>• Vaal Weekblad</td>
</tr>
<tr>
<td>Gauteng (weekly newspaper):</td>
<td></td>
</tr>
<tr>
<td>• Alberton Rekord / Record</td>
<td>• Alex Times</td>
</tr>
<tr>
<td>• City Vision</td>
<td>• Midrand Reporter</td>
</tr>
<tr>
<td>• Northcliff Melville Times</td>
<td>• Randburg Sun</td>
</tr>
<tr>
<td>• Rosebank Killarney Gazette</td>
<td>• Sandton Chronicle</td>
</tr>
<tr>
<td>• Benoni City Times</td>
<td>• Boksburg Advertiser</td>
</tr>
<tr>
<td>• City Vision</td>
<td>• Germiston City News</td>
</tr>
<tr>
<td>• Outlook</td>
<td>• The Sunbeam</td>
</tr>
<tr>
<td>• The Tembisan</td>
<td>• The Herald (Carletonville)</td>
</tr>
<tr>
<td>• Randfontein / Westonaria Herald</td>
<td>• Roodepoort Record</td>
</tr>
<tr>
<td>• Ster (Vaal)</td>
<td>• Vaal Vision</td>
</tr>
<tr>
<td>• Vaal Weekly</td>
<td>• Midrand Reporter</td>
</tr>
<tr>
<td>• Rekord (Pretoria)</td>
<td>• Rekord West/West Nuus/News</td>
</tr>
<tr>
<td>Mpumalanga (weekly newspaper):</td>
<td></td>
</tr>
<tr>
<td>• Mpumalanga News</td>
<td>• Outlook</td>
</tr>
<tr>
<td>• Ridge Times</td>
<td>• Springs &amp; Brakpan Advertiser</td>
</tr>
<tr>
<td><em>continue</em></td>
<td></td>
</tr>
</tbody>
</table>
Northern Province (weekly newspapers):
• Letaba Herald
• Northern Times
• Northern Star
KwaZulu-Natal (weekly newspapers):
• The Kokstad Advertiser
• Sun (South Coast)
• Highway Mail
OTHER WEEKLY PUBLICATIONS:
• Cape Ads
• Junk Mail

Magazines
MONTHLY MAGAZINES:
• Bike SA
• Car Magazine
• Cosmopolitan
• Ebony South Africa
• Enterprise
• Food & Home
• Gardening
• Hustler
• Magnum
• Out There
• Reader’s Digest
• Soccer News
• Top Forty
• True Love
• Your family

WEEKLY MAGAZINES:
• Drum
• F&T Finansies & Tegniek
• Keur
• Rapport Tydskrif
• Time
• Junk Mail

FORTNIGHTLY:
• Fair Lady
• Rooti Rose


Tabel 2.4 lists 17 daily newspapers, approximately 150 weekly newspapers and 43 monthly, 17 weekly and 5 fortnightly magazines. Most newspapers are published in English, Afrikaans and some of the vernacular languages. There are national Sunday newspapers (for example *Sunday Times* and *Rapport*), regional Sunday newspapers, daily newspapers that appear on a regional basis and country or suburban newspapers. Newspapers use low quality paper and
have a short life. Newspapers also offer immediacy, coverage and news. The Sunday Times, currently South Africa’s largest circulating national Sunday newspaper, currently has a readership of more than 3,216 million people (INTERNET: http://www.sundaytimes.co.za). The latter reflects the potential reach and opportunity to see (OTS) (see definitions in glossary attached as annexure A) the advertisements that are published in this medium.

Advertisements compete not only with other advertisements but also with other editorials, news articles, many eye-catching editorial headlines, et cetera. Compared to newspapers, magazines are publications that are more targeting and of a higher quality. Some magazines are more general in nature (for example, Huisgenoot and Fair Lady) while others are more specialised (for example, Garden and Home and Car Magazine). Business-to-business magazines also play a major role in South Africa, such as Financial Mail, Finansies & Tegniek and Finance Week.

☐ Out-of-home media

Out-of-home media include cinema and outdoor media. The appearance of the large number of prestigious shopping centres in urban areas, in particular, revived the cinema as advertising medium. Advertising messages transmitted in a cinema have all the advantages of television-based messages. Audio and visual dimensions combine with darkness in the cinema to provide high impact. However, the audience is more attentive because the main film has yet to be shown and there are fewer distractions in the auditorium, or ‘noise’ (see discussion on the marketing communication model in section 2.2.7) in this communication system. This mean that cinema advertisements have greater impact than television advertisements. Its impact can be used to heighten levels of attention, and, because the screen images are larger than life and appear in a darkened room, the potential to communicate effectively with the target audience is strong.
Outdoor media, as additional out-of-home media type, consists mainly of billboards (hoardings), signs and poster sites. These include bus shelters, buses, trains, sports stadium signs and scoreboard advertisements, aerial signs (hot air balloons), public waste paper bins, et cetera. They are large, mainly stationary media used by national advertisers for detergents, liquor, cars, et cetera. These media are expensive to produce, offering high impact (if used creatively) and not very versatile. Advertising on the company's own trucks and on buses and taxis (public transport) has become quite popular in South Africa and is often referred to as moving media. Other common non-traditional outdoor options used in South Africa include parking-garage booms, floor graphics, washroom advertising, banners, stair rises, blimps and giant inflatables (AdFocus 2001:127). In 2000, the amount spent on outdoor advertising was R327 million, the highest since 1982 (AdFocus 2001:127).

The advantages and disadvantages of cinema and outdoor media are shown in table 2.5.

TABLE 2.5

ADVANTAGES AND DISADVANTAGES OF CINEMA AND OUTDOOR MEDIA

<table>
<thead>
<tr>
<th>Out-of-home media</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cinema</td>
<td>• Involves most of the senses</td>
<td>• Relatively expensive medium</td>
</tr>
<tr>
<td></td>
<td>• Viewers can not ignore the message</td>
<td>• Limited message</td>
</tr>
<tr>
<td></td>
<td>• Good for demonstrations</td>
<td>• Relative lengthy preparation</td>
</tr>
<tr>
<td></td>
<td>• Geographically selective</td>
<td>• Expensive to produce</td>
</tr>
<tr>
<td></td>
<td>• Individual firms provide a high level of psychographic targeting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Viewer receives message in a relaxed atmosphere</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• High-quality reproduction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Very high impact</td>
<td></td>
</tr>
<tr>
<td>Outdoor</td>
<td>• Cost per passer-by is low</td>
<td>• Necessarily a short message</td>
</tr>
<tr>
<td></td>
<td>• Suitable for high frequency</td>
<td>• Reaches the general passer-by</td>
</tr>
<tr>
<td></td>
<td>• Geographically selective</td>
<td>• Relatively limited space available</td>
</tr>
<tr>
<td></td>
<td>• Offers support and serves as a reminder of the other</td>
<td>• High production cost</td>
</tr>
<tr>
<td></td>
<td>advertisement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Large product presentation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• High impact</td>
<td></td>
</tr>
</tbody>
</table>

Up to now, the various above-the-line advertising elements have been discussed in
detail. In turn, the various below-the-line promotional elements of the marketing
communication mix are discussed separately in sections 2.5 to 2.9.

2.5 PERSONAL SELLING

2.5.1 Defining personal selling

The second element of the marketing communication mix is personal selling. Koekemoer (1998:196) defines personal selling as 'a person-to-person process by which the seller learns about the prospective buyer's wants and seeks to satisfy them by offering suitable goods or services and making a sale'. The emphasis placed on personal selling varies from firm to firm on a variety of factors, including the nature of the product or service being marketed, size of organisation and type of industry. Personal selling often plays the dominant role in industrial firms, while in other firms, such as low-priced consumer non-durable goods firms, its role is minimised. In an integrated marketing communications program, personal selling is used as a partner with and not a substitute for the other marketing communication mix elements.

Personal selling differs from other marketing communication elements in that the messages flow from the sender (or group of senders) to a receiver (or a group of receivers) directly (usually face-to-face). The direct and interpersonal communication lets the sender immediately receive and evaluate feedback from the receiver. This communication process allows for more specific tailoring of the message and more personal communication than any of the other marketing communication elements could do. The message can be changed to address the receiver's specific needs and wants.

2.5.2 Nature of personal selling

A discussion of personal selling needs to include a description of the nature of this communication tool. Wotruba (1991: 1-12) identifies the following five distinct stages of personal selling evolution:
• Provider stage. Selling activities are limited to accepting orders from the supplier’s available offering and conveying it to the buyer.

• Persuader stage. Selling involves an attempt to persuade market members to buy the supplier’s offerings.

• Prospector stage. Activities include seeking out selected buyers who are perceived to have a need for the offering, as well as the resources and authority to buy it.

• Problem-solver stage. Selling involves obtaining the participation of buyers to identify their problems, which can be translated into needs, and then presenting a selection from the supplier’s offerings that corresponds with those needs and are likely to solve the problems.

• Procreator stage. Selling defines the buyer’s problems or needs and their solutions through active buyer-seller collaboration and then creates a market offering that is uniquely tailored for the consumer.

According to Wotruba, firms involved in these five stages have to assume different market orientations, as well as different organisational designs, staffing and compensation programs. The different stages require different promotional strategies, each integrated with personal selling to achieve the maximum communication effect.

From Wotruba’s discussion, it is evident that personal selling has evolved from persuasive techniques used to sell a product or service to a much more market-oriented partnership with the customer. The latter requires much broader thinking and expertise on the part of the seller and a more extensive use of the various marketing communication tools. Nowadays, the modern salesperson attempts to establish long-term relationships with the client along the lines of stages 4 and 5 of Wotruba’s classification. This is better known as relationship marketing whereby sales representatives try to establish a long-term, rather than short-term, bond with
Advantages and disadvantages of personal selling

The nature of personal selling positions this below-the-line promotional tool uniquely among those available to the marketer. The advantages include the following (Blem 1997 & Belch et al 1995:557-559):

- Obligation. In a face-to-face setting, prospects are more likely to feel obliged to pay attention to the salesperson’s message.

- Tailored messages. Since the salesperson communicates with only one potential customer at a time, he or she can tailor the message to suit the needs of the specific customer.

- Immediate feedback. Communication flows in both directions during the personal selling process. The customer provides feedback in the form of questions, a frown, a laugh or an objection and the salesperson can establish immediately, through the reaction or body language, whether a particular sales approach is working.

- Complex information. A salesperson can communicate a great amount of complex information that can be transmitted with other marketing communication tools.

- Demonstrations. Products can be demonstrated and visual aids can be used to get the sales message across.

- Customer education. In many instances, the salesperson is likely to make a number of calls to the same client thus providing sufficient time to educate the client about the product benefits and advantages.

- Qualified prospects. Personal selling can be specifically directed at qualified prospects, whereas the other forms of marketing communication can be wasted because many people in the audience are not prospective buyers.
• Expenses match requirements. Advertising and sales promotion often require substantial budgets, whereas the size of the sales force and the attendant expenses can be established to match requirements.

• Closing the sale. Probably the most important advantage of personal selling over other forms of marketing is that it is considerably more effective in closing the sale and getting the signature on the order form.

• Bottom-line responsibility. While advertising, public relations and sales promotion pave the way for personal selling and act in a supportive capacity the sales function has direct bottom-line responsibility to obtain orders.

The various advantages of personal selling are evident from the above discussion. However, this form of marketing communication also has various disadvantages. According to Blem (1997) the main disadvantage of personal selling is that a sales representative can only communicate with a small number of potential customers. Consequently, personal selling is much more costly than the other marketing communication tools. Besides these disadvantages, Belch et al (1995: 558-559) also list the following disadvantages of personal selling:

• Inconsistent messages. The sales message prepared by the marketing staff may be altered by the salesperson in ways that the marketer did not intend.

• Sales force/management conflict. Due to faulty internal communications and/or conflicts between the salespeople and management the communication process is often not as effective.

• Potential ethical problems. Some salespeople are not entirely ethical and sometimes sales representatives bend the rules or ignore the best interest of the firm in order to get a sale.
The informal nature of direct selling has proved to suit the South African environment and find considerable favour in townships especially where a well-established tradition of people trading from home exists (Cant and Machado 1998: 212). Personal selling in South Africa is also a vital part of Tupperware's marketing communication mix (Cant et al 1998: 374). Brochures, including invitations, flyers, catalogues and order forms are readily available to be used as sales tools by a demonstrator (salesperson) to promote the tupperware product range and assist in the recruiting process. A Hostess Gift Catalogue is also used to help hosts/hostesses to identify the particular gifts that they wish to earn when hosting a demonstration. This catalogue helps the demonstrator to motivate the hostess to try for additional sales in order to qualify for a higher-level gift.

2.6 SALES PROMOTION

Sales promotion is another below-the-line promotional element in the marketing communication mix. Strydom et al (2000:397) and Koekemoer (1998:235) define sales promotion as 'a blend of marketing activities and materials designed to intensify the efforts of the marketer's sales force, induce intermediaries to stock and sell the marketer's product offering and/or persuade consumers to buy the product offering within a specified, limited time period'.

2.6.1 Sales promotion objectives

According to Strydom et al (2000:398-399) some general sales promotion objectives are to:

• encourage salespeople to identify their efforts to sell a 'slow-moving' product in the range
• challenge salespeople to sell more of a certain product to existing customers
• encourage salespeople to locate and qualify more prospects
• encourage salespeople to set up more in-store displays
• encourage salespeople to train more distributor salespeople
• induce wholesalers to carry a particular product line
• persuade distributors to promote (push) a particular brand in their promotional activities
• persuade retailers to give a particular brand shelf space
• encourage retailers to support a sales promotion campaign by carrying more inventory of a particular product
• persuade retailers to participate in a contact-operative in-store promotion
• induce product trial by consumers
• encourage existing consumers to buy more of the product
• minimise brand switching by consumers
• build consumer goodwill and
• encourage repeating purchases.

2.6.2 Sales promotion categories

According to Van der Westhuizen in Koekemoer (1998:262-282) sales promotion activities fall into three broad categories, namely:

• internal sales promotion
• trade sales promotions and
• consumer or end-user sales promotions.

Each of these sales promotion activities is discussed below.

☐ Internal sales promotions

Internal sales promotions are invariably aimed at the sales force. This form of promotion intends to find new customers, boost sales of selected products in a range, counteract seasonal slumps in sales, introduce new products to the market, obtain a better balance of sales across the product range and encourage dealers/distributors to build in-store product displays. Other objectives, such as team building and improving relationships, may also be appropriate.
Businesses that depend on their sales team to generate a significant amount of transactions on a daily basis, often implement sales incentive programmes to provide additional motivation for them to sell. Sales incentive programmes help businesses inspire their team members to give that extra effort so that the company could grow. At the same time, sales incentive programmes provide employees with a bonus that displays the company's appreciation of their hard work and efforts. According to Business-to-business-resources.com, well planned sales incentive programmes have the following advantages (Business-to-business-resources.com 2002) of:

- improving the relationship between the customer, employees and the company as a whole
- enhancing the speed and quality of customer services
- increasing and promoting brand awareness and brand recognition
- launching and introducing new products, services and innovations
- increasing the company's presence within the marketplace, which could potentially lead to increased market share and
- helping to generate more sales.

As noted above, sales incentive programmes can benefit the organisation in a number of ways. For example, they present several advantages to the employee. First, sales incentive programmes provide staff members with some or other extra advantages whether it is cash, prizes or company benefits. Furthermore, sales incentive programmes can also profit the employee in intangible ways. Boost in morale, spirit and attitude are all likely to occur when sales incentive programmes are implemented. However, companies that choose to implement sales incentive programmes should be aware that these kinds of programmes could lead to an over-competitive environment where the sales team members are their own rivals. This is not always the case, though, and sales incentive programmes often lead to increased teamwork and comradeship amongst team members. Nonetheless, once the programme is implemented, it should be closely monitored to ensure that it promotes a healthy, competitive, yet team oriented work environment. Above and
beyond these benefits, sales incentive programmes can also profit the sales team in
the following ways (Business-to-business-resources.com 2002):

- increased education on products sold and services rendered
- heightened number of customer accounts and/or
- improved relationships with the consumer, which could lead to promoted
customer retention and word-of-mouth referrals.

In the travel and transport sector internal sales promotions are, for example,
conducted by companies such as British Airways (BA). For its 2001 internal sales
promotion campaign, BA included 1200 employees in its service improvement and
performance recognition programmes. The aim of the campaign was to improve
services, customer retention and employee recognition. More specifically the
internal sales promotion aimed at creating customer loyalty through excellence in

Some sales force incentive programmes can also entail selecting merchandise from
a merchandise catalogue. For example, in the information technology industry the
computer conglomerate Gateway has developed an employee reward programme to
support the company’s service improvement and performance recognition aims. The
reward programme is based on individual employee performances. Each reward is
allotted either a ‘gold’, ‘silver’ or ‘bronze’ status. Based on this, each recipient can
select products, including electronics (televisions), housing items and jewellery from
an on-line catalogue. Employees receiving golden awards can select more expensive
on-line products than those receiving silver or bronze awards (Lee, 2002).

Some furniture retail stores in South Africa such as Geen and Richards and Bears
also make use of cash prizes and travel prices (such as a trip to the Comores) to
motivate sales people. Tupperware South Africa continuously motivates
demonstrators (salespeople) and managers at weekly distributor rallies at which new
and promotional products, sales incentives and recruiting challenges are launched.
Tupperware South Africa also runs international travel and other recognition
programmes for distributors, who are continuously competing against each other to achieve both short- and long-term incentives (Cant et al 1998: 374).

□ Trade sales promotions

Sales promotion programmes directed at resellers (mainly wholesalers and retailers) are usually referred to as trade sales promotions. The aims of a trade sales promotion are to introduce new or improved products, increase the distribution of new packages or sizes, build retail inventories, maintain or increase the marketer's share of shelf space, obtain additional product displays (outside normal shelf locations), reduce excess inventories and increase turnover, counter competitive activity, induce the salespeople of resellers to recommend the marketer's brand(s) and sell as much as possible to final consumers.

The objectives for trade-oriented sales promotions according to Belch et al (1995:502-503) are to:

- Obtain distribution and support for new products. Trade promotions are often used to encourage retailers to give shelf space to new products. Manufacturers recognise that only a limited amount of shelf space is available in supermarkets, drugstores and other major retail outlets. Thus they provide retailers with financial incentives to stock new products. For example, discounts are offered to retailers to stock new brands and promote new brands.

- Maintain trade support for established brands. Brands that are in the mature phase of their product life cycle are vulnerable to losing wholesale and/or retail distribution, particularly if they are not differentiated or if they face competition from new products. Trade deals encourage wholesalers and retailers to continue to carry weaker products because the discount increases their profit margin.
• Encourage retailers to display and promote established brands. An important goal of a marketer is to obtain retail store displays of a product away from its regular shelf location. Display of products in display areas such as the end of aisles, near checkout counters and elsewhere, provides for the probability of shoppers coming in close contact with the products. Such attempts could significantly increase a brand’s sales during a promotion. South African supermarkets such as Pick ’n Pay, Spar, Shoprite/Checkers and OK Bazaars often display products, such as cakes and champaign, during the Christmas season.

• Build retail inventories. There are several reasons why manufacturers use trade promotions to load a retailer with their products. First, wholesalers and retailers are more likely to push a product when they have high inventory levels rather than storing it in their warehouses and back rooms. Building channel members’ inventories also ensures they will not run out of stock and thus miss sales opportunities. Also some manufacturers of seasonal products offer large promotional discounts so retailers will stock up on their products before the peak season begins. This enables the manufacturer to smooth out seasonal fluctuations in its production schedule and passes on some of the inventory carrying cost to the wholesalers and retailers. Moreover, when retailers stock up on a product before the peak season, they often run special promotions and offer discounts to consumers to reduce excess inventories.

The forms of trade sales promotions most frequently used (Van der Westhuizen in Koekemoer 1998:265-274 and Belch et al 1995:477 & 503-510) include:

• Trade allowances or trade deals

  - The most common trade allowance or deal is the buying allowance. Simply put, the marketer provides deals to the trade in the form of
free goods or price reductions in return for buying certain quantities of the product. For example, the marketer will give the reseller one case of the product for every ten bought at the 'regular price'. The reseller, of course, sells the additional free product and, thus, effectively increases the gross margin normally realised on the particular brand. Easy Waves, a company producing black hair care products in South Africa, is a typical example of a company providing promotional discounts to the trade. As inducement for trial, trial-size sachets of the Easy Wave product range and price-off coupons on the main products are used to promote products (Cant et al 1998: 137).

An additional allowance or trade deal is referred to as a *slotting allowance* (also known as a stocking allowance, introductory allowance or street money). A slotting allowance is literally a lump-sum fee paid up front to the reseller (mainly retailers) to stock the marketer’s new product. According to Neethling (National Sales Operations Manager of Kellogg South Africa) the Kellogg breakfast cereal company in South Africa pay Pick 'n Pay a certain allowance to stock and shelve its newest breakfast cereal products (Neethling 2002).

Many consider slotting allowances nothing less than a bribe, but resellers, particularly large retailers, argue that slotting allowances are a legitimate cost of doing business. When a retailer takes on a new line, several additional expenses are incurred, which include the cost of warehouse storage space, adding the product to the computerised inventory system, reassigning shelf space and notifying managers of the new product. Furthermore, retailers argue that there is also a risk factor. Particularly in the grocery industry, at least half of the new products introduced annually fail (Shimp 1993:471).
Whether marketers like it or not there seems little possibility that this entrenched trade practice is likely to disappear. It seems that the only way marketers can avoid paying slotting allowances is to make their new products so desirable that resellers will actually want to stock them (i.e. the pull strategy).

Belch et al (1995:505) also lists promotional allowances as additional trade allowances. Promotional allowances are provided to mainly retailers for performing certain promotional or merchandising activities in support of their brands. Sometimes referred to as merchandising allowances, they can be given to retailers for providing special displays away from the product’s regular shelf position, running in-store promotional programmes, or including the product in an advertisement. According to Neethling (Kellogg National Sales Operations Manager) South African supermarkets such as Pick ’n Pay provides special displays for Kellogg breakfast cereal brands during regular in-store promotional programmes (Neethling 2002). Duracell Eveready South Africa is also investing heavily in display and merchandising development. A wide range of Duracell Eveready battery products is often displayed at retail till points (such as Dions) for which retailers charge a merchandising allowance. Furthermore, Cadbury South Africa also invests money in creating maximum impact in retail stores, such as Checkers, by employing distribution agencies to help traders make the best of displays (Traders Yearbook and Buyers Guide 2000). The marketer usually has guidelines or a contract specifying the activity to be performed to qualify for the promotional allowance. The allowance is usually a fixed amount per case or a percentage deduction from the list price for the merchandise ordered during the promotional period.
Cooperative (or co-op) advertising

This form of advertising is a cooperative agreement between a marketer and a reseller, usually a retailer. Co-op advertising is usually initiated by the marketer and features the marketer’s product(s) and the retailer’s establishment. The advertising ‘message’ is basically that product x is available from retailer y. Such advertisements are placed in the local media in the area served by the retailer and the cost is shared by the marketer and the retailer. Nowadays, Cell C (one of the leading cellular network operators in South Africa) and Woolworths South Africa combine advertising efforts to market Cell C’s product packages in local media such as The Sunday Times (Sunday Times 2002a: 12).

Belch et al (1995:508-509) identifies three types of co-op advertising. These include:

- **horizontal co-op advertising**, which refers to advertising sponsored in common by a group of retailers or other organisations providing products or services to the market

- **ingredient-sponsored co-op advertising**, whereby marketers provide advertising money based on the number of products bought and

- **vertical co-op advertising**, whereby a manufacturer pays for a portion of the advertising a retailer runs to promote the manufacturer’s product and its availability in the retailer’s place of business. Here the manufacturer shares the cost of advertising run by the retailer on a percentage basis (usually 50:50).

Co-op advertising can take on several forms. For example, retailers may advertise a manufacturer’s product in a newspaper advertisement featuring a number of different products, and the individual manufacturers reimburse the retailer for their portion of the advertisement. Or the advertisement may be prepared by the
manufacturer and placed in the local media by the retailer. Co-op advertising is used for many types of Fast Moving Consumer Goods (FMCG) and consumer durables and has several advantages for marketers and retailers. It is a relatively inexpensive form of advertising for retailers - they can get twice as much (or perhaps even more) advertising for the same amount of money they would have spent without co-op advertising. Marketers can obtain advertising support on a local market basis and get their product(s) associated in the consumer’s mind with special retail offers. Furthermore, marketers have found that co-op advertising stimulates greater retail support. In addition, marketers cooperating with local retailers may be able to gain access to the local media at a lower rate than normal. This is because local media, particularly newspapers, frequently charge lower rates to local advertisers than to national advertisers.

Apart from the advantages, co-op advertising has one particular disadvantage. In many instances a co-op advertisement induces a consumer to go to a particular retailer for the product(s) advertised. While being there, however, the consumer is ‘exposed’ to a variety of competing products. Naturally, the retailer’s main objective is to sell something to the consumer even if it is a competitive product. Hence, co-op advertising frequently generates ‘shop traffic’ for the retailer without necessarily benefiting the product of the marketer involved.

**Vendor support programmes (VSPs)**

In contrast with co-op advertising, VSPs are initiated by retailers and not the marketers. A retailer will develop an advertising campaign and invite a number of marketers (of non-competing products) to pay a specific percentage of the media cost for the proposed campaign. If, for example, the retailer was successful in persuading ten marketers to each pay ten per cent of the cost, the campaign will effectively cost the retailer nothing.
Trade contests and incentives

Marketers frequently devise programmes similar to those devised for salespeople for the department managers and sales people of resellers. Trade contests are usually related to meeting sales quotas established by the marketer. As in their 'internal' contests, these are typically short-term and prizes may be cash, merchandise or travel. Gabriel South Africa (Pty) Ltd, for example, provides incentives, such as worldwide holidays and a catalogue system whereby points are awarded for volume sales, which may be exchanged for promotional items (Brands and Branding in South Africa 1997: 123). Trade incentives are also usually given to retail managers and salespeople in return for performing certain tasks. These may range from keeping a special product display fully stocked at all times to assisting consumers to prepare competition entry forms. A very special form of incentive directed at retail salespeople is called push money or a 'spiff'. Marketers provide cash to salespeople to encourage them to ‘push’ certain products in the marketer’s line, such as a newly introduced item.

Point-of-purchase (POP) displays and materials

One of the most important forms of sales promotion in retail outlets is display. Displays and a variety of display materials are all designed to attract consumer attention by enhancing the prominence and attractiveness of the products displayed. Marketers benefit from POP displays in the sense that they keep the marketer's name and brand name(s) visible to the consumer, they reinforce brand images established by advertising, calls attention to special offers and stimulate impulse purchases. For the retailer POP displays attract the consumers’ attention and direct them to product(s) featured. They furthermore increase consumers’ interest in shopping, extend the amount of time spent in the shop and help to optimise space location. Not only do the marketer and retailer benefit from POP displays. POP displays also provide useful
information to the consumer that often assists in the purchase decision while simplifying the shopping process. Various types of point-of-purchase displays/materials are covered by the following basic categories:

- End-of-aisle display. Probably the most visible type of retail display is the end-of-aisle display, also called the gondola end. As the name implies, these are located at the end of each aisle in a retail establishment and span the two rows of back-to-back shelves. End-of-aisle displays are usually large, strategically located and attract high shopper traffic. This form of display is 'expensive' in that the marketers pay a premium for such displays. Kellogg breakfast cereal brands are often displayed at the end of aisles in supermarkets such as Pick 'n Pay (Neethling 2002).

- Front-of-store displays. Similar to the end-of-aisle displays are the front-of-store displays, which are located at the front of the shop near the entrance. Front-of-store displays are also usually large and, simply by virtue of their position, attract high shopper traffic. They are also 'expensive' but the cost must be related to the visibility that they generate and the overall impact they make on the shopper. Cadbury South Africa's chocolate bars are often displayed on front shelves of retail stores such as Pick 'n Pay and Shoprite/Checkers as these products are seen as impulse purchases. Duracell Eveready South Africa also markets its products on display at till point stands (Traders Yearbook and Buyers Guide 2000).

- In-aisle displays. Where feasible, retailers will allow marketers to set up in-aisle displays. Care must be taken, of course, to avoid creating congestion in the aisles. Not only could this be a safety concern but in-aisles displays often frustrate shoppers when the display obscures a product they are looking for, limits access to items on adjacent shelves and/or hampers the movement of shoppers through the aisle.
Besides these concerns, in-aisle displays can provide valuable exposure for products on promotion and frequently lead to impulse purchases. The Gillette Mach3 razor blade is a typical example of a product being displayed in the aisles of retail shops such as Clicks.

- Shelf-talkers. Used extensively on merchandise, shelf-talkers 'talk' to shoppers as they pass. Generally constructed of flexible materials they are attached to shelves immediately adjacent to the product being promoted. They can be fixed or mobile and their objective is to draw the shopper's attention to the product on promotion. It follows that they will only be used during the period of a promotion and that there should not be many of them on one shelf in order to avoid shelf 'clutter'. Although seemingly small, insignificant items, shelf-talkers can often draw sufficient attention to influence the shopper's buying behaviour in favour of the product being promoted. The largest privately owned pharmaceutical company in South Africa, Pharma Natura, for example, uses buttons and lights to link ailments to corresponding Vitaforce products (Brand and Branding in South Africa 1997: 113).

- Coupon dispensers. As the name indicates, coupon dispensers dispense coupons right next to the item being promoted. The objective is to persuade the shopper to take a coupon for the product, an inducement that is often sufficient to switch the purchase choice from a competing brand that is not offering a coupon. Coupon dispensers are often equipped with a small flashing light in order to attract attention. The black hair care product company, Easy Waves, for example, uses price-off coupons on some main products as inducement for trial (Cant et al 1998: 137).
Training programmes and sales meetings

Depending on the type of product, many marketers provide extensive training for the staff of their dealers, distributors and retailers. The more complex the product, the more appropriate it becomes. Even for relatively straightforward products, such as refrigerators, knowledgeable retail sales people will be appreciated by consumers and will thus be far more effective. Many marketers make their field salespeople responsible for dealer, distributor and retailer staff training. In order for this practice to be effective, the level and quality of training given should be professional. The advantages for the marketer are obvious - dealer, distributor and retailer salespeople who have been trained by a particular marketer will generally tend to ‘push’ the marketer’s product(s). Similarly, sales meetings arranged either exclusively for dealer, distributor or retailer salespeople or in conjunction with the marketer’s own salespeople are usually good investments. Such meetings (which are ideally conducted in a very professional manner) tend to make the dealer, distributor and retail salespeople feel like ‘part of the family’, with the associated benefits for the marketer. In South Africa, the sewing machine manufacturer Bernina is one of many companies providing intensive staff training to dealers, distributors and retail salespeople (Brands and Branding in South Africa 1997: 107).

Speciality advertising

This type of trade sales promotion can be defined as an advertising/sales promotion medium that uses a variety of materials and useful articles to carry the marketer’s identifications (for example, a logo) and simple advertising messages to its target audience. Speciality advertising keeps the marketer’s name visible to customers and prospects. There are an almost unlimited number of items that fall under this heading but the most familiar are T-shirts, calendars, ballpoint pens, pencils and stickers. Many of these items are allocated to salespeople to be given to customers.
and prospects. They are also given to visitors at trade shows and to people who attend new-product launch functions and a host of other special events, such as company sponsored golf days. Some examples of South African companies running speciality advertising, include, among others, the GuardBank Unit Trust (calendars) and Sasol (giveaways such as Amaglug-glug stickers) (Brand and Branding in South Africa 1997:129 & 136).

• Trade shows

Although not strictly sales promotion events, trade shows provide an extremely effective opportunity to introduce new products and attract new dealers and distributors. There are a large number of trade shows each year, many being regional in nature while others are international in scope. Some trade shows are restricted to the trade concerned while others are completely open. While the cost of participating in trade shows can be substantial, the benefits can indeed justify the cost. As with all forms of promotion, marketers should carefully consider whether or not participation in a trade show will make a positive contribution to the overall marketing communication strategy. Trade shows have the specific result of bringing marketers, buyers, and competitors together in a limited space. Exhibitors can accomplish both selling and non-selling objectives. Many marketers will take product orders at trade shows or will frequently offer a special ‘trade show price’ as an inducement. Marketers may also use trade shows to gather marketing research data from those who visit their exhibit. At trade shows marketers can also gather useful information on competitive products. Regular trade shows held in South Africa include, among others, the Decorex South Africa show (interior design and decor), the MAD (Media, Marketing Advertising & Design) Expo (a dynamic and colourful activity-driven showcase representing the entire media, marketing, advertising and design industries) and the Bix Show (international franchise and business opportunities expo) (INTERNET: http://www.cargoinfo.co.za).
Consumer or end-user sales promotions

The simple reason why consumers respond to sales promotion efforts of marketers is that they are offered rewards. These rewards vary considerably but basically are either cash savings or free gifts. In many cases rewards are immediate, while others are delayed. An immediate reward is one that is given to the consumer directly when he/she obliges to the instructions of the marketer. For example, consumers receive the cash savings offered by a coupon when they buy the specified product and redeem the coupon. On the other hand, delayed awards are received days or even weeks after performing the behaviour required by the marketer. An example will be a mail-in rebate where there will be a delay of several weeks before the rebate is received from the marketer. In general, consumers are more responsive to immediate rewards than to delayed rewards. The broad objectives of consumer-oriented sales promotions according to Belch et al (1995:484-485) are as follows:

- Obtaining trial and repurchase. One of the most important uses of sales promotion techniques is to encourage consumers to try a new product or service. However, thousands of new products introduced to the market each year, fail due to the fact that the product or brand lacks the promotional support required to encourage initial trial by enough consumers and to induce enough of those trying the brand to repurchase it.

- Increasing consumption of an established brand. Marketers attempt to increase sales for an established brand in several ways, and sales promotion can play an important role in each. One way to increase product consumption is by identifying new uses for the brand. Sales promotion tools, like recipe books or calendars that show various ways of using the product, are often used to accomplish this. Another strategy for increasing sales of an established brand is to use promotions that attract non-users of the product category or users of a competing brand. Attracting non-users of the product category can be very difficult, as
consumers may not see the need for the product. However, sales promotions can be designed to appeal to non-users by providing them with an extra incentive to try the product. A more common strategy for increasing sales of an established brand is to attract consumers who are using the competing brand. This can be done by giving them an incentive to switch such as a coupon, premium offer, bonus pack, or price deal.

- **Defending current customers.** With more new brands entering the market every day and competitors attempting to take away customers through aggressive advertising and sales promotion efforts, many companies are turning to sales promotion programmes to hold present customers and defend their market share. A company can use sales promotion techniques in several ways to retain its current customer base. One way is to load the market with the product, another to take the product out of the market for a certain time. Special price promotions, coupons, or bonus packs can encourage the consumer to stock up the brand.

- **Enhancing advertising and marketing efforts.** A final objective for consumer trade promotions is to enhance or support the advertising and marketing effort for the brand. Sales promotion techniques such as contests or sweepstakes are often used to draw attention to an advertisement and increase the consumer’s involvement in the message and the product.

The most common types of consumer sales promotion tools or techniques as described by Van der Westhuizen in Koekemoer (1998:274-282) and Belch et al (1995:477 & 486-502) are as follows:

- **Sampling.** Sampling can be defined as any method used to deliver an actual- or trial-sized product to prospective consumers. The concept of a ‘free sample’ is very easy for consumers to understand. This form of sales promotion is often used and is considered to be the most effective
in influencing trial purchase. The logic of offering consumers a free sample of a product is simple. They are being offered an opportunity to try the product without any specific commitment to buy it. Naturally, the marketer hopes that consumers will be so impressed with the sample that they will purchase the product sampled. Certain products like food and personal care products lend themselves more to sampling than, for example, a new camera. However, a form of sampling used for a variety of consumer durable goods are product demonstration, such as test driving a new car. Demonstrations are also common in the marketing of industrial and capital goods. Some examples of products that were branded in South Africa after having used sampling or product demonstrations as marketing communication tools, include the following (Traders Yearbook and Buyers Guide 2000 and Brands & Branding in South Africa 1997: 42, 50 & 93):

- Colgate. Samples of new Colgate Triple Action fluoride toothpaste were provided during one of its 2000 marketing campaigns.

- Unbelievable Chicken. One of the biggest in-store sampling demonstrations was put together in 1997 to ensure trial and purchase.

- Speed Stick. One of their biggest ever sampling campaigns promoting stick deodorant and antiperspirant brands (1 million units) occurred at the end of the 1990s.

- Blossom. In-store demonstrations are used to communicate the versatility and suitability of its oil and margarine in terms of its cooking and baking and spreading applications.

Samples are offered and delivered to consumers in several ways, for example:
Sampling through the mail. Samples are offered to consumers via the mail (direct mail) for especially small, light weight, and non-perishable products.

Door-to-door sampling, in which the sample is delivered directly to the prospect's residence by special distribution crews.

In- or on-package sampling, usually in high traffic locations (shopping malls, airports) where the sample of a product is attached to another item.

In-store sampling used in shops, especially supermarkets (by product demonstrators), and in newspapers and magazines (such as fragrances on tear-out strips).

Besides being an expensive promotion tool, mass mailing of samples may be mishandled by postal service, samples distributed door-to-door or in high-traffic locations may not reach target consumers or in- or on-package sampling could exclude those consumers who do not buy the 'carrying' brand.

Couponing. A coupon may be defined as a promotional device that provides cash savings to consumers who redeem the coupon. The coupon will typically specify three things: the specific brand and package size that must be purchased, the value of the coupon and the expiry date of the coupon. Especially marketers of FMCG are major users of coupons but more and more marketers of other consumer products, and even services, are using couponing as promotional tool.

Coupons, as a promotional tool, have been criticised in the past as not only being wasteful but also being expensive. However, the extensive use of coupons suggests that they are effective. The main types of coupons used include:
- Point-of-purchase coupons, which include: *instant coupons* (for example scratch cards) which are usually affixed to the product package and peeled off at the checkout, *shelf-delivered coupons* taken from the coupon dispensers affixed to the shelves in retail outlets, and *scanner-generated coupons* dispensed at the checkout. For the latter coupon type, the system generates a coupon for the subscribing marketer's product when the scanner detects the purchase of a competitive brand.

- Mail- and media-delivered coupons. Although expensive, coupons could be sent to consumers via the mail in order to target the market more accurately. Coupons could also be distributed through newspapers and magazines. The delivery cost of media-delivered coupons is much lower than mail-delivered coupons but media-delivered coupons generally produce much lower levels of redemption than mail-delivered coupons. The South Africa magazine 'Huigenoot' publishes coupons that could be redeemed by the consumers at any supermarket of their choice. Through these coupons cash savings is made possible on edible and non-edible products, such as soup, frozen vegetables, bread, rice, maize meal, cake flour, washing powder, shampoos, toilet paper, soap and toothpaste.

- In- and on-pack coupons. These coupons are either affixed to the outside of the product package or placed inside the package. In- and on-pack coupons cannot be removed easily and are usually on the package (for example, a cereal box) that have to be cut in order to be redeemed. A major advantage of this coupon type is that there is virtually no distribution cost involved since the coupons are 'delivered' with the product. Parmalat (South African dairy company) yoghurt and cheese brands are marketed at retail outlets in
South Africa by using coupons to encourage trial and repeated purchases. Coupons, that are neck-tagged to fruit juice containers shelved at many retail outlets in South Africa are a typical example of an on-pack coupon used locally. Near-pack coupons are also used at retail outlets to market products. According to Pieterse (Business Manager Clover Beverages), Clover South Africa uses demonstrators at retail outlets to issue coupons to customers purchasing one of Clover’s Ultra Mel long life dairy products (Pieterse 2002).

- Premiums. A premium can be defined as an item of merchandise offered by marketers to induce action on the part of the consumers. The action may not necessarily be immediate purchase; it may be for franchise-holding purposes or for image reinforcement purposes. The three most common types of premiums include:

  - In-, on- or near-pack premiums. *In- or on-pack premiums* offer an item inside or attached to the product package. In many cases the ‘package’ itself is the premium, such as a reusable container of some sort. Near-pack premiums are items provided to retailers and then given to consumers who purchase the product being promoted. Very often these premiums are attractively displayed, adding to the inducement to purchase. Near-pack premiums have the added advantage that they are less expensive than on-pack premiums because additional packaging is not required. Simba, South Africa’s market leader in potato chips, for example use their Simba Potato Chip brands as an in-pack premium. A series of Pokemon ‘cards’ is included in potato chip packages. The cards are attractive collection items among South African youths and serve to stimulate higher sales volume. Simba is also symbolised by characters such as ‘Simba the Lion’, which use premiums to reinforce the customer’s association with the character (Brands and Branding in South Africa 1997:102).
- Free-in-the-mail premiums. A free-in-the-mail premium is usually an item (not available in shops) that is sent to selected consumers who have provided proof of purchase of a specified number or value of products. While this type of premium may include trial purchase, it is more often used to accomplish the franchise’s objective to distinguish themselves from others. It rewards brand-loyal consumers and encourages repeated purchase behaviour.

- Self-liquidating premiums. A self-liquidating premium is an item offered by the marketer and is perceived by consumers to be very good value for money. Consumers are expected to provide a specified number of proofs of purchase of the marketer’s product and to pay a ‘nominal’ sum for the premium, plus mailing and handling cost. In essence, consumers pay the actual cost of the premium, hence the title ‘self-liquidating’. In practice, the premium is frequently another item in the marketer’s product line (complementary to the one purchased) or an item specifically made for the marketer, generally not available in shops. Self-liquidating premiums can reinforce and strengthen a brand’s image through association with an attractive premium. It can also boost retailer support and secure shop space.

- Price-offs. A price-off promotion entails a reduction on the brand’s regular price. Although this type of promotion may seem to benefit only consumers, there are situations where it can be useful for marketers to reward present brand users, induce consumers to purchase larger quantities that they normally would, establish a repeat-purchase pattern after initial trial purchase, ensure that promotional money does indeed reach consumers or obtain additional off-shelf display space in retail outlets. For example, South African retailers, such as Clicks, often provide price-off promotions on, among others, beauty products (Clicks 2002).
• Bonus packs. A bonus pack is an extra quantity of product that marketers give to consumers without an increase in the price for the regular size. This could be in the form of five tubes of toothpaste for the price of four, for example, or a specially made product package that shows an extra quantity of the product for 'free'. The extra value available to the consumer is very visible and this type of promotion can be a useful tactic for 'loading' current users and effectively removing them from the market for a while. This is often successfully used against an aggressive competitor attempting to switch consumers to their brand. During its February/March 2002 promotion campaign, Clicks, for example, offered bonus packs on beauty products, such as mask facials (buy-one-get-one-free).

• Refunds and rebates. Refunds and rebates are simply cash discounts or reimbursements given to consumers on submission of proof of purchases. The difference between the two is that refunds are typically provided by marketers of FMCG, whereas rebates are typically provided by marketers of consumer durables, especially appliances and automobiles. Marketers usually use such incentives to stimulate purchase behaviour and to obtain franchise-holding objectives. For marketers of FMCG refunds provide an alternative to coupons and also reinforce brand loyalty. Manufacturer rebates are usually provided, for example, to an automobile dealership after a customer has purchased a new car, the amount effectively reducing the purchase price.

• Contests and sweepstakes. Contests and sweepstakes offer consumers the opportunity to win cash, merchandise or travel prizes. The difference between the two is that in a contest entrants are required to exhibit at least some skill, no matter how elementary, such as solving a problem, completing a puzzle, et cetera. In addition, entrants may be required to submit proof of purchase of the marketer's product. A sweepstake, on the other hand, determines winners purely on the basis of chance, much like a lottery, and marketers are usually obliged to specify that 'no purchase
is necessary' in order to enter the sweepstake. For this reason consumers generally prefer sweepstakes.

- Overlay promotions. An overlay promotion is simply the use of two or more sales promotion techniques in combination. By combining a coupon and a sweepstake, for example, marketers could significantly increase the likelihood of consumer interest. In addition, such campaigns are usually more appealing to retailers and induce them to give the marketer more display space for the product being promoted.

- Tie-in promotions. A tie-in promotion is the simultaneous promotion of two or more brands in a single campaign. Effectively, this is the pooling of promotional resources of two or more brands, products or services. There are two major forms of tie-in promotions, namely:

  - An intra-company tie-in promotion. This is a joint sales promotion effort for two brands (such as shampoo and deodorant) belonging to a single marketer. Such campaigns work particularly well when the products chosen are complementary. However, in order to be effective, the products chosen must appeal to the same market segments.

  - An inter-company tie-in promotion. This involves a joint promotion of products from two companies that are not in direct competition with one another but whose products or services are complementary. Once again, the two products or services must appeal to the same market segments. Typical examples of inter-company tie-in promotions would be a hotel chain with an airline or a car rental company. In South Africa, the fast food chain 'Bimbos' has opened stores at Engen petrol service stations and often the promotional efforts of these companies are combined (Brands and Branding in South Africa 1997:174).
• Continuity programmes. A continuity programme, sometimes referred to as a loyalty programme, is an incentive-based promotion aimed at increasing long-term purchase behaviour. Continuity programmes differ from other repeat-purchase promotions in that the former relate to the long-term whereas the latter focus on the next purchase. There are many examples of continuity programmes, one of the earliest being the ‘frequent flyer’ promotions introduced by the airlines such as, among others, British Airways (BA) and the South African Airways (SAA).

Today continuity programmes are used for a wide variety of products and services although they seem to be favoured by marketers of services. A few examples include the ‘buy-one-get-one-free’ pantyhose programme offered by major retailers, the frequent diner programme offered by many restaurants and the ‘seventh-one-is-free’ programmes offered by many car washers. In each case the objective is simply to encourage customers to continue to support the marketer offering the incentive.

• Event sponsorship. An event sponsorship is the partial or total sponsorship by the marketer of a prominent event and could be linked to a sales promotion aimed at consumers or end-users. For example, Castle Lager sponsors cricket tours and winners of tickets that are provided could tour with the national cricket team to some countries (England or Pakistan).

Events that could be sponsored range from arts and cultural events to sporting events, although sporting events seem to be by far the most popular.

2.7 DIRECT MARKETING

Direct marketing means that organisations communicate directly with the target consumers in order to generate a response and/or transaction. Direct marketing is not traditionally considered as an element of the marketing communication mix.
However, because it has become such an integral part of the integrated marketing communication programme of many organisations and often involves separate objectives, budgets and strategies, direct marketing is nowadays part of the marketing communication mix. Koekemoer (1998:290) defines direct marketing as 'an interactive system of marketing designed to create and keep customers by developing long-term, personal relationships with each of them through increasingly relevant product or service offerings. To achieve this, direct marketing uses one or more of the advertising media to generate a measurable response in the form of an order (direct order), a request for further information (lead generation) and/or a visit to a store or other place of business (traffic generation)'.

It is clear from the definition that various media are used in direct marketing. The main advertising media as described by Koekemoer (1998: 331-342) and Belch et al (1995:463-468) are as follows:

- **Direct mail**, which is defined as 'any promotional effort using the postal service, or other direct delivery service, for distribution of the advertising message' (Stone 1986:482). The definition is necessarily broad because direct mail can take many forms. It can consist of a simple handwritten note or an elaborate, multipart campaign that includes anything from glossy catalogues and sales videos to CD-ROMs and expensive promotional gifts. Direct mail is often called junk mail - the unsolicited mail found in a mailbox. Key to the success of direct mail are the mailing lists, which constitute the database from which names are generated.

- **Print media**, which include newspapers and magazines.

- **Broadcast media**, which include television and radio.

- **Telephone.** A telephone call arouses immediate curiosity and that is why telemarketing nowadays is a fast growing direct marketing medium.
• Electronic media, for example the Internet (see further discussion of this in section 2.10).

• Interactive television.

• Catalogues, which nowadays are also available in electronic format and used as sales tool by demonstrators selling tupperware, for example (see section 2.5).

• Inserts, which are regarded as part of print as they are used in publications. However, the difference is that they are not part of the actual publication. They are usually separate, self-contained communication pieces that are inserted in the publication after it has been printed.

It is clear from the above that direct marketing is a system of marketing by means of which organisations communicate directly with target customers in order to generate a response or transaction. The response or transaction may, of course, take the form of an inquiry, a purchase or even a vote.

An important foundation from which direct-marketing programmes evolve is a marketing database. Without sharing some thoughts on this issue, the discussion on direct marketing would be incomplete. Direct marketers use a database, a listing of consumers and/or potential consumers, to segment or target their markets. At the very least, the list contains the names and addresses of customers and/or potential customers.

Although many advantages of direct marketing are evident from the previous discussion, those listed by Belch et al (1995:470-471), are reviewed below.

• Selective reach. Direct marketing allows the advertiser to reach a large number of people and reduces or eliminates waste coverage. Intensive coverage may be obtained through broadcast advertising or through the mail. While not everyone drives on highways where there are billboards or pay attention to television commercials, virtually everyone receives mail. A good list allows for minimal waste, as only those consumers with the highest potential are targeted.
• Segmentation capabilities. Marketers can purchase a database containing, for example, a list of recent product purchasers, bank card holders, recent car buyers, et cetera, to communicate with the specific target market.

• Frequency. Depending on the medium utilised, it may be possible to build frequency levels. The programme vehicles used for direct-response television advertising are usually the most inexpensive available, so the marketer can afford to purchase repeat times. Frequency may not be so easily accomplished through the mail, as consumers may become annoyed when they receive the same mail repeatedly.

• Flexibility. Direct marketing can take on a variety of creative forms, like mailing of videotapes containing product information. Direct mail pieces also allow for a detailed copy that provides a great deal of information.

• Timing. While many media require long-range planning and long closing dates, direct-response advertising can be much more timely. Direct mail, for example, can be put together very quickly and then distributed to the target group.

• Personalisation. No other advertising medium can personalise the message as well as direct mail. Automotive owners, for example, are mailed letters congratulating them on their new car purchase and offering them accessories. Another example is of recent computer purchasers who are sent software solicitations.

• Cost effectiveness. While the cost per mail shot is very high on an absolute and relative basis, one must keep in mind the ability of direct mail to specifically target the audience and eliminate waste coverage. This reduces the actual cost per mail shot. A second factor contributing to the cost effectiveness of direct-response advertising is the cost per customer purchasing. Because of the low cost of media, each cash sale generated is very inexpensive.
Measurable effectiveness. No other medium can measure the effectiveness of the advertising efforts as well as direct response. Feedback is often immediate and always accurate.

Disadvantages of direct marketing include the following:

- Image factors. As noted earlier, the mail segment of this industry is often referred to as junk mail. Many people believe the unsolicited mail they receive is promoting junk products, and others dislike the idea of being solicited.

- Inaccurate lists. One of the advantages being cited for direct mail and telemarketing was targeting potential customers specifically. But the effectiveness of both of these methods is directly related to the accuracy of the lists used. People move, change occupations, and so on, and if the lists are not kept current, selectivity will decrease.

- Lack of content support. Direct mail and on-line services are unlikely to create a desired mood to contribute to the effectiveness of the advertisement.

2.8 PUBLIC RELATIONS

Public relations has come off age as a sophisticated, multifaceted discipline able to help forging effective two-way communication between an organisation and various internal and external groups. The official definition adopted by the Public Relations Institute of Southern Africa states that ‘public relations is the management, through communication, of perceptions and strategic relationships between an organisation and its internal and external stakeholders’ (Koekemoer 1998:348 and Strydom et al 2000:406). Thus, whatever individuals and organisations may think their image is in the marketplace, the public’s perceptions of them are all-important, whether based on fact or fiction. Public relations has a key role to play in developing understanding and support for a particular cause or event. Essentially it helps to define and explain relationships of mutual benefit between organisations and their key stakeholders and
amongst the employees and customers or clients. A variety of public relations tools and techniques are used to communicate efficiently between organisations and stakeholders. The key tools and techniques used are:

- Media relations for print and broadcast media, for example press releases, background material, articles and features, film, broadcast interviews and photographs.

- Publications, for example annual reports and brochures.

- Corporate image-building, which is the net result of combined experiences, impressions, beliefs and feelings that knowledgeable people have about a company. A corporate image starts with corporate branding.

- Corporate advertising, which entails (i) general corporate image building (through print, audiovisual and Web-page media), which intends to strengthen an organisation's image in the eyes of the public and/or financial community; (ii) investor and financial relations advertising aimed at the financial community (for example, specialised publications such as Financial Mail that publish advertisements with summarised financial results) and (iii) advocacy by a corporation or association that tries to influence public opinion on a political or social issue.

- Sponsorship. Many companies are spending vast sums of money in the lucrative sponsorship market. The bulk is spent on a variety of sporting events, although investment in arts and other cultural fields are also prominent. Section 2.9 below discusses sponsorship in more detail.

- Promotional activities. Promotional activities are often high profile and media sensitive and public relations practitioners devote a great deal of time and effort to them. These range from organising conferences and teleconferences to planning exhibitions, preparing audio-visual material and direct mail literature and organising a whole list of 'special events'.
• Issue management. This can have a large impact on a company’s operations, policies and future direction and thus needs very careful monitoring. It has been defined as *'the proactive process of anticipating, identifying, evaluating and responding to public policy issues that affect the organisations and their public'* (Cutlip, Center & Broom 1994:16). Many major corporations overseas have created issue management units or task forces either by establishing specialised sections or by renaming existing sections of their public relations department. They are also responsible for determining how to handle public concerns about issues such as biotechnology (genetic engineering), damage to the ozone layer (greenhouse effect), offshore oil drilling, toxic waste disposal, healthcare cost, maternity and paternity leave, day care for children, the ageing population and corporate support for education. In South Africa similar concerns are expressed but the main issues focus on the government’s Reconstruction and Development Programme (RDP), black empowerment, job creation, affirmative action and the redistribution of wealth and land.

• Lobbying. An even more specialised part of public relations is lobbying. It has been defined as *'the specialised part of public relations that builds and maintains relations with government primarily for the purpose of influencing legislation and regulation'* (Cutlip et al 1994:17). This is specialised because lobbyists at all levels of government must understand the legislative process, know how government functions and be acquainted with individual lawmakers and officials. Because such topics are not part of many public relations practitioners’ educational preparation or work experience, lobbying is often delegated to well-connected lawyers and professional lobbyists (especially ex-legislators and political insiders).

• Networking. In communicating with influentials in the various power structures to influence their behaviour, practitioners need to take into account the new concept of networking. It is in community affairs especially that networking becomes all-important. Networks are groups of people with different backgrounds who exchange information, experience or contacts for professional or social purposes.
The discussion on public relations will be incomplete without distinguishing between internal and external public relations. With internal public relations, staff deal with groups concerned about or involved in the internal workings of the organisation such as employees, families and volunteers. Internal public relations are built through (Koekemoer 1998:378-383):

- sound personnel policies related to, for example, working conditions, fringe benefits, promotions, payroll, et cetera.

- good two-way communications between management and employees by using, for example, house journals (staff newsletters), notice boards, closed-circuit television broadcast that describes, for example, company progress, et cetera.

- good employee relations programmes, such as interdepartmental liaison, visits by senior executives to departments, et cetera.

- intranet, which is an internal network that uses Internet technology to improve communication within an organisation. Newsletters, guideline documents, internal phone directories, training manuals and product and competitor information could all be maintained and updated on the intranet.

Relations with groups outside the organisation, such as the local community, customers, investors and government, are the responsibility of external public relations (Koekemoer 1998: 383-391). There are a variety of ways in which public relations tools can be used in the community. Some of these are special events, donations to particular causes or charities, open house and tour of facilities, et cetera.
With the necessary information available it is also possible nowadays to segment or even subsegment customers according to specific age groups, gender, geographical distribution, etcetera. This has led to the use of micromarketing, which is especially aimed at building customer relations. Very often the public relation officer needs to focus on one influential individual and this is where micromarketing becomes very useful. Not only has the possibility of consumer market segmentation or subsegmentation stimulated micromarketing, but the development of the Internet has also supported moves into this direction. Web-sites are used nowadays as a combination of direct selling and advertising in order to provide product information, handle customer complaints, queries and suggestions, and to project a favourable corporate image.

Besides building public relations with the local community and customers, investor relations is also a form of external public relations aimed at shareholders, financial institutions, creditors, financial analysts, suppliers, employees, government, opinion leaders, the media, trade unions and pressure groups. Tools used to build investor relations include annual reports, interim reports and preliminary profit statements, annual general meetings, presentations to specific interest groups, employee groups and circulars to shareholders.

In addition to investor relations, public relation officers also build relationships with government. The influential role played by the government in society probably necessitates the building of government relations. Ensuring active cooperation with government programmes, such as voting and fostering citizen support for established policies and programmes (e.g. foreign aid), are some examples of building government relations.

Like other marketing communication elements, public relations has both advantages and disadvantages. The advantages and disadvantages of public relations, according to Belch et al (1995:529-531) are as follows:
• Credibility. Because public relations communications are not perceived in the same light as advertising - that is, the public does not realise the organisation paid for them either directly or indirectly - they tend to have more credibility. The fact that the media are not being compensated for providing the information may lead to receivers perceiving the news as more truthful and credible. For example, an article in newspapers and magazines discussing the virtues of aspirin may be perceived as much more credible than an advertisement for the same product in the same newspaper or magazine.

• Low cost. In both absolute and relative terms, the cost of public relations is very low. Many public relations programmes require little more than the time and expenses associated with putting the budget together and getting it distributed.

• Avoidance of clutter. Because they are typically perceived as news items, public relations messages are not subject to the clutter of advertisements.

• Lead generation. Information about technological innovations, medical breakthroughs, and the like almost immediately results in a multitude of inquiries. These inquiries may give the firm some quality sales leads. For example, if a golfer plays in an international tournament and uses a specific manufactured club brand, the manufacturer may receive inquiries from all over the world.

• Ability to reach specific groups. Because some products appeal to only a small market segment, it is not feasible to engage in advertising and/or promotions to reach this group. If the firm does not have the financial capabilities to engage in promotional expenditures, the best way to communicate to those groups is through public relations.

• Image building. Effective public relations leads to development of a positive image for an organisation.
Perhaps the major disadvantage of public relations is the potential that the communication process will not be completed. While public relations messages can break through the clutter of commercials, the receiver may furthermore not make the connection to the source. Many firms' public relations efforts are never associated with their sponsors.

2.9 SPONSORSHIP

Sponsorship is an integral part of the marketing communication mix. If isolated from other elements of the marketing communication mix, sponsorship would not be effective. Similarly, the other elements of the marketing communication mix are linked to sponsorship, as is evident from the discussion in the previous sections on these elements.

Sponsorship, due to its unique position in media exposure, offers marketers the opportunity to adopt a fully integrated approach to advertising. Various types of sponsorship are available, of which some include (Prime Advantage 2000:64):

- Team sponsorship. The Blue Bull rugby team, for example, is sponsored by Mr Price, while Fedsure sponsors the Stormers rugby team.

- Event sponsorship. An event like the World Cup soccer tournament, for example, is sponsored by First National Bank. Vodacom also sponsors the Super-12 tri-nations rugby tournament.

- Stadium naming rights. Stadium advertising generates good brand awareness to a large broad spectrum audience. Here the revolving advertising perimeters, known locally as adscroll, serve as an example. These accommodate ten advertisements that each appears for one minute at a time. The rotation allows for more creative solutions than simple branding would do. Different products or different features of the product could be demonstrated, for example. The stadium previously known as Kings Park rugby stadium is nowadays sponsored by ABSA and has eventually been renamed ABSA Park. Some companies also
Development sponsorship. Edgars, for example, sponsors education, while Coca-Cola trains unemployed who live in villages (Freedman in Marketing Mix 1996:10).

Sponsorship offers some important benefits, such as flexibility. It furthermore builds brand equity, provides media exposure, is cost-effective, improves industrial labour relations and presents new challenges to creativity. A potential pitfall of sponsorship is ambush marketing whereby an organisation attempts to create the impression of being an official sponsor of an event or activity by affiliating itself with that event without having paid the sponsorship rights-fee or being party to the sponsorship contract.

Sponsorship spending used to be higher in South Africa than is currently the case. To justify this statement, figure 2.3 reflects the growth in sports sponsorship in South Africa from 1986 to 2000.

FIGURE 2.3
PERCENTAGE GROWTH IN SPORTS SPONSORSHIP IN SOUTH AFRICA, 1986 - 2000

Source: AdFocus 2001:106.
Figure 2.3 shows the annual percentage growth in sports sponsorship expenditure from 1986 to 2000. According to *AdFocus* (2001:106) sports sponsorship was the fastest growing medium in South Africa until 2000. However, the growth rate of 3.7% in 2000 was the lowest recorded since BMI Sport Info started measuring sports sponsorship spending in 1985. Four possible reasons for the 2000 slowdown are attributed to the lower growth performance in 2000. These reasons are a paucity of major events, rising sponsorship cost, the withdrawal of tobacco companies (estimated at a loss in sponsorship of between R35 and R40 million) and the fact that after a once-off leap four years prior to 2000, growth is off a higher base. Besides the sluggish 2000 performance, sports sponsorship expenditure over the long-term has outpaced that of other media advertising, so that since 1985 it has grown from 14% of total media advertising expenditure to 22% in 2000 (*AdFocus* 2001:106).

If international practice is anything to go by, most South African sponsors are wasting their money (*AdFocus* 2001:106). The accepted international norm nowadays is that for every rand spent to buy a sponsorship right, another R3 million to R4 million should be spent on advertising, promoting and supporting the specific outlay. Only with this kind of outlay, it is believed, can the true value of the sponsorship be realised. However, in South Africa, leveraging is less than 1:1 and there is no evidence that it is rising. In 2000 back-up promotions and advertising were equal to 83% of the sponsorship spending.

All six elements of the marketing communication mix discussed above form the total marketing communication strategy. However, Strydom et al (2000:349) also regards the Internet, or on-line advertising, as part of the marketing communication strategy. The latter form of marketing communication is discussed below.
ON-LINE ADVERTISING

Kotler (1997) calls Internet-advertising also on-line marketing. On the other hand, Intelligence (1996:20) calls it electronic commerce where the term cybermedia (or hypermedia) is used when a person is reached via his or her computer and modem. A modem connects the computer to a telephone line so that the computer user can be reached by various on-line information services. There are various types of on-line channels, namely:

- Commercial on-line channels.

Various companies have to set up on-line information and marketing services that can be accessed by those who have signed up for the services and pay a monthly fee. These on-line channels provide subscribers with five main services: information (news, libraries, education, travel, sports, reference), entertainment (fun and games), shopping services, dialogue opportunities (bulletin boards, forums, chat boxes) and e-mail.

- The Internet.

The Internet (a network of thousands of computers located around the world) has made instantaneous and decentralised global communication possible. Originally established to facilitate research and scholarly exchanges, the Internet is now available to a much broader audience. In South Africa alone there are about 1,6 million Internet users (AdFocus 2000:111).

The Internet is a new medium based on broadcasting and publishing. However, unlike traditional broadcast media, it facilitates two-way communication between participants. Unlike most personal selling, it is not physically face-to-face and neither time-bound. The medium possesses interactivity and has the facility for individuals and organisations to communicate directly with one another regardless of distance. For marketers in particular the advantages of on-line services, according to Strydom et al (2000:423), are:
- Quick adjustments to market conditions. Companies can quickly add products to their offering and change prices and descriptions.

- Lower cost. On-line marketers avoid the expenses of maintaining a store and the accompanying cost of rent, insurance and utilities. They can produce digital catalogues for much less than the cost of printing and mailing catalogues. Small and large firms can afford it. According to Van Nickerk the average cost to get an Internet user on an advertiser’s web-site ranges from R12 and R15 (*Sake-Beeld* 2000b:4).

- Relationship building. On-line marketers can talk with consumers and learn from them. They can also ‘publish’ useful reports, a free demonstration, or a sample of their newsletter on the system. Consumers can then download these items into their electronic mail boxes.

- Audience sizing. Marketers can learn how many people visited their on-line site and how many stopped at a particular place on the site. This information can help the marketers to improve their offers and advertisements. Some estimates by Jupiter (advertising agency) show that Internet users are exposed to an average of 440 advertisements per day. This figure is expected to increase to 950 advertisements per day (*Sake-Beeld* 2000a:14).

- No limit on advertising space in contrast to print and broadcast media.

- Information access and retrieval are relatively fast and private. Consumers can respond quickly, any time of the day. Interaction happens in a private environment.
Worldwide online-marketing has developed into a respectable advertising medium and is expected to grow. Jupiter Communications estimate that worldwide the Internet advertising expenditure will increase from R25,3 billion in 1999 to R118 billion in 2005 (*Sake-Beeld* 2000a:14). Furthermore, Media Toolbox’s estimates show that South African Internet advertising expenditure ranged between R30 million and R40 million in 1999 (*Sake-Beeld* 2000a:14). Internet advertising expenditure increased to R45 million in 2000 and was expected to reach R70-R85 million in 2001 (*AdFocus* 2001:122). However, sceptics have doubts about the potential of the Internet as advertising medium. Secondary sources point to the fact that, although there are 1,6 million Internet users in South Africa out of a total population of approximately 45,4 million (Van Tonder, 2000:6), the Internet is limited to the affluent sector of the population who have access to computers at home or in the office.

- Viral marketing.

Besides the two on-line channels discussed above, another on-line advertising media nowadays is viral marketing. With viral (or referral) marketing text advertisements are tagged on to e-mails and SMS’s (short message services). Many retailers, particularly in the clothing market, readily use SMS’s to market their client base and retain customer loyalty. The Telkom Golf Academy in Cape Town has used SMS’s to boost the participation in its monthly social golf days. SMS’s have also been effectively used by two Durban nightclubs, Rocbees and Spank, to promote their special events. Because of a huge response, the nightclubs had to restructure their campaigns for special events like the appearance of a hot star. Previously the clubs used posters and flyers to attract people. They have found SMS marketing quicker, cheaper and more direct. With about 9 000 new prepaid cell phone customers signing up each day in South Africa (*AdFocus* 2001: 124) the reach obtained by using this marketing tool seems quite significant.
Viral marketing is therefore any strategy that encourages individuals to pass on a marketing message to others while creating the potential for exponential growth in the message’s exposure and influence. Financial services firm, Equinox, was one of the first to use e-mail based viral marketing successfully. It registered 76 000 people in five weeks and more than 50 000 people allowed Equinox to send additional information on unit trusts on an ongoing basis (AdFocus 2001: 124). The downside of using this marketing strategy is viral overload. As thousands of marketers jump on the bandwagon, consumers will become more irritated with the viral overload.

2.11 HISTORICAL OVERVIEW OF THE DEVELOPMENT OF MARKETING COMMUNICATION

The previous sections differentiated between different forms of above-the-line advertising and below-the-line promotions. It is also evident from chapter one that various marketing communication disciplines developed over time and that the role of below-the-line promotions relative to above-the-line advertising gradually increased in importance. This section explores this evolution of the marketing communication industry in South Africa and lists the factors that contributed to the shift in the brand marketing strategy towards below-the-line promotions.

2.11.1 The earliest forms of advertising

For obvious reasons it is difficult to say with absolute certainty where and when the first advertisement was used. However, there is evidence of advertising on the walls of ancient Babylonian buildings dating back to around 3000 BC (Koekemoer 1987:3). Such wall signs often commemorated the name of the king who commissioned the erection of the building and were also used to identify the nature of the business activity or craft practised there. Babylonian clay tablets inscribed with the names of, inter alia, an ointment dealer and a shoemaker have been found.
One of the oldest written advertisements is preserved in a British museum. Inscribed on papyrus, it originated from the Egyptian states of Thebes. This three-thousand-year-old advertisement consists of a notice offering a reward of half a gold coin for news of the whereabouts of a runaway slave. A whole gold coin was offered for his return to the shop of Hapu, the Weaver (Presbey 1929: 5-9).

Before the invention of movable type printing in the 15th century, three specific forms of advertising were used, namely signs, town criers and trademarks (Kockemoer 1987:4). Each of these forms of advertising is discussed briefly below.

- **Signs**

  Signs were introduced as a result of increasing competition and were used to identify certain places such as shops, et cetera. At the excavations at Pompeii several examples of signs with explanatory illustrations were found. One depicted a mule at a mill to identify a bakery, while another depicted a goat to advertise a dairy. There was even one with a teacher whipping a little boy to identify a teacher's classroom. Furthermore, signs were found consisting of notices of theatrical performances, sports gatherings, gladiator contests, horses to let and invitations inviting tourists to visit certain taverns (Presbey 1929: 5-9).

  It is interesting to note that the size of these signs and wall paintings increased to such an extent that legislation prohibiting signs from extending more than eight feet from the building was passed in England in 1614. Another law stipulated that the signs should be high enough to give clearance to an armoured man on horseback (Kleppner 1983:4).

- **Criers**

  Town criers were hired by the ancient Greeks and Romans (3000 BC) to circulate through the streets and announce important events such as forthcoming
slave and cattle sales. In Egypt and other countries town criers were used to announce the arrival of ships and their cargoes. By approximately 1100 BC several French tavern owners were making use of town criers to inform the public of the good wines they served. The criers had to blow on a horn, gather together a number of people and then offer them samples of wines. Town criers were hired by local craftsman, hawkers and tradesman to advertise their products. Some countries began to realise the need to protect the profession and formed town criers' guilds, so that any aspirant town crier had to obtain legal permission (charters from the government) to perform. For example in the year 1141 twelve criers in the Province of Berry in France obtained a charter from Louis VII granting them exclusive privileges to exercise their occupation. (Also see Presbey 1929, Sandage and Fryburger 1975:17 and Hermes 1949:63.)

- **Trademarks**

Evidence of trademarks has been found in ancient Greek civilisation. The purpose of the trademarks was to differentiate products from one another and to give proof of a certain quality. Trademarks were often placed on goods such as pottery and furniture. A guild system that offered legal protection to manufacturers of certain products who used the guild's trademark emerged during the 14th century. The use of trademarks made it possible to limit, if necessary, supplies by any one member and to penalise a member if his goods did not comply with the required standards.

This brief review of the earliest forms of advertising provided above serves to show that advertising existed in ancient times, albeit on a limited scale. Significant advances in the field of advertising took place from the 15th century onwards with the invention of the printing press. Besides the latter development, the Industrial Revolution and the inception of advertising agencies also had a tremendous influence on advertising. These major historical developments and their impact on advertising are discussed below.
Advertising since the invention of the printing press

One of the most important events contributing to the development of advertising was the invention of the printing press in 1438 by the German, Johann Gutenberg. New advertising media, including printed posters, handbills and newspapers, were made possible. Of course, this changed the whole world’s methods of communication.

The first printed advertisement appeared in England in 1472 in the form of a pamphlet or poster, and was printed by William Caxton. Through this advertisement Caxton informed the public about a prayer book he had written, namely The Salisbury Pye, which contained rules for the guidance of the clergy at Easter. The pamphlet was tacked onto church doors and informed interested people that the book was for sale at Westminster Abbey. Handbills and other printed announcements for various purposes then followed, for example an advertisement of a shop together with a short description, advertisements of slaves, announcements about runaway slaves and advertisements placed by people wanting servants or servants seeking positions (Sandage et al. 1975: 16).

Although printed newspapers were still a thing of the future, printing had made a definite impression and would soon be spread to many other countries. Kleppner states: ‘The first ad in any language to be printed on a disseminated sheet appeared in a German news pamphlet in about 1525 - and what do you think this ad was for? A book extolling the virtues of a mysterious drug’ (Kleppner 1983: 4). Meanwhile, handwritten announcements for public posting were done by scribes. They were called Siquis, meaning ‘If anybody’ - followed by the intention, such as ‘desires’, ‘knows of’, et cetera.

Advertising advanced significantly with the advent of the first newspaper during the 17th century. The first English newspaper, The Weekly News of London, was published in 1622. According to advertising historian Henry Sampson, the first bona fide newspaper advertisement appeared in 1650 on the back of a London newspaper called Several proceedings in Parliament. This advertisement
offered a reward for the return of twelve stolen horses. Hereafter products, which are still familiar today, were advertised in England, for example coffee advertisements that appeared in 1652, chocolate advertisements in 1657 and tea advertisements in 1658. Advertisements in the earliest newspapers were, however, more informative in nature. They were what could be described today as classified notices and announcements.

The first newspaper to appear in the United States of America was *The Boston Newsletter*. The first edition appeared on 14 April 1704 and it is interesting to note that in this edition reference was made to the usefulness of the newspaper as an advertising medium. The edition of 1 to 8 May 1704 contained three classified advertisements under the heading 'Advertisements' (Cohen 1972:51). Shortly afterwards the first 'advertising specialist', Benjamin Franklin, made extensive use of advertising to promote his own ideas and enterprises. Franklin made advertisements more readable by using large headlines and surrounding them with considerable white space. He also used appropriate illustrations to emphasise the benefits of the products.

The number of newspapers published increased steadily. According to Presbey (1929:75) there were more than 500 in circulation in England in 1850 and some 2 300 in the United States of America. Although a few magazines were published during the middle of the 18th century, it was not until the last three decades of the 19th century that this medium advanced significantly.

During the 19th century important technological innovations had a stimulating effect on the printing industry and, likewise, on advertising. These included the invention of the rotary printing press in 1849, the manufacture of paper from wood-pulp in 1866 and improved lithographic methods. Furthermore, the level of literacy increased substantially during this time, resulting in a large reading public and much better understanding of advertising messages.
• **Industrial Revolution**

The Industrial Revolution gained momentum from about the middle of the 19th century and was characterised by mass production on a large scale. This had a tremendous influence on advertising. The need for communication with an unknown market increased, the infrastructure (particularly the means of transport) expanded enormously, and the level of education increased substantially. The Industrial Revolution also brought about additional media. For example, Marconi invented the radio and the first radio message was broadcast in 1895. Television was invented in 1939, introducing a new world of communication opportunities to advertisers.

• **Advertising agencies**

A historical review of advertising should inevitably refer to the origin of advertising agencies. While some agencies existed in England as early as 1800, Volney Palmer was generally accepted as the father of advertising agencies in the United States of America (Holland 1973:107-111). From 1842 onwards Palmer acted as the agent for most newspapers by contracting large volumes of space at discount rates and then selling this space to advertisers. He usually received a commission of 25% and rendered services such as media selection and preparing copy for his clients. Although initially known as a ‘newspaper agent’ (space seller) he adopted the concept ‘advertising agency’ in 1849 for his business.

Another kind of advertising agent, who dominated the period between 1865 and 1880, came on the scene after the Civil War. The ‘space wholesaler’ speculated in advertising space, sometimes making a fortune and sometimes going broke. This business meant purchasing advertising space from publishers as cheaply as possible and then selling it to businessmen as dearly as one could. George P Rowell initiated this practice in 1865 and was the most influential advertising agent for many years (Burke 1973:37 & Cohen 1988:23).
Shortly after the Civil War, FW Ayer founded a Philadelphia agency named after his father NW Ayer. He initiated a proposal that was to serve as the basis for the advertising agency of the future, namely the advertising contract. Along with Rowell, Ayer felt that the competitive bid system should be eliminated. He proposed that the agent and the advertiser agree, by contract, to work together for an extended period of time. The advertiser was to pay a commission to Ayer, which varied from 8% to 15%. Although Ayer’s plan to pay a commission to the advertiser rather than the publisher was not accepted by the industry, the idea of a contract between advertisers and agencies was adopted. A commission rate of 15% was eventually deemed fair by most media (Cohen 1988:23).

It was not until the 1890s that the advertising agency finally came into its own as a service organisation. Prior to this time, it had been a fairly general practice for agencies to assist in the mechanical production of their clients’ advertising messages. In fact, such extended services were replacing the competitive bid as well as ways to win or hold accounts, but little, if any, creative help was offered. Instead, the large national advertisers hired expensive freelance copywriters or set up their own advertising departments. Eventually agents began to offer ideas to prospects as additional incentives to sign on accounts, and it was inevitable that one day the advertiser would ask the advertising agency, ‘Why don’t you write this ad?’ (Cohen 1988:23).

2.11.2 **The development of advertising in South Africa**

As a result of its strong ties with the United Kingdom and Western Europe, developments in the field of advertising were also introduced in South Africa. The printing industry thus also evolved during the early history of South Africa. Johann Christian Ritter, a German immigrant, started the first printing works in South Africa shortly after his arrival at the Cape in 1780. Even before the end of the 18th century he was printing calendars, handbills and advertising pamphlets.
In 1800, following representations to the Dutch East India Company, a printing press was installed at Cape Town. On 16 August 1800 the first weekly newspaper, *The Cape Town Gazette* and *African Advertiser*, appeared. It was printed by Walker and Robertson and was the only newspaper published for 24 years. Other newspapers began to appear from 1824 onwards (Rosenthal 1963:38), namely:

- *The South African Commercial Advertiser* (7 January 1824)
- *De Zuid-Afrikaan* (9 April 1830)
- *The Grahamstown Journal* (30 October 1831)
- *De Ware Afrikaan* (13 September 1838)
- *Kaapsche Grensblad* (18 July 1844)
- *Eastern Province Herald* (31 December 1845)
- *Friend of the Free State* (10 June 1850)

The advantages of newspapers as an advertising medium were well recognised, the first advertisements taking the form of notices and announcements. The layout and format were much like that of the *Government Gazette* today.

Probably the first newspaper to release circulation figures was the *Afrikaanse Patriot*, which informed its readers in 1893 that the average circulation was 1 625 copies. DF du Toit and Co, who also published *The Paarl*, guaranteed a joint circulation of not less than 3 000 per month for these two newspapers (Rosenthal 1963:49).

Apart from newspapers, outdoor signs and posters played an important role in early South African advertising. Posters, for example, were placed in prominent positions to advertise events, such as boat arrivals, auctions and lost goods (Potgieter 1963:20). There is considerable evidence that outdoor signs were commonly used to identify various businesses as early as the beginning of the 19th century.
In his comprehensive analysis of the nature of advertising media up to 1910, Potgieter (1963:33) found that the following were used:

- Press advertising
- Outdoor signs
- Word of mouth advertising
- Exhibitions

The advertising industry has grown significantly since 1910. From 1910 to the mid-seventies developments in the market communication industry showed a preference for above-the-line marketing communication methods such as print media, television, radio, cinema and outdoor advertising. Historically most of the accounts for handling above-the-line advertising activities were conducted by advertising agencies, which increased in number of agencies from 31 in the mid-sixties to about 300 by the end of the 1990s (AdFocus 1998:36-37, Sinclair 1997:235 & SARAD 2000:15-31). Even up to the late 1990s advertising agencies handled about 80 % of all above-the-line advertising activities in South Africa (Sinclair 1997:32), the balance being spent by advertisers who placed their own advertisements, such as retailers.

As pointed out in chapter one, the importance of above-the-line advertising relative to below-the-line promotion has decreased over time. Since the late seventies the use of below-the-line promotions has become more popular due to numerous reasons to be discussed at the end of the chapter. Nowadays some marketers combine above-the-line advertising and below-the-line promotion activities to improve communication effectiveness. This trend was also reflected in the work of most advertising agencies operating in South Africa at the end of the 1990s. Of the top 30 leading communication groups in South Africa that earned at least 40 % of their income from above-the-line activities in 1997, all were handling some form of below-the-line promotions (AdFocus 1998:36). The same trend was still notable in 2001. Of all types of marketing communication services provided in 2001, 50 % or
more was devoted to below-the-line promotions by advertising agencies such as The Agency, The Jupiter Drawing Room, Magicom and DFW Advertising (AdFocus 2002:30). The increasing need of advertisers or clients for below-the-line promotional services is illustrated by the fact that at least 23 design, promotion, direct response and other below-the-line shops were operating as specialised agencies at the end of 2001. Typical services delivered by these shops ranged from interior design, publication, packaging, web-site design, signage and point-of-sale design, direct response, exhibitions and customer promotions and exhibitions (AdFocus 2002:38).

The end of the 20th century earmarked an increased need for an integrated marketing communication approach comprising both above-the-line advertising and below-the-line promotion activities. It is unclear whether integrated marketing communication is actually implemented in practice. The combination of above-the-line advertising and below-the-line promotions geared to deliver long-term brand equity rather than immediate sales volume, is therefore investigated at the end of this study. In the mean time the factors contributing to the structural changes in the marketing communication industry over time are discussed in the last section of this chapter. In exploring these factors, the overview on the evolution of the marketing communication industry will be regarded as more complete.

2.12 FACTORS CONTRIBUTING TO THE DEVELOPMENT OF THE SOUTH AFRICAN MARKETING COMMUNICATION INDUSTRY

The roots of above-the-line advertising disciplines in South Africa are found in the introduction of the printing press, radio, television and cinema. A time line depicting the inception of each of these disciplines into South Africa is shown in figure 2.4. The figure also shows the size of each medium at the end of 1999 in order to indicate the extent to which each medium has proliferated over time. The status of each media type as reflected in figure 2.4 has been extracted from the South African Yearbook (GCIS 1999:467-480).
For many years above-the-line advertising media types were recognised as rewarding advertising media for marketing products and services to potential end users. Nowadays the effectiveness of advertising in these media is questioned and below-the-line promotions are considered instead. The most important factors that contributed to the shift in the balance towards below-the-line promotion include the following:
Economic growth performance

As the world slipped into a long cycle of recession in the 1970s, the need to find ways of cutting costs became more insistent and the part of the budget normally devoted to above-the-line advertising became an easy and obvious source of saving. In the early 1980s the economy suffered further adverse effects due to external forces, which included the prolonged recession in industrialised countries (Van der Walt in SARB 1989:33). The decrease in real output could be observed in virtually all sectors of the economy indicating dispersed recessionary conditions.

The sociopolitical unrest of the mid-eighties, a pervasive sense of uncertainty and lack of confidence all contributed to a marked deterioration of foreign perceptions of South Africa's sociopolitical stability and economic prospects during this time. Foreign loans were withdrawn and credit facilities were terminated. Subsequently, economic sanctions and intensified disinvestment campaigns were launched against South Africa. For the communication and other industries, these conditions resulted in a decrease in international competition and, subsequently, less exposure to new media developments on the international front. This decrease in economic activity was clearly reflected in various economic indicators, such as those indicating manufacturing output and the volume of manufacturing, wholesale, retail and motor trade and merchandise imports - all-important sectors in terms of the marketing communication industry.

Although South Africa's recession of more than four years bottomed out in 1993, the upturn in economic activities was rather sluggish. The prolonged recession of the eighties and the inability of the economy to recover significantly, as well as the unsettled conditions during the run-up to the April 1994 elections, prolonged uncertainty in the domestic and international business community about prospects for economic stability in South Africa and even more uncompetitive conditions followed. In the mid-nineties, the sudden
depreciation of the rand created further uncertainty among foreign and domestic investors. The slowdown of the economy over a broad spectrum of economic sectors during the latter part of the 1990s was more conspicuous in the manufacturing and commercial sectors. The manufacturing sector, in particular, had to contend with stronger competition in an increasingly open economy. Furthermore, the downward pressure on real household incomes and the weakening of consumer confidence contributed to declines in the real value added by the commercial sector.

The increased use of nontraditional media (below-the-line promotions) broadened throughout the nineties as the economy remained reluctant to secure high economic growth. Low economic performance generally leads to a decrease in confidence and advertising budgets are normally curtailed (Freedman in Marketing Mix 1996:10). At the same time conventional media (above-the-line) receive less of the marketing rand. To quote Dickens (executive director of the Association of Marketers - Asom), 'When times get tough, brand managers spend less on the long-term brand building activity of advertising (above-the-line) and look more for the short-term tactical results of promotions and other below-the-line activity' (AdFocus 1997:100).

In tough times loyalty marketing, sponsorships and corporate make-overs will therefore benefit. To achieve this, databases are created, updated and purged and new ways are sought to reward and thank customers. For example, the SAA Voyager programme has created business for cell-phones, car hire and credit cards. Sponsorship, which helps the country and the brand, becomes a better investment than pumping another few millions into the communication budget. For example, Edgars gave R3 million to education while Coca-Cola trained the unemployed who live in villages (Freedman in Marketing Mix 1996:10).
• **Short-term profit demands on brand managers.**

The brand management system in South Africa, which was introduced by Proctor and Gamble in the 1930s, has fallen victim to short-term views as brand managers are measured according to their ability to boost sales and profit on a short-term basis. The best way to achieve this is to take money away from long-term brand building strategies, such as print, radio and television advertising to sales promotion and deals for the retail trade (below-the-line promotions).

• **The power of retailers.**

The advent of marketing brought an end to the original distribution chain of goods channelled to the consumer in the order of manufacturer-wholesaler-retailer. Nowadays manufacturers communicate directly with retailers, which reduces the role of the wholesaler. This has increased the power of the retailer, who now forms the interface with the consumer and, to a large extent, has replaced the role of brand-building advertising (above-the-line advertising).

• **The growth of own brands.**

Retailers who are placing their own brand on the shelf are clearly competing with branded goods. It is reported (Sinclair 1997:4) that 20% of Pick 'n Pay sales are derived from its 'no-name' brands. Own name brands compete with branded products and when the no-name brands sell at lower prices, as they usually do, they have the effect of pulling prices down.

• **Media inflation, fragmentation and proliferation**

*Media inflation* is defined as the increase in the cost of reaching the same number of readers, listeners or viewers. According to the figures published by Media Inflation Watch in 1997, advertising expenditure grew much faster than consumer prices in the late nineties. On average, advertising expenditure (above-the-line) has outpaced inflation by seven percentage points since the start of the nineties. It took four and a half times as much money to buy a
took three times as much to buy an equivalent basket of consumer goods (Koenderman in AdFocus 1997:99). Dickens of Asom attributes the shift of the marketing communication budget to below-the-line at least partially to the rising cost of media (AdFocus 1997:100).

*Media proliferation* denotes the increase in media categories for advertising (for example more stations in the case of TV and radio), but not necessarily at a cheaper price. For example, where there were eleven television channels in South Africa at the start of the 1990s, there are more than 50 channels today (compare tables 2.2 and 2.4). Furthermore, the number of radio stations in the early 1990s increased from about 30 to more than 100 stations today (compare table 2.2). However, the more fragmented the media, the more expensive it becomes to reach the same number of customers. With fragmentation it becomes more difficult for advertisers to reach targets with a short media list.

The radio campaign of the advertising agency J Walter Thompson, which focusses on Gauteng, bears this out. Classic advertising used to constitute 95% of the advertising company’s activities and would achieve a 60% reach through three radio stations. Now the advertising agency has to evaluate ten commercial stations, and perhaps another ten community stations, and may have to use four to five stations for the same reach (AdFocus 1998:155).

The growing and diverse selection of media types to be read, watched and listened to has necessitated advertisers to select media combinations that achieve the best reach of the defined target audience. In the 1960s and 1970s it was relatively easy to reach target audiences through the use of core media, such as daily or weekly newspapers, Springbok Radio, and later SABC Television. That was the era of mass consumption, mass production and mass media (Direct 1990:43). Today, it is contended, that there is no mass market. People are too diverse and too individual (Sinclair 1997:5). Hopkins (in Sinclair 1997:5) believes that ‘marketers, trying to reach mass markets, still develop strategies based on averages’. Hopkins concludes that ‘the person who buys a marketer’s goods is not an average, but an individual, and must be spoken to as such’. This direct marketing approach results in advertising that is focussed at well-defined
target audiences. Clients recognise this and have been saying that direct mail and the tools of direct marketing (below-the-line promotion) achieve this more accurately than general advertising (above-the-line advertising). The major dynamics for media therefore is to continue with the move towards ‘narrowcasting’ and away from ‘broadcasting’ (Campher in Marketing Mix 1996:11).

• **Brand parity**

Today technology and rapid information transfer mean that marketers who devise and launch differentiated products lose that advantage soon after the launch, as competitors analyse the product and introduce copy products. The speed at which companies are able to imitate a rival product, or make counterclaims based on scientific evidence, diminishes the viability of the intrinsic advantage of products. Markets for undifferentiated products therefore occur.

• **Other factors contributing to the shift in specific below-the-line promotion types**

Van der Westhuizen in Koekemoer (1998:241-243) attributes the dramatic growth in sales promotions, in particular, to a number of causes. Although some of these causes have already been highlighted above, the list serves to consolidate the reasons for the shift to below-the-line promotions. The causes are:

- advertising’s declining effectiveness
- the increase in the power of retailers
- more price sensitive consumers
- many matured products
- undifferentiated commodity products being offered in many product categories
- reduced brand loyalty
- a short-term outlook of marketing managers
- forecasting demand has become more difficult and
- emphasis on sales volume and market share.

Duckles in Koekemoer (1998:292-295) attributes the growth in direct marketing, in particular, to the enormous social and technological changes that have occurred throughout the world, especially since the 1960s. According to him the factors that contributed to the increased use of direct marketing as such, are:

- the disintegration of traditional social structures
- the change in consumer lifestyles (e.g. more women entering the labour market)
- advances in computer technology
- the growth in consumer credit and
- more accurately targeted media.

Besides the above factors which contributed to the development of below-the-line promotions, political and social changes in South Africa, the empowerment of consumers and rapid technological changes, especially in the area of computers, are regarded as the most important changes which led to the new era of integrated marketing communication (IMC). Concerns of marketers that the increased uses of below-the-line communication disciplines (defined in section 1.4) are largely short-term driven, have brought about the concept of integrated marketing communication since the 1980s. This approach has also been referred to as across- or through-the-line marketing (or 'seamless' marketing), which developed to counter the possible destructive shift from above-the-line advertising to below-the-line promotions. The concerns probably stem from evidence from the USA and Europe, which indicates that the massive shift from above-the-line advertising to below-the-line promotion has been arrested largely due to the dual recognition that the management practice of what has become termed 'short terism' is receding and is being replaced by new faith in brand building and brand management (AdFocus 1997:74). The latter denote the
• 'Grey areas' contributing to the development of the overall marketing communication industry

The so-called 'grey areas' that contributed to the development of marketing communication in South Africa are regarded as having been important to the development of above-the-line advertising, below-the-line promotions and IMC. These 'grey areas' include urbanisation and infrastructural and socioeconomic developments and were responsible for having facilitated higher exposure levels to advertisements in both the rural and urban areas of South Africa. These 'grey areas' also contributed to better access to different advertising media types and promoted advertising to new markets. A detailed discussion of the so-called 'grey areas' is provided below.

- Population growth (urbanisation)

The phenomenon of the increasing urbanisation of the South African population is of particular importance from an advertising point of view. Ultimately, urbanisation brought about new lifestyles with particular needs. Indeed, it created many marketing opportunities because advertising had to inform, remind and persuade those new prospective customers to buy particular products. More and more people with different needs are still being exposed to advertising.

- The development of infrastructures

Whether directly or indirectly, the development of infrastructures contributed to the advancement of the marketing communication industry in South Africa. Some developments in the transport industry that made media more accessible are (GCIS 2000:112 & 507-516):

- The foundation of the public company Transnet Limited which occurred at the start of 1990. A total of 3 million passengers is transported by road annually. Nowadays advertisements with strong advertising messages are shown on trains.
Building of toll-roads. The national road network covers 7,000 km of road, some 1,000 km of which are toll-roads. These toll-roads are serviced by 21 toll-plazas. Promotional packages are often distributed at booths.

The phenomenal growth in the minibus-taxi industry in urban areas. This led to a decrease in the market share of the bus and train as modes of transport. Minibus-taxis provide a vital service to nearly 50% of South Africa's commuters. More than 480 taxi associations are operating throughout South Africa. Advertisements broadcast over the radio and advertisements on the sides of taxis are nowadays common phenomenons.

Civil aviation. At present there are more than 30 international airports in South Africa and about 15 million passengers use these airports each year. Big screen advertisements are nowadays commonplace at, for example, the Johannesburg International Airport.

Besides infrastructural developments in the transport industry, the extension of electricity supply also contributed to the growth in marketing communication. Ninety-two per cent of South African electricity is produced from coal. This production of electricity is dominated by the parastatal utility, Eskom, which also owns and operates the national electricity grid. It is the world's fourth-largest electricity utility, with an installed generating capacity of about 39,000 MW. Although Eskom is a public corporation, it is largely self-financed through internal reserves and external borrowing. While Eskom does not have exclusive generation rights, it has a practical monopoly on bulk electricity sales, and in 1996 supplied 95% of electricity in the country. It also operates the integrated national high-voltage transmission system and supplies directly to large consumers, such as mines, mineral beneficiators and other large
industries. In addition, it supplies directly to commercial farmers and, through the national electrification programme, to a substantial number of residential consumers. It sells in bulk to local municipal authorities who distribute to consumers within their boundaries. At present, only about 60% of South African households have electricity and the electrification programme aims at raising the percentage to 72% by the year 2000. Eskom is committed to electrifying 1,75 million homes by that time. A total of 291 352 residential connections was achieved by Eskom in 1998 (GCIS 2000:112).

**Other socio-economic developments**

Socio-economic developments that further shaped the marketing communication industry include (adapted from GCIS 1996:416):

- **Africanism.** Black empowerment accelerated the Africanism trend. More people started to see themselves as Africans with traditional dress and food becoming more and more fashionable and marketable.

- **Homenism.** South Africans have begun claiming land, putting down roots and making homes. Pride in homes opens up a vast number of markets that can be communicated to.

- **Informalism.** The role of small business and the size of the informal sector broadened rapidly. By its very nature, the informal sector is extremely difficult to measure or estimate. According to Statistics South Africa (Stats SA), the informal sector contributed approximately 7,3% of the gross domestic production in 1989 and 7,9% in 1990 (Stats SA 1990 and 1991). However, in the case of the latter estimate, the general view is that the size of the informal sector is underestimated by about 15% to 20% of the GDP (Naidoo 1993:146). Some explanations put forward for this discrepancy is
the exclusion of Asian, black and coloured informal activity in the so-called white areas of the former apartheid dispensation, the exclusion of stokvels and the exclusion of people involved part-time in the informal sector. Several forms of businesses that operate in the informal sector of the South African economy and provide additional communication marketing opportunities in urban and rural areas, include spaza shops, flea markets, street vendors, hawkers, backyard mechanics, farm stalls, tuck shops (at schools), to name but a few (Martins & Ligthelm1995:21).

- Communalism. This is a core trend, which has grown out of the need for cooperation in order to survive and to provide support and sharing. There is a growing understanding in South African advertising of the power of the community and the role it plays in the economy.

- Womanism. The power and determination of women in South Africa are growing. Women are becoming more aware of their abilities and potential. Black women, in particular, are moving to the centre stage. There is a growing market for convenience articles, allowing the busy woman to feel she is still providing for the family while maintaining a career.

- Childism. By the year 2006, it is estimated that there will be 18,92 million children living in South Africa (Van Tonder 2000:57-164). Increasingly, the population will be made up of younger people. Products will have to meet their needs and be marketed to them.
Materialism gained momentum with the reconstruction and development programme (RDP) being implemented by the national government. Better access to education, affirmative action and increased salaries accelerated a portion of the market into the middle class where, for the first time, they have the means to acquire some goods. These new affluent consumers have become more demanding and vigilant. Empowerment meant that they were not afraid to make demands for both services and quality. This inevitably influences the marketing communication industry and will continue to do so in the near future.

2.13 CONCLUDING REMARKS

In this chapter the concept of marketing communication in terms of its definition and the six marketing communication elements were discussed. The marketing communication model was also explored. The chapter concluded with an overview of the evolution of the South African marketing communication industry and the factors contributing to the change in the marketing communication industry over time.

Nowadays contemporary marketing communication strategies acknowledge that below-the-line marketing disciplines, such as direct marketing, promotions and public relations, are strategic rather than static variables in the marketing communication mix. They are all now considered as part of the long-term brand building strategies of marketers. How widespread this strategy is and what the long-term effects on sales or profits is, are questions still to be investigated by the primary findings of the research study (see chapter six). In support of the investigation the existing structures catering for above- and below-the-line communication services in South Africa, as well as the way in which marketing communication budgets are constructed, are investigated in the next two chapters.
INTRODUCTION

The historical overview of the marketing communication industry of South Africa provided in the previous chapter has clearly reflected a change in the importance of below-the-line promotions relative to above-the-line advertising. This shift facilitated the development of marketing communication structures other than the traditional above-the-line advertising agencies. Nowadays, traditional above-the-line advertising agencies are no longer providing above-the-line services only. Below-the-line services also seem commonplace in these structures.

It is probably safer to refer to the structures catering for both above- and below-the-line activities as full-service agencies. Not every agency is a full-service agency, nor is every agency a large organisation. Furthermore, many advertisers are not interested in paying for a full service but may be interested in some of the specific services agencies have to offer. As an alternative to the full-service agency, various specialist agencies have placed themselves as worthy competitors within the marketing communication industry. Due to beliefs of some companies that they could economise on the cost of advertising, own in-house agencies have developed simultaneously.

The most important role players and participants in the South African marketing communication industry of today are portrayed in figure 3.1. The role players are viewed from the advertiser's point of view.
ROLE PLAYERS AND PARTICIPANTS IN THE MARKETING COMMUNICATION INDUSTRY OF SOUTH AFRICA

FIGURE 3.1

FIGURE 3.1 shows the most important marketing communication structures that developed over time. The listed structures cater for services related to the development, implementation and evaluation of any potential marketing communication effort by advertisers or the contracted agency. A more detailed description of role players and their current status within the South African marketing communication industry is contained in the sections to follow.

3.2 ADVERTISER

Several factors, such as the size of the company, the number of products marketed, the size of the budget, et cetera, influence marketing communication decisions. An advertising department, headed by an advertising or communications manager that operates under a marketing director usually undertakes the marketing communication decisions. This system is known as a centralised marketing system. Under such a system, marketing communication activities are placed alongside other marketing functions, such as sales, marketing research and product planning. All above-the-line advertising and below-the-line promotional activities are channelled through the advertising department.
The most common example of a centralised system is where the advertising manager of an advertising department controls the entire operation. He or she therefore draws up the budget, coordinates with advertising agencies and specialist service providers the creation and production of advertisements, plans media schedules and monitors and administers the below-the-line promotional programmes for all of the company's products and services (Koekemoer 1998:87). A typical centralised marketing system is depicted in figure 3.2.

FIGURE 3.2
CENTRALISED MARKETING SYSTEM

For many years the centralised advertising department structure was the most commonly used organisation system. However, for those companies who expanded and developed more products and services, the centralised marketing system became a less attractive option, especially insofar as its coordination and responsibility functions are concerned. Centralised systems are criticised for the fact that marketing decisions are often made by several functional managers, a process which requires coordination by someone in the marketing department. Furthermore, no specific department in such a system has responsibility for the welfare and problems of individual products or brands.
Due to these problems, many companies developed decentralised systems, such as the product or brand manager organisation. This organisational system is now the most common structure in large consumer and industrial products companies. With this system a product group manager is responsible for the planning, implementation and control of the marketing programme of an individual brand. The product group manager is also responsible for sales projections and profit performance of the brand and must develop and coordinate the budget. Companies utilising this form of organisation will generally support group managers with a structure of marketing services, including sales, marketing research and advertising departments. The product group management system is depicted in figure 3.3.

**FIGURE 3.3**

DECENTRALISED MARKETING SYSTEM
(PRODUCT GROUP MANAGEMENT SYSTEM)

In a product management system the responsibilities and functions associated with above-the-line advertising and below-the-line promotions are often transferred to the brand manager. In such a system the brand manager acts as the link between outside service agencies and is involved with the advertising agency in the development of the marketing communication programme. Although this system secures concentrated managerial attention for each brand and allows for easy adjustments to
the advertising programme, it is not without deficiencies. Brand managers often lack the experience in above-the-line advertising and below-the-line promotions and they may be concerned with short-term and administrative tasks rather than long-term strategies. Also, individual brand managers often end up competing for limited resources, which can lead to unproductive rivalries and potential misallocation of funds (Koekemoer 1998:89).

3.3 IN-HOUSE AGENCY

A third option besides centralised and decentralised systems is also available. This option entails the establishment of a separate agency within the firm also known as an ‘in-house agency’. These advertising agencies are owned and supervised by the company who advertises. They are organised as independent agencies and can take a variety of forms. The advertising director for the company is usually the chief executive officer of the agency. The director supervises account managers responsible for brands or business groups. The in-house agency has writers and artists, traffic personnel and media specialists. If the company has a research department, this service will probably not be duplicated in the in-house advertising unit. The in-house agency may do its own billing, paying and collecting, but is more likely to use the company’s accounting department.

Due to beliefs that own marketing communication departments can handle marketing communication accounts more effectively than large independent organisations, some large advertisers, such as the supermarket groups in South Africa, have developed their own in-house agencies. Besides savings, the development of an in-house agency is considered on the grounds of specialisation, priority service and minimum staffing (Wells, Burnett & Moriarty 1995).
3.4 ADVERTISING AGENCIES

Nowadays the broad functions provided by advertising agencies not only cater for above-the-line advertising. Below-the-line promotional activities also seem commonplace. This is especially evident from the listing of the top marketing communication groups of 1998, 1999, 2000 and 2001 reflected in table 3.1. The table lists the top marketing communication groups annually ranked in terms of income from fees, commission and mark-ups generated within South Africa. In addition, the table reflects the share that above-the-line advertising represents in terms of the total marketing communication mix (above-the-line advertising and below-the-line promotions) handled by the listed groups.

TABLE 3.1
SOUTH AFRICAN ADVERTISING AGENCIES, 1998 - 2001

<table>
<thead>
<tr>
<th>Agency</th>
<th>Income* (Rm)</th>
<th>Above-the-line advertising (% of total marketing communication expenditure)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ogilvy &amp; Mather Rightford</td>
<td>161,0</td>
<td>165,2</td>
</tr>
<tr>
<td>TBWA South Africa</td>
<td>149,1</td>
<td>164,7</td>
</tr>
<tr>
<td>FCB South Africa</td>
<td>113,2</td>
<td>150,7</td>
</tr>
<tr>
<td>Leo Burnett South Africa</td>
<td>54,9</td>
<td>55,7</td>
</tr>
<tr>
<td>The Jupiter Drawing Room</td>
<td>-</td>
<td>28,5</td>
</tr>
<tr>
<td>The Agency</td>
<td>46,6</td>
<td>47,9</td>
</tr>
<tr>
<td>Saatchi &amp; Saatchi</td>
<td>42,9</td>
<td>50,0</td>
</tr>
<tr>
<td>Y&amp;R Gitam</td>
<td>42,7</td>
<td>51,2</td>
</tr>
<tr>
<td>Herdboys McCann-Erickson</td>
<td>42,3</td>
<td>47,9</td>
</tr>
<tr>
<td>Publicis Communications</td>
<td>37,8</td>
<td>32,8</td>
</tr>
<tr>
<td>Berry Bush BBDO</td>
<td>34,8</td>
<td>42,0</td>
</tr>
<tr>
<td>J Walter Thompson</td>
<td>34,5</td>
<td>38,1</td>
</tr>
<tr>
<td>Grey Global South Africa</td>
<td>-</td>
<td>28,8</td>
</tr>
<tr>
<td>Ammirati Puris Lintas</td>
<td>28,4</td>
<td>30,8</td>
</tr>
<tr>
<td>Agency</td>
<td>Income* (Rm)</td>
<td>Above-the-line advertising (% of total marketing communication expenditure)</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>--------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>The SBBW Partnership</td>
<td>27,9</td>
<td>26,5</td>
</tr>
<tr>
<td>Net#work BBDO</td>
<td>27,3</td>
<td>30,9</td>
</tr>
<tr>
<td>Old Shanghai Firecracker factory</td>
<td>18,8</td>
<td>30,0</td>
</tr>
<tr>
<td>DDB Communications Group SA</td>
<td>-</td>
<td>42,3</td>
</tr>
<tr>
<td>Azaguys Advertising and Marketing</td>
<td>10,8</td>
<td>14,2</td>
</tr>
<tr>
<td>Admakers</td>
<td>11,7</td>
<td>16,0</td>
</tr>
<tr>
<td>Alcorn Rayner Marketing</td>
<td>9,2</td>
<td>8,4</td>
</tr>
<tr>
<td>The Flagship</td>
<td>8,1</td>
<td>10,6</td>
</tr>
<tr>
<td>Rothschild Gunstone Moross</td>
<td>8,0</td>
<td>-</td>
</tr>
<tr>
<td>Lowe Lintas Bull Calvert Pace</td>
<td>-</td>
<td>35,8</td>
</tr>
<tr>
<td>The Gap</td>
<td>5,4</td>
<td>7,8</td>
</tr>
<tr>
<td>NSOP Advertising</td>
<td>5,2</td>
<td>-</td>
</tr>
<tr>
<td>DWF Advertising</td>
<td>4,3</td>
<td>4,8</td>
</tr>
<tr>
<td>Scharrer Advertising</td>
<td>4,1</td>
<td>-</td>
</tr>
<tr>
<td>Tc3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>KingJames</td>
<td>-</td>
<td>4,4</td>
</tr>
<tr>
<td>Joe Public Take-Away Advertising</td>
<td>-</td>
<td>3,7</td>
</tr>
<tr>
<td>Bester Burke D'Arcy</td>
<td>-</td>
<td>3,2</td>
</tr>
<tr>
<td>Johnson Haydenbry Advg</td>
<td>-</td>
<td>5,8</td>
</tr>
<tr>
<td>Troika Imagineering Works</td>
<td>-</td>
<td>3,9</td>
</tr>
<tr>
<td>HarrisonHuman Bates</td>
<td>-</td>
<td>1,6</td>
</tr>
<tr>
<td>Magicom</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* Income is defined as fees and commission for advertising-related services.
The figures depicted in table 3.1 represent agencies/groups which derive at least 40% of their income from above-the-line (classical) sources. It is clear from table 3.1 that marketing communication groups currently cater for more than just above-the-line advertising activities. For agencies such as Magicom and DWF Advertising, below-the-line activities measured even more than half of their total marketing communication activities during 2001. Undoubtedly, below-the-line activities are growing and alive in the structures of the listed marketing communication groups.

Significant portions of income (in some cases more than 50%) for conventional advertising agency groups are not earned from advertising at all but from design, direct response or any other below-the-line discipline (AdFocus 1999:33). That the top agencies were able to grow at a rate of 26% in 1998, while Adindex’s adspend figures grew only 17%, is partly a reflection of the growing extent to which agencies earn their money from non-traditional (non-media) advertising and marketing sources. Agencies now earn 29% of their income below-the-line. Below-the-line promotion as a category is growing even faster than media advertising.

There are no exact figures on the growth rate of below-the-line activities, but from secondary sources it is clear that advertising agencies increased their below-the-line activities by an average of 38% in 1998 (AdFocus 1999:33) and continued to increase these activities ever since (AdFocus 2000:30 & AdFocus 2001:50). The broadening of services beyond above-the-line advertising could be explained partly by the merges and takeovers amongst various agencies. The integrated company structure of FCB South Africa, referred to in table 3.1 and depicted in figure 3.4, is used as an example to illustrate this broadening of services.
Despite the broadening over the years of the service functions provided by advertising agencies, they still operate in fundamentally the same way they have for years. In short, the advertising agency acts on behalf of advertisers and plans for and books advertising space and time with the media. The present day complexity of this task requires special skills which companies use to ensure effective advertising exposure.

The two most important functions provided by advertising agencies are its media function and its creative function.

- The media function. This function includes plans regarding where, when and how advertising is to be placed. This function is carried out by the media planner who constructs the media plan (detailing the advertising programme) and contracts the media buyer who will negotiate with the media and book both the advertising time and space. The advertising agency takes commission on media owners' advertising rates for all bookings placed by themselves on behalf of clients. This anomalous situation, where media owners pay agencies to work for their own clients, dates back to the early days of advertising. However, it is
an important source of income for agencies just as the business of agencies is an important source of income for the majority of media owners. Nowadays income from agencies therefore comprises both commission and fees for advertising related services. The new ruling of the Johannesburg Stock Exchange (JSE) that companies will, from October 2002, have no compulsory obligation to announce their company regulations in newspapers (INTERNET: http://www.jse.co.za) has the potential to influence the future commission or fee earnings of agencies placing newspaper advertisements on behalf of clients. However, with the JSE new requirements for listings, companies will still be compelled to publish regulatory announcements on the Stock Exchange Network System (SENS), which could secure fee earnings for advertisements published via the Internet.

- The creative function of agencies to create advertisements that will fill the time and space booked. The creative function is carried out by conceptualisers, copywriters and artists who combine to create an advertisement which conveys the advertiser’s message to the target market.

Closely linked to the media function is the financial function, which handles the internal administration of the agency and is responsible for billing clients and making payments to the various media. The operations function handles business aspects and looks after human resource issues. The strategic planning area, in turn, is responsible for gathering and analysing data to enable the agency to answer a variety of questions, such as which is the most effective advertising theme, the best media mix, the most appropriate budget, and so forth. It also does strategic planning on specific brands. Finally, the accounts management function in marketing services is responsible for agency-client relations.

In the daily task of producing advertising the account executive on the side of the agency and the brand manager on the side of the client are the parties who work together closely. When an effective marketing and promotion strategy has been developed, the account executive communicates the strategy to the creative staff, the media planners and others in the various support groups of the agency as needed.
Most large, full-service agencies have a senior executive handling new business. Sometimes this function is performed by the CEO, sometimes by a project team consisting of the CEO, creative director, media director, strategic planning director and one or more account directors. Separate subsidiaries usually exist to cater for public relations, promotions, direct response advertising, et cetera.

Agencies providing all types of services discussed above are known as full-service agencies. The structure of a typical full-service advertising agency is shown in figure 3.5.

**FIGURE 3.5**

**STRUCTURE OF A FULL-SERVICE ADVERTISING AGENCY**

![Diagram of full-service advertising agency structure]


3.5 **SPECIALISED AGENCIES**

As mentioned earlier, not every agency is a full-service agency. Many advertisers are not even interested in paying for the services of a full-service agency but may be interested in some of the specific services agencies have to offer. Over the past few
decades several alternatives to full-service agencies have evolved, including the following (Belch & Belch 1993:94-95):

• Creative boutiques.

A creative boutique is an agency that specialises in and provides only creative services. These specialist agencies have developed in response to some advertisers’ desires to utilise only the creative aspect of an outside provider while maintaining the other functions internally. The advertiser may seek creative talent outside because an extra creative effort is required or because personnel within the organisation do not have sufficient skills in this regard. Creative boutiques are normally formed by members of a creative department of a full-service agency who leave the firm and take with them clients primarily interested in their creative expertise. The boutiques usually perform the creative function on a fee basis.

• Media-buying services.

Another type of specialised service was developed in the 1960s to provide assistance for smaller agencies and creative boutiques. Media-buying services are independent companies that specialise in the buying of media time, particularly on radio and television. As the task of purchasing advertising media time has grown more complex (owing to the proliferation of specialised media), media-buying services have found a niche by specialising in the analysis and purchase of advertising time and space. Some specialise in media coordination for large advertisers. Both agencies and clients utilise their services, usually developing their own media strategies and using the buying service to execute them. Because media-buying services purchase such large amounts of time and space, they receive substantial discounts and can save money on media purchases for the small agency or client. Media-buying services or media independents are paid a fee or commission for their work. To provide an indication of the size of the media independents in South Africa, table 3.2 lists the leading media independents according to total media billings from 1997 to 2001.
Judged by the information reflected in table 3.2, relatively significant growth (Penta Communications Services and Media Coordination excluded) occurred in media billings from 1997 to 2001.

- Minority agencies.

Agencies that focus on an ethnic group, or minority agencies, grew substantially in the 1980s in America as marketers realised that African-Americans and Hispanic-Americans, the two largest minorities, have different preferences and
buying patterns from the general market. These agencies are organised in much the same way as full-services agencies, but they are specialists in reaching and communicating with their specific markets. In South Africa, Herdbuoys Advertising and Marketing is an example of an agency owned and managed by black South Africans who offer expertise to the black market (although they are not a minority group in South Africa).

- À la carte agencies.

Many agencies offer for a fee just part of their services that advertisers want. The à la carte arrangement is used mostly for creative services, for media planning and placement and for research services.

- Rolodex agencies.

These agencies are run by several advertising specialists, usually accounts and/or creative people, and have no basic staff. They hire specialists in marketing, media planning, creative strategy, writing, et cetera to work on a project basis. The concept is similar to using freelance creative people to execute advertisements, except that the experts are hired as needed. Rolodex agencies claim to be able to provide the advertising expertise that small full-service agencies cannot match.

- Direct marketing agencies.

Direct marketing, using such strategies as telemarketing, interactive video, television, radio, direct mail, et cetera, is not commission bearing. Direct marketing has therefore found its way into the full-service agencies only recently, largely by way of mergers. Nevertheless, numerous direct marketing shops have developed creative skills. Because direct marketing is growing dramatically, the use of these agencies is increasing. Many large full-service agencies now have direct marketing subsidiaries working mainly on a fee basis.
Below-the-line agencies specialise in trade and consumer promotions, pack design, logo design and functions where classical media are not involved and where the focus is not on image-type advertising.

A profile of the South African specialist agencies (design, promotion, direct response and other specialist or below-the-line shops) by income, turnover and type of services provided from 1999 to 2001 is shown in table 3.3.

**TABLE 3.3**

SPECIALIST SOUTH AFRICAN AGENCIES BY INCOME, TURNOVER AND TYPE OF SERVICES, 1999 - 2001

<table>
<thead>
<tr>
<th>Agency</th>
<th>Income</th>
<th>% change</th>
<th>Turnover</th>
<th>% change</th>
<th><strong>Most important services in 2000 - 2001</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brown KSDP</td>
<td>53,4</td>
<td>127,7</td>
<td>-</td>
<td>139,1</td>
<td>-</td>
</tr>
<tr>
<td>VWV Group</td>
<td>50,0</td>
<td>47,1</td>
<td>55,8</td>
<td>34,0</td>
<td>18,5</td>
</tr>
<tr>
<td>Tequila SA</td>
<td>28,9</td>
<td>33,4</td>
<td>34,7</td>
<td>15,6</td>
<td>3,9</td>
</tr>
<tr>
<td>Graphicor</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,5</td>
</tr>
<tr>
<td>8 Seconds Branding &amp;</td>
<td>5,6</td>
<td>18,2</td>
<td>-</td>
<td>225,0</td>
<td>-</td>
</tr>
<tr>
<td>Design</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Octagon SA</td>
<td>14,3</td>
<td>29,9</td>
<td>37,3</td>
<td>109,0</td>
<td>24,7</td>
</tr>
<tr>
<td>Mortimer Harvey &amp;</td>
<td>8,9</td>
<td>15,8</td>
<td>16,1</td>
<td>77,5</td>
<td>1,9</td>
</tr>
<tr>
<td>Associates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FCB Impact</td>
<td>9,2</td>
<td>11,6</td>
<td>8,3</td>
<td>26,5</td>
<td>-28,4</td>
</tr>
<tr>
<td>FCBi</td>
<td>6,7</td>
<td>10,3</td>
<td>11,1</td>
<td>53,7</td>
<td>7,8</td>
</tr>
<tr>
<td>FCB Jonssons</td>
<td>-</td>
<td>8,0</td>
<td>8,7</td>
<td>-</td>
<td>8,8</td>
</tr>
<tr>
<td>Code</td>
<td>-</td>
<td>5,9</td>
<td>7,2</td>
<td>-</td>
<td>22,0</td>
</tr>
<tr>
<td>Switch Branding &amp;</td>
<td>0,9</td>
<td>7,1</td>
<td>10,0</td>
<td>701,0</td>
<td>40,8</td>
</tr>
<tr>
<td>Design</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FCB Electric Ocean</td>
<td>3,9</td>
<td>6,4</td>
<td>8,1</td>
<td>62,5</td>
<td>26,6</td>
</tr>
<tr>
<td>Magicom</td>
<td>2,7</td>
<td>4,1</td>
<td>-</td>
<td>51,9</td>
<td>-</td>
</tr>
<tr>
<td>Agency</td>
<td>Income*</td>
<td>% change</td>
<td>Turnover</td>
<td>% change</td>
<td></td>
</tr>
<tr>
<td>------------------------</td>
<td>---------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td></td>
</tr>
<tr>
<td>FCB Sponsorship</td>
<td>0.8</td>
<td>4.3</td>
<td>-</td>
<td>448.0</td>
<td>-</td>
</tr>
<tr>
<td>CIA Nota Bene</td>
<td>2.3</td>
<td>3.7</td>
<td>-</td>
<td>60.9</td>
<td>-</td>
</tr>
<tr>
<td>FCB Design</td>
<td>2.0</td>
<td>2.8</td>
<td>2.5</td>
<td>39.4</td>
<td>-10.3</td>
</tr>
<tr>
<td>The Inspiration Company</td>
<td>2.3</td>
<td>2.6</td>
<td>-</td>
<td>13.0</td>
<td>-</td>
</tr>
<tr>
<td>Interbrand Sampson</td>
<td>2.6</td>
<td>2.4</td>
<td>3.5</td>
<td>39.4</td>
<td>-10.3</td>
</tr>
<tr>
<td>B-Line Advertising</td>
<td>1.8</td>
<td>2.1</td>
<td>-</td>
<td>16.7</td>
<td>-</td>
</tr>
<tr>
<td>Solar Communications</td>
<td>-</td>
<td>1.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FCB Investor Connexion</td>
<td>0.5</td>
<td>0.8</td>
<td>-</td>
<td>45.0</td>
<td>-</td>
</tr>
<tr>
<td>Uppe Advertising</td>
<td>-</td>
<td>8.5</td>
<td>9.3</td>
<td>-12.2</td>
<td>-</td>
</tr>
<tr>
<td>Grappleground</td>
<td>-</td>
<td>-</td>
<td>7.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ornico Group</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Orange Juice Design</td>
<td>-</td>
<td>5.4</td>
<td>4.4</td>
<td>-18.5</td>
<td>-</td>
</tr>
<tr>
<td>FCB Sponsorship</td>
<td>-</td>
<td>4.3</td>
<td>3.5</td>
<td>-18.6</td>
<td>-</td>
</tr>
<tr>
<td>Cross Colours</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Espial Sampson</td>
<td>-</td>
<td>1.3</td>
<td>2.9</td>
<td>123.1</td>
<td>-</td>
</tr>
<tr>
<td>KingJames RSVP</td>
<td>-</td>
<td>1.3</td>
<td>2.5</td>
<td>92.3</td>
<td>-</td>
</tr>
<tr>
<td>Ideaworx</td>
<td>-</td>
<td>1.6</td>
<td>2.2</td>
<td>37.5</td>
<td>-</td>
</tr>
<tr>
<td>Inspiration Co</td>
<td>-</td>
<td>1.9</td>
<td>2.0</td>
<td>5.3</td>
<td>-</td>
</tr>
<tr>
<td>FCB Investor Connexion</td>
<td>-</td>
<td>0.8</td>
<td>1.3</td>
<td>63.6</td>
<td>-</td>
</tr>
</tbody>
</table>

**Most important services in 2000-2001**

- From fees, commission and markups.
- Key to services: A: Customer/consumer promotions; B: Promotional campaigns; C: Media adspend; D: Corporate/brand identity and design; E: Exhibitions and interior design; F: Publication design, annual reports; G: Packaging design; H: Merchandising, point of sale; I: Direct response; J: Multimedia; K: Product launches; L: Other.

Besides the specialist services provided by the agencies outlined above, advertising and media research (also regarded as a specialist function) is provided either in-house or by outside experts, such as advertising agencies or private market research institutions. Specialist research organisations provide primary data collection services ranging from data collection (questionnaire and sampling design, interviewing) to data analysis. Research can be provided in different stages of the advertising campaign. The stages of research in advertising planning and scheduling are shown in figure 3.6.

**FIGURE 3.6**

STAGES OF RESEARCH IN ADVERTISING PLANNING AND SCHEDULING


Against the background of the four stages (I-IV) of research outlined in figure 3.6, the role of research and the most popular research methods and techniques that are used to support the planning and scheduling of advertising are outlined in figure 3.7.
The research methods and techniques listed in figure 3.7 are explained in the glossary (Annexure A). These methods and techniques are used to collect, analyse and interpret information for decision making on the advertising strategy, which comprises the planning, creative development, pre-testing and post-testing of advertising and the evaluation of advertising campaigns.
The above section focussed on the research methods and techniques involved in advertising research. Besides advertising research, further possibilities include research on different types of media. Research on various above-the-line media types is illustrated in figure 3.8. The figure shows the most common techniques employed in print, television, cinema, radio and outdoor research (Koekemoer 1987:334-343 and Martins, Loubser & van Wyk 1996:570-585). All terms are defined in the glossary (Annexure A).

**FIGURE 3.8**

**ABOVE-THE-LINE MEDIA RESEARCH TECHNIQUES**

### PRINT MEDIA RESEARCH TECHNIQUES
- Recall tests
- Recognition tests
- Consumer panels
- Recognition tests
- Subjective estimates
- Glue spot
- Eye cameras
- Self-reports
- Scale estimates

These techniques measure issue readership and advertisement audience, reading frequency, and page audience.

### TELEVISION, CINEMA & RADIO MEDIA RESEARCH TECHNIQUES
- Coincidental & non-coincidental interviews
  - Telephone interviewing
  - Personal interviewing
- Meter recording
- Diaries
- Observational studies (camera)
- Hidden Offers
- Recall interviews
- Detectors

### OUTDOOR MEDIA RESEARCH TECHNIQUES
- Journey records
- Key point recording
- Location cards
- Driving simulation
- Copland method
- Traffic counts
- Politz approach
- Photographic method
- Personal activity method
- Recognition method

Below-the-line media research techniques that are applied when considering the use of media such as direct marketing, promotions, sponsorship and public relations, are also well documented (Martins et al 1996:585-587 & Koekemoer 1998:424-438). A summary of the research methods and techniques that are applied when judging the selection of below-the-line media is shown in table 3.4.

### TABLE 3.4

**RESEARCH METHODS AND TECHNIQUES FOR BELOW-THE-LINE MARKETING**

<table>
<thead>
<tr>
<th>Below-the-line activity</th>
<th>Research methods</th>
<th>Research techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Marketing</td>
<td>• Telephone interviews</td>
<td>• Enquiry tests</td>
</tr>
<tr>
<td></td>
<td>• Focus groups</td>
<td>• Split-and-run tests</td>
</tr>
<tr>
<td></td>
<td>• In-depth interviews</td>
<td>• Price perception tests</td>
</tr>
<tr>
<td></td>
<td>• Mail surveys</td>
<td>• Image test</td>
</tr>
<tr>
<td></td>
<td>• Enquiry tests</td>
<td>• Value for money tests</td>
</tr>
<tr>
<td>Sales promotions</td>
<td>• Personal face-to-face interviews</td>
<td>• Sales promotion tests aimed at trade (retail audit)</td>
</tr>
<tr>
<td></td>
<td>• Combined observation and personal interviews</td>
<td>• Sales promotion tests aimed at salespersons (attitude studies)</td>
</tr>
<tr>
<td></td>
<td>• Depth interviews or group discussions</td>
<td>• Sales promotion tests aimed at consumers (consumer audit)</td>
</tr>
<tr>
<td></td>
<td>• Focus groups</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Consumer panels</td>
<td></td>
</tr>
<tr>
<td>Sponsorship</td>
<td>• Personal interviews</td>
<td>• OTS tests</td>
</tr>
<tr>
<td></td>
<td>• Telephone interviews</td>
<td>• Association tests</td>
</tr>
<tr>
<td>Public Relations</td>
<td>• Opinion polls/surveys</td>
<td>• Logo identification</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Slogan research</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Corporate image studies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Communications audit</td>
</tr>
</tbody>
</table>


Each of the research methods and techniques listed in table 3.4 is explained in the glossary (Annexure A).

The research instruments that were used to collect information for the study (i.e. brand company and brand questionnaires attached as Annexures B and C) had been specifically constructed to gain an indication of the current status of the contemporary marketing communication systems and brand marketing research support of brand-owned companies in South Africa. Question 9 of the brand
company questionnaire (Annexure B) and question 7 of the brand questionnaire (Annexure C) deal with the various marketing communication systems discussed in sections 3.2 to 3.5 above, while question 8 of the brand company questionnaire and section E (questions 21.1 to 22) of the brand questionnaire deals with research support for marketing communication. The methodology in constructing the research instruments (questionnaires) is discussed in chapter five, while the outcome of the research findings on, amongst others, the marketing communication system and research support for marketing communication, are discussed in chapters six and seven.

3.6 MULTINATIONAL ADVERTISING AGENCIES

To conclude the discussion on service provision by advertising agencies, some examples of multinational agencies merit discussion. Many clients are demanding more sophistication on the part of their advertising agencies. Virtually every large American agency has offices or affiliates in the countries where their clients sell their products. Media agencies now have offices in more than 100 countries, handling the global, multinational and national accounts of clients in the country in which they are located. These international offices have a definite purpose. If an agency does not have a foreign office in order to serve a client who has overseas business, the client may turn to an agency in that country. Then the door will be open for the competing agency to take over the American part of the billings.

It is a complex task for a multinational agency to set up an office in a foreign country. Each country entails a different market with its own culture, language, buying habits, ways of living, purchasing power, business methods, marketing traditions and laws. Therefore, instead of trying to organise new agencies with American personnel, most American agencies purchase the majority of minority interests in successful foreign agencies. Key members of the international offices regularly gather at the home office for an intensive seminar on the philosophy and operation of the agency, picking up ideas to carry back and adapt as they see fit.
An agency’s ability to provide advertising services throughout the world is very often crucial to its success in winning significant new business and retaining old accounts. As clients grow and market their products in more and more countries they often feel the need for the services of a worldwide agency. Many account switches have been made almost solely because the new agency could provide worldwide services whereas the old one could not.

Only a few of the South African advertising agencies listed in table 3.1 (see section 3.4) have an income from abroad. Of those South African advertising agencies reflected in table 3.1 only eight received income from outside South Africa in 2000. The global income of these marketing communication groups is reflected in table 3.5 (AdFocus 2001:32).

**TABLE 3.5**

LEADING SOUTH AFRICAN MARKETING COMMUNICATION GROUPS RANKED ACCORDING TO GLOBAL INCOME, 2000

<table>
<thead>
<tr>
<th>Agency</th>
<th>Income (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCB South Africa</td>
<td>211,9</td>
</tr>
<tr>
<td>Ogilvy &amp; Mather Rightford</td>
<td>202,2</td>
</tr>
<tr>
<td>TBWA Hunt Lascaris</td>
<td>265,0</td>
</tr>
<tr>
<td>Leo Burnett South Africa</td>
<td>68,1</td>
</tr>
<tr>
<td>Young &amp; Rubicam</td>
<td>58,8</td>
</tr>
<tr>
<td>DDB Communications</td>
<td>39,7</td>
</tr>
<tr>
<td>Bates in Africa</td>
<td>39,9</td>
</tr>
<tr>
<td>Grey Global</td>
<td>34,2</td>
</tr>
</tbody>
</table>

Source: AdFocus 2001:32.

Table 3.5 shows the total income (within South Africa and abroad) of South African-based groups of all kinds, whether they are predominantly above-the-line or predominantly below-the-line agencies. When compared to table 3.1, it is clear that the global income of marketing communication groups, such as FCB South Africa and TBWA Hunt Lascaris, was as high as R19 million and R83 million in 2000.
respectively. No updated figures were published for 2001 by AdFocus. Whereas the global income of FCB South Africa is mainly derived from its African network, the global income of TWB Hunt Lascaris is derived from its regional operations in Africa, the Middle East and the Eastern Mediterranean.

3.7 FUTURE OF ADVERTISING AGENCIES

It should be noted that the trend of full-service agencies providing additional services beyond traditional above-the-line advertising is expected to continue. The 2000 AdFocus attitude survey amongst senior executives of South African advertising agencies supports beliefs that agencies will execute integrated marketing campaigns for 73% of their clients in the near future (AdFocus 2000:64). Direct marketing, promotions, public relations, research and, especially, media coordination will all become more important. It is predicted that a burst of creativity will be required to cope with the new media opportunities and media technology. Development of skills used in below-the-line activities will receive priority.

It should also be noted that the annual 2002 AdFocus study among agency executives indicates that the advertising agency business seems less positive about its future than before (AdFocus 2002:56). The percentage of agency executives who feel strongly positive about the future of advertising agencies has decreased from 55% in 1995 to 22% in 2000 (AdFocus 2001:49), increasing a little again to 23% in 2001. This trend since 1995 is a clear reflection of the uncertain future of a business beset by changes of the needs of clients and media and agency structures.

The most important issue facing the advertising industry at the end of 2002 remains (as it has done for five years) the shortage of black professional staff. Other issues regarded as important for the future of the advertising industry include:

- Relations with clients that will require close contact with customers to retain current and attract potential future accounts. This will require proactive steps in meeting clients' needs.
• Agency remuneration/margins that are probably lower than ever. The combined income of the top 28 South African agencies grew by a modest 11% and 13% in 2000 and 2001 respectively. In real terms this was a stagnant environment, as media inflation is reckoned to be 12% and growth was limited to a few categories, such as cell phones, gambling and motor advertising (AdFocus 2001: 48 & AdFocus 2002:30).

• Changes adapting to technology, such as the Internet, electronic mail and SMS (see section 2.10).

• Tobacco advertising being banned. The effects of the withdrawal of tobacco company sponsorship were especially felt by advertising campaigns accompanying sport events. Grobler (BMI Sports Info director) estimates that the effect of the latter will take R35 million - R40 million out of the market (AdFocus 2001:106).

• A possible prohibition of advertising of liquor (AdFocus 2002:95).

• Image of the advertising industry currently being perceived as static and lacking of integrated marketing communication abilities, especially their inability to handle promotion work or public relations (AdFocus 2001:50 & AdFocus 2002:95).

Berry, chairman of Berry Bush/BBDO, believes that agencies are polarising into the big and small, with the mid-size agency disappearing. Small agencies are chosen for their distinctive creativity or specialisation, but are not able to supply services and resources, such as research and strategic planning. The big agencies have the critical mass to offer these peripheral services but need to be in the first 15 to survive. Berry maintains that strategic alliances, which have precipitated in some instances, will be the way to overcome the gap between the small and large agencies (AdFocus 1999:125). He also feels that more weight will have to be given to public relations
and below-the-line activities. There will always be strong media (print, television, radio and outdoor), but he emphasises, there are still many ways of getting one's message out, some more unconventional than others.

3.8 CONCLUDING REMARKS

This chapter focussed on the roleplayers in the marketing communication industry of South Africa. The investigation highlighted the most prominent above-the-line advertising and/or below-the-line promotion service agencies attending to the marketing communication needs of South African advertisers. The functioning of these structures was also outlined in broad terms. What remains in support of the theoretical aspects of the study is to investigate the practice of budgeting for all marketing communication disciplines. This discussion will investigate advertisers' intentions to build brands over the short- or long-term and would reflect the extent to which marketing communication disciplines are integrated during the budget planning and execution process.

The next chapter investigates the various approaches for compiling a marketing communication budget.
CHAPTER 4

BUDGETING FOR MARKETING COMMUNICATION ACTIVITIES
IN SOUTH AFRICA

4.1 INTRODUCTION

Both the advertising agencies and independent advertisers, such as retailers, need to determine how much money should be spent on marketing communication activity, and subsequently, the evaluation of the appropriation proposals. Many other decision areas of company expenditure evoke less anxiety because funds are allocated to specific and quantifiable items, such as capital plant, raw materials, wages, physical distribution, et cetera. The reason why marketing communication budgeting is often accompanied by anxiety and doubt is that advertising is regarded by some as a transient and intangible activity with no guaranteed payback, and the rationalisation for a given budget can be as much a matter of conviction as of science.

Questions on the size of appropriations for marketing communication activities loom large in marketing circles and literature, but answers to these questions change according to the nature of the product, the extent of competitive activity and the frequency of purchase, among many other salient factors. Furthermore, there is no simple formula or equation that can be applied universally to determine the size of the budget for marketing communication activities. Many special models have been designed to derive the 'correct level' of appropriations for marketing communication activities, but in general they do not transfer to other markets and products. Often, setting budgets is far more an art than a science. In this chapter the generally acknowledged guidelines for establishing marketing communication appropriations will be reviewed despite the fact that there are still much discussion and disagreement in the field of marketing communication about how budgets should be determined and how a proper allocation should be developed.
DEFINING THE MARKETING COMMUNICATION BUDGET

Expenses not directly related to purchases are usually categorised as selling expenses, administrative expenses and general expenses (Assael 1993:A3). Selling expenses relate directly to the activities involved in selling, such as sales, salaries and commissions, advertising (above-the-line), sales promotion (below-the-line) and other miscellaneous selling expenses. The larger part of selling expenses is fixed in character (e.g. salaries), whereas, the classic marketing expenses (for example, above-the-line advertising and below-the-line promotional activities) constitute a considerable portion of variable selling expense (also see Leach 1978:171). These variable selling expenses are all reflected in the marketing communication budget, which constitutes part of the overall marketing budget.

A marketing communication budget is a plan that sets a limitation on marketing communication expenditure, states how expenditure will be allocated, and controls the disbursement of above-the-line advertising and below-the-line promotions over a designated period of time, usually a year (adapted from Burke 1973:197). Within the marketing communication budget a certain percentage is allocated to advertising (above-the-line) and the rest is split between public relations, direct marketing, sales promotion, personal selling and sponsorship (below-the-line).

One of the primary concerns of persons responsible for the allocation, control and implementation of a marketing communication budget is the determination of which items are legitimately charged to the budgets for above-the-line advertising and below-the-line promotion and which expenses belong to other areas. Dunn and Barban (1990:250) depict a breakdown of the items charged to the marketing communication budget (above-the-line advertising and below-the-line promotions), those that do not belong to the marketing communication budget, and those regarded as borderline cases. This demarcation is depicted in table 4.1.
### Table 4.1

**Demarcation of Expenditure Items Charged to the Marketing Communication Budget**

<table>
<thead>
<tr>
<th>Expenditure items charged to the marketing communication budget</th>
<th>Expenditure items often charged to the marketing communication budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Space and time cost in regular media</td>
<td>Catalogues for consumers</td>
</tr>
<tr>
<td>Advertising consultants</td>
<td>Classified telephone directories</td>
</tr>
<tr>
<td>Ad-pretesting services</td>
<td>Space in irregular publications</td>
</tr>
<tr>
<td>Institutional advertising</td>
<td>Advertising aids for salesmen</td>
</tr>
<tr>
<td>Industry directory listings</td>
<td>Financial advertising</td>
</tr>
<tr>
<td>Readership or audience research</td>
<td>Dealer help literature</td>
</tr>
<tr>
<td>Media cost for consumer contests, premiums and sales promotions</td>
<td>Contribution to industry advertising funds</td>
</tr>
<tr>
<td>Ad department travel and entertainment expenses</td>
<td>Direct mail to dealers and jobbers</td>
</tr>
<tr>
<td>Ad department salaries</td>
<td>Office supplies</td>
</tr>
<tr>
<td>Advertising association dues</td>
<td>Local cooperative advertising</td>
</tr>
<tr>
<td>Cost of exhibits except personnel</td>
<td>Direct mail to consumers</td>
</tr>
<tr>
<td>House organs for customers and dealers</td>
<td>Subscriptions to periodicals and services for advertising department</td>
</tr>
<tr>
<td>Cost of cash value for sampling coupons</td>
<td>Storage of advertising materials</td>
</tr>
<tr>
<td>Cost of contest entry blanks</td>
<td></td>
</tr>
<tr>
<td>Cost-advertising enclosures</td>
<td></td>
</tr>
<tr>
<td>Contests’ judging and handling fees</td>
<td>Premium handling charges</td>
</tr>
<tr>
<td>Depreciation of ad department equipment</td>
<td>House-to-house sampling distribution</td>
</tr>
<tr>
<td>Mobile exhibits</td>
<td>Packaging for premium promotions</td>
</tr>
<tr>
<td>Employee fringe benefits</td>
<td>Cost of merchandise for tie-in promotions</td>
</tr>
<tr>
<td>Catalogues for salesmen</td>
<td>Product tags</td>
</tr>
<tr>
<td>Packaging consultants</td>
<td>Showrooms</td>
</tr>
<tr>
<td>Consumer contest awards</td>
<td>Testing new labels and packages</td>
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<td></td>
<td>Package design and artwork</td>
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<tr>
<td></td>
<td>Cost of nonself-liquidating premiums</td>
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<tr>
<td></td>
<td>Consumer education programmes</td>
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<tr>
<td></td>
<td>Product publicity</td>
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<tr>
<td></td>
<td>Factory signs</td>
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<tr>
<td></td>
<td>House organs for salesmen</td>
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<tr>
<td></td>
<td>Signs on company-owned vehicles</td>
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<td></td>
<td>Introduction enclosures</td>
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<td></td>
<td>Press clipping services</td>
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<tr>
<td></td>
<td>Market research (outside-produced)</td>
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<tr>
<td></td>
<td>Sample for middlemen</td>
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<td></td>
<td>Recruitment advertising</td>
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<tr>
<td></td>
<td>Price sheets</td>
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<tr>
<td></td>
<td>Public relations consultants</td>
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<tr>
<td></td>
<td>Coupon redemption cost</td>
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<td></td>
<td>Corporate publicity</td>
</tr>
<tr>
<td></td>
<td>Market research (company-produced)</td>
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<tr>
<td></td>
<td>Exhibit personnel</td>
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<tr>
<td></td>
<td>Gifts and company products</td>
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<tr>
<td></td>
<td>Cost of deal merchandise</td>
</tr>
<tr>
<td></td>
<td>Share of corporate salaries</td>
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<tr>
<td></td>
<td>Cost of guarantee funds</td>
</tr>
<tr>
<td></td>
<td>Share of legal expenses</td>
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<tr>
<td></td>
<td>Cost of detail missionary men</td>
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<tr>
<td></td>
<td>Sponsoring recreational activities</td>
</tr>
<tr>
<td></td>
<td>Product research</td>
</tr>
<tr>
<td></td>
<td>House organs for employees</td>
</tr>
<tr>
<td></td>
<td>Entertaining customers and prospects</td>
</tr>
<tr>
<td></td>
<td>Scholarship</td>
</tr>
<tr>
<td></td>
<td>Plant tours</td>
</tr>
<tr>
<td></td>
<td>Annual reports</td>
</tr>
<tr>
<td></td>
<td>Outright charity donations</td>
</tr>
</tbody>
</table>

For purposes of the study, marketing communication expenses are defined as consisting of all those elements reflected in budget format below.

<table>
<thead>
<tr>
<th>EXPENDITURE: MARKETING COMMUNICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ABOVE-THE-LINE ADVERTISING</td>
</tr>
<tr>
<td>1.1 Media expenditure</td>
</tr>
<tr>
<td>1.1.1 Electronic/broadcast media</td>
</tr>
<tr>
<td>1.1.1.1 Television (time charges)</td>
</tr>
<tr>
<td>1.1.1.2 Radio (time charges)</td>
</tr>
<tr>
<td>1.1.2 Print media</td>
</tr>
<tr>
<td>1.1.2.1 Newspapers (space charges)</td>
</tr>
<tr>
<td>1.1.2.2 Magazines (space charges)</td>
</tr>
<tr>
<td>1.1.2.3 Directories (space charges)</td>
</tr>
<tr>
<td>1.1.3 Out-of-home media</td>
</tr>
<tr>
<td>1.1.3.1 Outdoor</td>
</tr>
<tr>
<td>1.1.3.2 Cinema</td>
</tr>
<tr>
<td>1.2 Advertising production cost</td>
</tr>
<tr>
<td>1.2.1 Production of advertisements</td>
</tr>
<tr>
<td>1.2.2 Production of posters</td>
</tr>
<tr>
<td>1.2.3 Production of commercials</td>
</tr>
</tbody>
</table>

<p>| 2. BELOW-THE-LINE PROMOTION          |
| 2.1 Direct Marketing                 |
| 2.1.1 General planning               |
| 2.1.2 Database marketing             |
| 2.1.3 Direct marketing media cost    |
| 2.1.4 Telemarketing                  |
| 2.2 Sales promotions                 |
| 2.2.1 Internal sales promotions      |
| 2.2.1.1 Contests                     |
| 2.2.1.2 Incentives (e.g. cash prices, merchandise, travel) |</p>
<table>
<thead>
<tr>
<th>Section</th>
<th>Subsection</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2.2.1</td>
<td>Trade allowances (e.g. free goods, price reductions)</td>
<td>x</td>
</tr>
<tr>
<td>2.2.2.2</td>
<td>Cooperative advertising</td>
<td>x</td>
</tr>
<tr>
<td>2.2.2.3</td>
<td>Vendor support programmes</td>
<td>x</td>
</tr>
<tr>
<td>2.2.2.4</td>
<td>Trade contests and incentives</td>
<td>x</td>
</tr>
<tr>
<td>2.2.2.5</td>
<td>Point-of purchase displays and materials</td>
<td>x</td>
</tr>
<tr>
<td>2.2.2.6</td>
<td>Training programmes and sales meetings</td>
<td>x</td>
</tr>
<tr>
<td>2.2.2.7</td>
<td>Speciality advertising</td>
<td>x</td>
</tr>
<tr>
<td>2.2.2.8</td>
<td>Trade shows</td>
<td>x</td>
</tr>
<tr>
<td>2.2.3.1</td>
<td>Sampling</td>
<td>x</td>
</tr>
<tr>
<td>2.2.3.2</td>
<td>Couponing</td>
<td>x</td>
</tr>
<tr>
<td>2.2.3.3</td>
<td>Premiums (e.g. in, on and near pack)</td>
<td>x</td>
</tr>
<tr>
<td>2.2.3.4</td>
<td>Price-offs (e.g. bonus packs, refunds and rebates)</td>
<td>x</td>
</tr>
<tr>
<td>2.2.3.5</td>
<td>Contests and sweepstakes</td>
<td>x</td>
</tr>
<tr>
<td>2.2.3.6</td>
<td>Overlay promotions</td>
<td>x</td>
</tr>
<tr>
<td>2.2.3.7</td>
<td>Tie-in promotions</td>
<td>x</td>
</tr>
<tr>
<td>2.3.1</td>
<td>Sampling</td>
<td>x</td>
</tr>
<tr>
<td>2.3.2</td>
<td>Couponing</td>
<td>x</td>
</tr>
<tr>
<td>2.4.1</td>
<td>Design cost</td>
<td>x</td>
</tr>
<tr>
<td>2.4.2</td>
<td>Exhibitions and displays</td>
<td>x</td>
</tr>
<tr>
<td>2.4.3</td>
<td>Conferences</td>
<td>x</td>
</tr>
<tr>
<td>2.4.4</td>
<td>Teleconferences</td>
<td>x</td>
</tr>
<tr>
<td>2.4.5</td>
<td>Internal newsletters</td>
<td>x</td>
</tr>
<tr>
<td>2.4.6</td>
<td>House journals</td>
<td>x</td>
</tr>
<tr>
<td>2.4.7</td>
<td>Special events</td>
<td>x</td>
</tr>
<tr>
<td>2.5.1</td>
<td>Salary and commission</td>
<td>x</td>
</tr>
<tr>
<td>2.5.2</td>
<td>Exhibition materials (e.g. leaflets)</td>
<td>x</td>
</tr>
<tr>
<td>2.6</td>
<td>Sponsorship</td>
<td>x</td>
</tr>
</tbody>
</table>
3. STAND-ALONE ITEMS

<table>
<thead>
<tr>
<th>3.1</th>
<th>On-line advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.1</td>
<td>Internet marketing</td>
</tr>
<tr>
<td>3.1.2</td>
<td>Viral marketing</td>
</tr>
</tbody>
</table>

3.2 Marketing research

TOTAL EXPENDITURE

The current status of the above-mentioned marketing communication expenditure items, as applied by South African brand-owned companies, was determined by the brand company and brand surveys (see sections 6.3.3 and 6.3.4). The research instruments (brand company and brand questionnaires attached as Annexures B and C respectively) were especially designed to collect data on, among others, these issues in order to establish the marketing communication elements most frequently used by South African brand-owned companies. The research instruments were also designed to determine the degree to which the various marketing communication elements are nowadays integrated by South African brand-owned companies (see question 5 of the brand company questionnaire and question 16.1 of the brand questionnaire). The methodology in constructing the questionnaires is discussed in chapter five (see section 5.5), while the outcome of the results is discussed in chapter six (see sections 6.3.3 and 6.3.4).
4.3 FACTORS AFFECTING BUDGET ALLOCATIONS FOR MARKETING COMMUNICATION ACTIVITIES

Having determined which items are charged to a marketing communication budget, it is regarded appropriate to review potential factors which affect the marketing communication budget. To provide an overall picture of the factors which affected marketing communication budgeting over time, some secondary sources, as far back as the late seventies, are explored in this section.

Longman (in Schultz & Martin 1979:51) suggests two primary criteria for establishing a 'marketing communication' budget, namely:

- it must be adequate for the task to be accomplished and
- the advertising investment must return a maximum profit to the advertiser.

Longman (in Schultz et al 1979:51) also points out, 'In practice, neither of the rules is easy to apply. Probably, the most important cause of the difficulties experienced in budgeting is the fact that people's reactions to advertising at various spending levels must be predictable in this respect. They do not react to the fact that advertisers spend in large or small sums. Rather, they react to the particular message they receive, the place where they encounter it, and the frequency with which they are exposed to it. These factors are only loosely connected with the amount of money being spent.'

Broadbent (1979:156) takes a somewhat pragmatic view. According to Broadbent there are four questions which must be answered to adequately determine an advertising (marketing communication) budget. These include:

- What can the product afford?
- What is the 'marketing communication' task?
- What are competitors spending?
- What has been learned from previous years?
With answers to these questions, Broadbent suggests, the manager has some understanding of his basis for setting a 'marketing communication' budget.

Compared to Broadbent, Hurwood and Brown (1972:22-23) are more specific. Hurwood and Brown suggest the following considerations in the budgeting for a consumer product:

- The extent of the product usage, for example, is it widely used by many people or only by a limited number who use it a great deal? (Heavy versus light users).
- The size of the core of loyal brand users versus the size of the market that switches from brand to brand.
- The geographical area of the country in which the product is sold.
- The number of people currently in the market and the number not in the market now.
- How rapidly purchasers move in and out of the marketplace.

Leach (1978:175-185) and Sissors and Bumba (1993:372-381) identified the following factors affecting above-the-line advertising and below-the-line promotional budget allocations:

- **Factors affecting above-the-line advertising budget allocations:**
  - Above-the-line advertising budget strategy. If the marketing communication strategy calls for the brand to strive for or maintain market leadership, spending levels for above-the-line advertising will be appropriately high. If the strategy calls for a comfortable third or fourth position in the market, then again a lower level of above-the-line advertising spending will be fixed. If the brand needs to repair a damaged or depleted brand image, a disproportionately high level of spending on above-the-line advertising may be approved for a limited period of time.
- The competitive environment. The conventional way of determining what spending is required for advertising for existing or new products (above-the-line) is to consider the competitive environment. A brand striving to achieve or maintain market leadership will almost certainly have a strategy of at least matching the competition (if not dominating it) in terms of above-the-line advertising spending (Leach 1978:177 & Sissors et al 1993:374).

- Short-to mid-term tactical needs. Short-or mid-term needs to adopt some special marketing communication effort occur from time to time. This may be in response to a requirement to launch a product, to modify or change a usage habit for an existing product, to attract a new or different segment of brand users, et cetera. Generally speaking relaunch efforts take place over a period of twelve months and are normally initiated by a period of heavy above-the-line spending (Leach 1978:178 & Sissors et al 1993:373).

- Regional/seasonal considerations. Seasonal considerations also affect above-the-line advertising expenditure. For example, the easter egg manufacturer will spend more heavily on above-the-line advertising during the peak consumption period. Similarly, advertisers will tend to put a larger percentage of their above-the-line advertising spending into the second half of the fiscal year in order to allow for possible spending cuts when volume drops below expectations (Leach 1978:179).

○ Factors affecting below-the-line promotional budget allocations:

- Below-the-line promotional budget strategy. A whole series of tactical requirements is included in the overall below-the-line promotional strategy. Questions that are asked for example, are, 'what is the main objective of the sales promotion? Is it trial?' If so, the trial-promoting devices, such as price packs, couponing, special trial sizes or offers will be featured. 'Is it maintaining or protecting a large consumer franchise?'
If so, the tactics will include, in the case of packaged goods, consumer promotions. With the slower moving type of consumer product, the aim may be just to periodically gain added consumer excitement around the product. In the latter case the emphasis will be more on consumer competitions, mail-ins, on- or near-pack-premiums or special displays (Leach 1978:178).

- Volume in deal. By this is meant the percentage of sales which is supported by sales promotion (below-the-line) measures. It may be decided, for example, that a brand of instant coffee should sell as much as 60% of its volume via below-the-line promotion. Commonly this is referred to as 60% of the volume being in deal. The amount of deal will depend on factors such as the competitive environment. Meeting this requirement, a well functioning system of competitive observation will be needed. The number, type and price levels of products of competitors must be carefully observed (Leach 1978:182).

- Frequency of below-the-line promotions. The amount of volume offered in deal will of course be influenced by the frequency with which the brand is promoted. Hence, frequency of below-the-line promotions will be a further determinant in fixing spending. Many products have seasonal peaks at which time the manufacturer or retailer will attempt to sell in larger volumes to meet added demand. Considering the high cost of an individual below-the-line promotion, it is clear that the frequency question is a major factor affecting spending on below-the-line promotion (Leach 1978:183).

- Price levels. A further important consideration is the amount which is to be offered for price promotions and trade rebates. Here again the first step is to go back to competitive observation and see what the market is doing. Responsible management will again scrutinise this question carefully as it treats the question of volume in deal, the prime reason being the care required to prevent the product from receiving a price-
- The price/display ratio. Having established the amount of volume to be given in deal, management should decide how this volume is to be promoted. Management generally differentiates between straight money offers to the consumer and offers aimed at getting display value via other means. This money/display ratio can again be compared to the measures used by the competition and will be compared with historical data of the product in question. Management will obviously be striving to keep the percentage in money to tolerable levels, which are in turn measured against judgmental norms. To the above considerations should be added the amount of money appropriated for couponing. Couponing will often be used in the case of a new or young brand or for the relaunching of products that offer some dramatic improvement. Couponing will normally be tested in a limited area before being used nationally so that the correct level of price-off involved, as well as the extent of the couponing, can be estimated before it is implemented nationally (Leach 1978:184).

- Product life cycle (new products). Again the basic criteria discussed above are applied to the spending on promotion of new products. The investment in below-the-line promotions for a new product will be, as in the case of above-the-line advertising, higher during the initial period of introduction. In order to secure shelf space for new articles, special display-oriented devices will be needed. Introductory rebates for new products will almost certainly be more. Frequency of below-the-line promotions of new products will be somewhat higher than normal although the amount in deal will only be allowed to increase versus the regular amount for a carefully controlled limited period of time. In addition, sampling will almost certainly be used in the case of new packaged products. Sampling is the most expensive form of below-the-line activity and hence requires careful testing. When used on a full scale, it may reach spending levels comparable to those used for above-the-line advertising (Leach 1978:185).
Testing required for below-the-line promotional elements. The correct level of price for a price pack, the correct discount percentage and the effectiveness of premiums can all be established through testing. In contrast to above-the-line advertising, which has a much slower effect, results of below-the-line promotion can be read fairly quickly. Hence it is possible to test the key elements of a below-the-line promotional programme during the current fiscal year and to expand the key elements nationally during the next phase or during the second half of the fiscal year. This is the most effective way to empirically determine below-the-line promotional expenditure without spending vast amounts of money. It is also an area in which research techniques can make a significant contribution (Leach 1978:185).

Low and Mohr (1998:7) also list several antecedents in today’s competitive environment that influence budget decisions and that are not only applicable to consumer products. These factors are listed in figure 4.1.

**FIGURE 4.1**

**FACTORS INFLUENCING BUDGET ALLOCATIONS**

<table>
<thead>
<tr>
<th>PRODUCT/MARKET FACTORS</th>
<th>ORGANISATIONAL/MANAGERIAL FACTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Competitive intensity</td>
<td>• Sales force influence</td>
</tr>
<tr>
<td>• Seasonality</td>
<td>• Sales manager perception</td>
</tr>
<tr>
<td>• Market growth rates</td>
<td>• Reward system</td>
</tr>
<tr>
<td>• Market share</td>
<td>• Decision formality</td>
</tr>
<tr>
<td>• Stage of brand’s Product Life Cycle (PLC)</td>
<td>• Retailer influence</td>
</tr>
<tr>
<td>• Contribution margin</td>
<td>• Close trade relationships</td>
</tr>
<tr>
<td>• Brand differentiation</td>
<td>• Risk tolerance</td>
</tr>
<tr>
<td></td>
<td>• Use of market information</td>
</tr>
<tr>
<td></td>
<td>• Managers’ experience</td>
</tr>
<tr>
<td></td>
<td>• Balance of intuition and research</td>
</tr>
</tbody>
</table>

Figure 4.1 reflects the factors affecting budget allocation (above-the-line advertising and below-the-line promotions). To provide a better explanation for each of the factors listed in figure 4.1, each factor is discussed below. It is important to note from the discussion below the association between these factors and above-the-line advertising and below-the-line promotions.

4.3.1 Defining product/market factors

The product/market factors are listed in figure 4.1. The way in which these factors affect the deciding on budget allocations is explained below.

- **Competitive intensity** is defined as the degree to which competition in the brand's category is fierce. Strang (1980) states that intense competition in a product category can lead to sales promotion wars, provoking managers to decrease the relative allocation to above-the-line advertising.

- **Seasonality** is defined as the degree to which the brand's sales volume was cyclical in nature. Strang (1980) states that seasonal patterns in a product's sales may influence spending on consumer and trade promotion more than expenditure on advertising.

- **Market growth rates.** Higher market growth rates allow a firm to share in an expanding pie. Therefore, higher growth rates are likely to be associated with a greater emphasis on advertising relative to promotion (Farris 1978, Farris and Buzzell 1979:112-122 and Strang 1980).

- **Market share.** Prior research suggests that the managers of products with high relative market shares tend to spend a greater portion of their marketing communication budget on above-the-line advertising relative to consumer and trade promotion spending (below-the-line promotions) (Farris 1977, Lancaster 1986:509-526 and Strang 1980). Products with a high relative market share are less likely to need short-term share building incentives, such as consumer and trade promotions, because their share positions are already strong. Hence, long-
term market share maintenance tends to be best served by relatively higher proportions of communication budgets allocated to above-the-line advertising, which is an effective tool for establishing an image of leadership or dominance in the market (Aaker 1991).

- **Stage of the brand’s product life cycle (PLC).** Prior research suggests that in the introductory and growth phases of the product life cycle, a firm needs heavily above-the-line advertising to create awareness, and heavy consumer and trade promotions to stimulate trial behaviour, shelf space and retail support. During the mature phase of the product life cycle, intense competition leads to increased spending on promotions relative to advertising (Farris 1977; Anderson and Zeithaml 1984:5-24; Strang 1980 and Sethuraman & Tellis 1991:106-174).

- **Contribution margin.** When a product has a high margin relative to other brands in the company, it is likely to receive a greater allocation to above-the-line advertising. On the other hand, when a product has a lower margin, it tends to receive a greater allocation to below-the-line promotional tools. Consumers need to be continuously reminded of the superior image, quality or prestige of a high-contribution product, a task ideally achieved by spending proportionately more resources on above-the-line advertising (Farris 1977, Quelch, Marshall & Chang 1984:83-105 and Strang 1980).

- **Brand differentiation.** This variable is defined as the degree to which the brand has a unique position relative to the other brands in the market. When a product has a powerful point of distinction from competitors, spending on advertising tends to be higher relative to trade promotions (Farris 1977; Quelch et al 1984:83-105, Stewart and Furse 1986 and Strang 1980).
4.3.2 **Defining organisational/managerial factors**

The organisational/managerial factors listed in figure 4.1 and the way in which they affect decisions made about budgets allocated to marketing communication activities is explained below.

- **Sales force influence and participation.** Low and Mohr (1998:9) defines the influence of the sales force as the degree to which the sales force attempts to influence the brand manager's allocation decision. Low and Mohr (1992) found anecdotal evidence that when the sales force exerts influence on the budget allocation process, the resulting allocation tends to be skewed towards below-the-line promotions and away from above-the-line advertising (see also Robinson and Luck 1964).

- **Sales manager perception.** When the sales force formally participates with brand managers in the budget allocation process, its influence may have a tendency to be dampened. Research by Pfeffer and Salancik (1997:15-19) on organisational power suggests that one way to control organisational decisions is to co-opt other players. Formal participation of the sales force in the budget allocation process is a way to co-opt, or preempt, their invested interest in trade promotions. The effect of this participation on the allocation may therefore be mitigated. Conversely, by giving the sales force a formal voice, allows them to actually gain influence by participating formally in the budget allocation process.

- **Reward system.** With respect to budget allocation decisions, a reward system (as an important device for creating incentives for behaviour) that is oriented towards short-term performance or annual results (compared to one that focuses on multiple-year measures or longer-term results) may elicit decisions to stimulate short-term sales. Hence, because below-the-line promotional spending can provide an immediate stimulus for sales, consumer and trade promotions are likely to be emphasised, relative to above-the-line advertising, in such a situation (Low et al 1998:10).
- **Decision formality.** Decision formality refers to the extent to which the procedures used to make a decision are well-defined and structured. Formalised decisions are those for which a consistent, predictable process is used (Perkins and Rao 1990:1-10). A formalised process may have a higher tendency to give advantage to advertising tools that are not easily quantified. By explicitly considering the advantages and disadvantages of above-the-line advertising spending, managers may be more comfortable allocating budgets to advertising tools with longer-term benefits. On the other hand, fewer formalised procedures may have a tendency to emphasise easily quantifiable tools, such as customer and trade promotion.

- **Retailer influence.** Like the sales force, channel members have a vested interest in the amount of trade promotions allocated by a firm in its budgeting process. Retailers can use trade promotions to their own advantage, adding savings to their firm’s bottom lines. Retailers ‘strong arm’ the manufacturers, attempting to extract greater amounts to trade spending from them. In the past, manufacturers have complied, knowing that the battle for shelf space and merchandising activities are fierce. Defining retailer influence as the degree to which retailers attempt to use their power to influence the allocation decision, Low et al (1998:10) posit that retailer power is negatively related to above-the-line advertising spending, in favour of below-the-line promotional spending.

- **Trade relationships.** Closer trade relationships, where retailers and manufacturers cooperate in implementing win-win solutions, may change the nature of the budget allocation. Presumably, a retailer who recognises that improved brand equity (achieved via greater expenditure on above-the-line advertising) can help to command higher margins, may be willing to work with the manufacturer in shifting budget allocations from sales promotions (below-the-line element) to above-the-line advertising (Low et al 1998:11).
Risk tolerance. Risk tolerance is defined as the degree to which the top management prefers to ‘play it save’ and to rely on decisions for which outcomes are more certain (Staw, Sandelands & Dutton 1981:501-524, Singh 1986:562-585 and Wally and Baum 1994:932-956). When the firm encourages or tolerates decision making that has an element of ‘riskiness’ to it, managers may be more likely to allocate proportionately more of their budget to above-the-line advertising. Above-the-line advertising can be viewed as a relatively higher risk/higher return strategy than below-the-line promotions, which are viewed by managers as more certain with more predictable results (Robinson et al 1964).

Use of marketing information. With the advent of increasingly sophisticated information technology (Glazer 1991:1-19), brand managers are able to use more information to help them make budget allocation decisions. Low et al (1998:11) define the use of marketing information as the amount of marketing research information (number and types) used to assist in the budget allocation decisions.

While prior research has examined the factors that are associated with a greater tendency to use marketing research (Deshpandé & Zaltman 1982:14-31), the potential impact of the use of such information in guiding the promotional budget allocation decision has not been investigated. The use of such information could either lead to greater above-the-line advertising or to consumer and trade promotions (below-the-line elements), depending on the firm’s particular situation.

Marketing information could influence the budget allocation process because it could quantify the effects of the various marketing communication tools on outcomes. In this sense, tools that are more easily quantified, such as consumer and trade promotions, may increasingly benefit from the use of marketing information. Low et al (1998:12) argue, however, that the real advantage of
using marketing information may be that it lessens the ambiguity that arises from using difficult-to-quantify tools, such as above-the-line advertising. The use of such information could therefore serve to lessen the uncertainty about above-the-line advertising’s contributions to outcomes.

- **Managers’ experience.** While managers often rely on a large amount of information and sophisticated models to guide their decisions, they also rely on insights from personal experience and intuition (Fraser & Hite 1988:96-103, Blattberg & Hoch 1990:887-899, Bazerman 1994 and Keen 1996:6). Perkins et al (1990:1-10) determined that experienced managers are more likely to use ‘soft’ qualitative information than inexperienced managers. Inexperienced managers may rely more on below-the-line promotional tools, such as consumer and trade promotions whose outcomes are more easily quantifiable, whereas experienced managers may be more comfortable relying on above-the-line advertising (Danaher and Rust 1994:28-34).

- **Balance of use of intuition and information.** Simon (1987:57-64) proposed that experienced managers make decisions on their judgement and intuition, whereas inexperience managers rely on careful analysis and methodical decision making.

In previous research publications of Low et al (1992:18), the product/market factors discussed in section 4.3.1 are tagged as **external factors** affecting marketing communication budget allocations. In turn, the organisational/sales managerial factors (discussed at the start of section 4.3.2) are tagged as **internal factors** affecting marketing communication budget allocations. Other variables which could influence marketing communication budget appropriations include, for example, the price of the product. Higher priced products, relative to those of competitors, may support larger allocations to above-the-line advertising relative to below-the-line promotions (Farris et al 1979). Similarly, the unit of analysis used by the firm in planning above-the-line advertising and below-the-line promotions may also affect marketing communication budget allocations (Low et al 1992).
It is clear from the above discussion that some authorities view factors that influence the budget in a very broad sense, while others are much more specific. Although the marketing communication budget allocation process is necessarily complex, the many considerations influencing the decision depend on the situation as all budgets are separate and unique.

It should be noted that the results of the impact of the internal and external factors on marketing communication budget allocation discussed above are largely derived form studies conducted in the USA. In order to determine, among others, the internal and external factors impacting on the marketing communication budget allocations of South African brand-owned companies, part of the research instrument (brand questionnaire) was developed specifically with the aim to collect information on the factors that impact on budget allocation decisions in South Africa. The brand questionnaire is attached as Annexure C. The methodology used to construct the brand questionnaire is discussed in chapter five (see section 5.5) while the outcome of the response to the questions (questions 15.1 and 15.2) related to the internal and external factors impacting on marketing communication budget allocation decisions in South Africa are discussed in chapter seven (see section 7.2.2).

4.4 MARKETING COMMUNICATION BUDGET ALLOCATION PROCESS

The steps in the process of allocating budgets to marketing communication activities are reflected in figure 4.2.

Figure 4.2 outlines the marketing communication budget allocation process. The steps in the allocation process can be outlined broadly as follows:

- **Step 1: Establish marketing strategy and objectives**

  Establishing strategy and objectives is the first stage in allocating the marketing communication budget. The marketing strategy and objectives are typically formulated during the preparation of the annual marketing plan for a brand, which usually includes an extensive situation analysis. Such an analysis is essential and serves as the point of departure for planning the marketing
communication strategy. The starting point entails an analysis of the marketing environment. Assael (1993:13) defines the marketing environment as 'the influences and trends outside the company that effect its ability to meet customer needs'. However, Strydom et al (2000:34) broadens this definition to include 'the sum total of all variables and forces inside as well as outside the organisation which influences marketing management's decisions'. The three levels of the total marketing environment for which a situation analysis is required are shown in figure 4.3.

**FIGURE 4.3**

DIFFERENT LEVELS OF THE MARKETING ENVIRONMENT

MACROMARKETING ENVIRONMENT

MARKETING ENVIRONMENT

MICROMARKETING ENVIRONMENT

MARKETING ENVIRONMENT

MACROMARKETING ENVIRONMENT

Internal scanning

External scanning


It is clear from figure 4.3 that a situation analysis is undertaken as three levels of the marketing environment.

- The micromarketing or internal environment comprises the business organisation itself. The micromarketing environment refers to those variables which are largely controlled by the business itself, such as its mission and objectives, its management structure and its resources and culture. Marketing
management does not only have a significant influence on these variables, but can also control some variables in the micro-environment. An internal scanning of these variables is necessary to determine the businesses' internal strengths and weaknesses.

Most of the organisational and managerial factors discussed in section 4.3.2 serve as examples of some internal factors that brand managers should investigate, as these factors could unwittingly influence the direction of the marketing communication allocation.

- The marketing environment is located just outside the business organisation. Key variables in this environment include:

  - consumers with a particular buying power and behaviour, which in turn determine the number of entrants to the market
  
  - competitors who are established in the market and wish to maintain or improve their position, including existing, new and potential competitors (also see discussion in section 4.3.1 on competitive intensity as an important product/market factor impacting on the marketing communication budget allocation)

  - intermediaries who compete against each other to handle either the products of the business or only those of the competitors and

  - suppliers who provide or do not wish to provide products, raw materials, services and even financing of the organisation.
All the listed variables create particular opportunities and threats. Although marketing management can influence certain variables by adjusting its strategy, it has no control over these variables. The market environment has a strong influence on the success or failure of the business. A case in point is a strong competitor who possesses the necessary ability to enter into a price war or launch a new substitute product. The principle task of marketing management in this environment is therefore to identify, evaluate and utilise opportunities that arise in the market and then to develop its marketing communication strategies in order to meet competition. For these reasons the market environment is also called the task environment. The market environment is also influenced by the developments in the macro-environment, which work through the market or the micro-environment, ultimately to reach the market environment.

- The macromarketing environment contains variables that directly or indirectly exert an influence on the business and market environments. These variables constitute those uncontrollable forces in the environment that are sometimes referred to as megatrends. The six categories of the macro-environment are discussed below.

- The technological environment. New technological development and innovation create opportunities and threats in the environment. The opportunities created by computers in banking, manufacturing, transport and practically every industry are innumerable. The use of the Internet as technological revolution serves as an example in this regard. The most outstanding characteristic of technological innovation is the fact that it constantly accelerates the rate of change. For example, an ever-increasing portion of South African consumers change their shopping habits because of new technologies. Nowadays, in-home shopping via the Internet is commonplace in South Africa.
Marketing management should have a threefold involvement in the process of technological innovation and change (Strydom et al. 2000:54).

- Firstly, it should promote technological innovation that identifies new consumer needs and that influences technology in such a way that it leads to the satisfaction of those consumer needs.

- Secondly, marketing management should distribute technological innovation throughout society. This means that marketing management should track down new inventions and then develop and commercialise them.

- Thirdly, marketing management should be involved in scanning technological progress as well as those opportunities and threats that affect the business organisation.

Marketing management therefore has a significant task to perform in managing the transition to new technology because technological innovation can have a fast and drastic effect on a product or service. In scanning the technological environment, marketing management must keep in mind the maturity of an existing technology, and its possible replacement with a new one.

Technological progress therefore affects the business as a whole, including its product, life cycle, supply of materials, production process, management approach and, ultimately, its position in the market. All of these have a relative important bearing on the marketing communication budget decisions and hence, marketing/brand management should be increasingly alert to technological changes.
Technological innovation also influences other environmental variables. For example, the economic growth rate and social change are influenced by the number of new inventions. These variables in turn influence technology, and so the process of innovation and change is repeated.

- The economic environment. The main interfaces between the economic environment and the organisation are the economic growth rate, consumers' income, inflation, governments' monetary and fiscal policy and fluctuations in these magnitudes. The economic growth rate is measured by the gross domestic product (GDP) and defined by Strydom et al (2000:56) as 'the total value of finished products and services produced within the borders of a country during a given period, usually a year'. Although it has a decisive effect on marketing management, it is the correct gauging of the upswing and downswing phases of the economy that has a significant influence on the marketing communication strategy. For example, if an organisation expects a recession, it can benefit by reducing inventory timeously because its stock could be difficult to sell. Under recessionary conditions companies are inclined to cut back on above-the-line advertising expenditure and rather spend on below-the-line promotions.

Besides the GDP, the following economic trends, of which marketing management must be constantly aware of, also affect an organisation, its marketing environment and ultimately its marketing communication budget allocation:

- Structural changes in the incomes of different consumer groups which are of great importance to marketing/brand management since they give rise to changed spending patterns with regards to products and services, such as food, clothing, housing and insurance. Up to date marketers and brand owners in South Africa would, for example, take cognisance of the increase in black consumer spending power towards, among others, clothing, furniture and housing items (Tustin 2002:68).
Inflation trends which, for example, make inroads to capital and make the cost accounting and the financing of credit difficult. When preparing a marketing communication budget, good brand managers should be aware of the potential impact of, for example, high inflation that could culminate in increased raw material prices and possible higher labour cost, which in turn, could impact on marketing communication budget allocation decisions.

Changes in money supply, interest rates and the exchange rates, all governed by the government’s monetary policy. High interest rates and a poor foreign exchange rate will, among others, influence marketing communication budget allocation decisions of brand managers. Under such circumstances less of the marketing communication rand will be allocated to above-the-line advertising.

Changes in taxation rates and tax reform governed by the government’s fiscal policy. Lower tax often results in more money being available for above-the-line advertising.

The social environment entails social variables with clear implications for management. These variables include:

Demographic changes, defined by Strydom et al (2000:59) as ‘change in the growth and composition of populations’. Demographic trends that influence the purchase of products and services in particular include, among others, urbanisation, employment and the increased economic power of women. A higher urbanised black population, more black people in professional jobs, more females entering the labour market in South Africa and a health-oriented lifestyle are other demographic variables to be considered by marketing/brand managers when compiling marketing communication budgets.
Consumerism, defined by Strydom et al (2000:62) as 'the social force that protects the consumer by exerting legal, moral, economic and even political pressure on management'. This movement is a natural consequence of a better educated public who resists such things as misleading advertisements, unsafe products, profiteering and other objectionable practices, and presses for the rights of consumers.

Societal pressure on businesses forcing it to be socially responsible. Organisations should act responsibly in the environment in which they operate and constantly consider the consequences of their decisions and actions. In many respects, criticism of the actions of organisations, such as misleading advertising, dangerous products, pollution of the environment and exploitation of the consumer, is aimed at marketing management, probably because marketing is responsible for providing the ultimate product or service.

The physical environment entails the limited resources from which the organisation obtains its raw materials, as well as the environment into which it discharges its waste. This has bearing on various forms of pollution. Aspects of the physical environment that present opportunities as well as threats to the business organisation and which brand managers should take note of include, among others:

- scarce raw materials, energy and foodstuffs which have certain implications for management, for example, it could lead to a rise in the price of goods
- increased cost of energy, which could lead to a frantic search for alternative sources of energy and
the growing cost of urban pollution to the community in terms of a destroyed environment (The expenses of fighting pollution and the laws that organisations have to obey in this regard are important here. However, opportunities also present themselves in the form of recycling and new methods of manufacturing and packaging products in order to reduce pollution to the minimum. With South African marketers nowadays faced with the 'green movement' (which to some extent has become a front-line political issue) brand managers compiling marketing communication budgets for manufacturing plants especially need to take note of 'environmentalism' when marketing new products or repositioning old ones. Some South African mineral water manufacturers have already started using recycling as a promotional stance. In this regard mineral water products are marketed in recycled plastic bottles.)

environmentalism, defined by Strydom et al (2000:64) as 'an organised movement of citizens and government institutions in defence of the natural environment' (Although the responsibility of a well-ordered ecology cannot be said to rest entirely with business organisations, they do affect the ecology by way of, for example, advertising boards and pamphlets, packaging materials and a variety of paper containers, all which cause pollution. Management should respond timeously by taking steps to limit any harmful effects on the community as far as possible. If they do not show a sense of responsibility, they should not be surprised if hostile attitudes develop.)

The politico-government environment is another category of the macro-environment. Government affects the business environment and the business organisation primarily as a regulating institution. By promulgating and enforcing legislation, it creates order. By means of political measures, it steers agricultural and economic policy in a particular direction. Government intervenes in the local market on a large scale by means of the
annual budget, taxation, import control or lack thereof, promotion of exports, import tariffs to protect certain industries against excessive foreign competition, price control for certain goods and services, health regulations, as well as incentives and other measures to encourage development into a specific direction. To an increasing extent, it is the task of management or marketing communication managers to study the numerous and often complex activities, legislation and measures of government, as well as political trends. Managers should determine in good time the influence of these measurements on the profitable survival of the organisation.

The international environment also falls under the macro-environment. Organisations that operate internationally find themselves in a far more complex business environment because every country has its own unique environmental factors, with its own technology, culture, laws, politics, markets and competitiveness, different from those of other counties. International and multinational organisations in particular are susceptible to all sorts of international currents. The new economic order which is taking shape throughout the world is the increasing globalisation of the world economy. South African marketers and brand managers should be able to find new opportunities for marketing and above-the-line advertising and below-the-line promotion strategies now that South Africa has been readmitted to the international economic community. Furthermore, the influence of international economic and political developments on local business, particularly with the view of their closely interrelated nature, is multiple, and South African marketing and brand communication managers are only too aware of the extent to which international influences are exacerbated by domestic political problems. In times of low global economic growth (as currently the case) company profits are bound to lower levels which concomitantly lead to less optimistic above-the-line advertising expenditure levels.
The dynamic environment is another aspect of the macro-environment. In a free-market system, a business exists in a dynamic environment where technological innovation, economic fluctuations, changing communities and lifestyles, as well as political changes continually alter the environment and ultimately effect it. An insight into and understanding of trends and events in the environment and an ability to foresee the implications thereof for decision making is becoming increasingly important for marketing and brand communication management. Past experience in the rapid changing environment is often of little help when solving new problems that confront management. Mere expansion of the strategies of yesterday is often futile and counterproductive. Knowledge of trends in the environment and the identification of issues that largely determine the direction in which the business will develop are also necessary for decision making and budget setting in order to maximise profitability and marketing efforts. This knowledge requires environmental scanning that enables marketing and brand communication managers to identify threats and demands in the environment timeously and, whether possible, to turn them into opportunities.

Whereas an internal scanning is necessary to determine the strengths and weaknesses of a business, an external scanning of the market and macro-marketing environments (as listed above) is also necessary to gauge opportunities and threats. The scanning of the internal and external marketing environments is done according to a SWOT-analysis based on the strong and weak points of a business and the identification of opportunities and threats for the organisation. In essence, environmental scanning is part of the formulation of a marketing strategy and actually involves directing the organisation's resources towards satisfying the needs of the market. Timeous and continuous scanning of the environment in which marketing management must operate both inside and outside the business is therefore a prerequisite for sound decision making about the marketing and marketing communication strategies.
Once the situation analysis has been completed, the marketing communication objectives are formulated (see figure 4.2). Botha et al (1994:175-184) set five distinct requirements of successful marketing communication objectives, namely:

- Marketing communication objectives should be drawn up according to the hierarchy of objectives. In any enterprise there is a hierarchy of objectives, of which the marketing communication objectives should form part. The primary objective (corporate objective) of the enterprise, expressed in the marketing concept, is at the top of the hierarchy. This primary objective describes the long-term maximisation of profitability through the fulfilment of consumers’ needs. The objectives of the various enterprise functions (e.g. production, finance and marketing management) are derived from the primary objective of the enterprise. The different enterprise functions can in turn be divided into long-term and short-term objectives. The marketing communication objectives must be derived from the marketing objectives. Furthermore, the objectives of the marketing communication elements (advertising, personal selling, sales promotions, direct marketing, public relations and sponsorship) are derived from the marketing communication objectives. This hierarchy of objectives is shown in figure 4.4.

**FIGURE 4.4**

**HIERARCHY OF OBJECTIVES**

Figure 4.4 depicts that the 'more specific' objectives for each of the marketing communication elements are derived from the marketing communication objectives. In turn, these objectives are derived from the marketing objectives which are derived from the 'less specific' corporate objectives. Examples of each of the objectives reflected in figure 4.4 are shown in figure 4.5.

FIGURE 4.5
COMPILATION OF MARKETING COMMUNICATION OBJECTIVES WITHIN THE HIERARCHY OF OBJECTIVES

<table>
<thead>
<tr>
<th>CORPORATE OBJECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the rate of return (profitability) from 9% to 12%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>MARKETING OBJECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase market share from 20% to 35%</td>
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<table>
<thead>
<tr>
<th>MARKETING COMMUNICATION OBJECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase preference for product/service in target market</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>OBJECTIVES OF MARKETING COMMUNICATION ELEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADVERTISING</td>
</tr>
<tr>
<td>Persuade 40 new retailers to stock product by offering them point-of-purchase promotional material</td>
</tr>
<tr>
<td>Increase brand awareness of the product to 80% of the target market</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PERSONAL SELLING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase brand trial to 40% of the target audience</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SALES PROMOTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>To persuade 80% of the retailers to display the product at gondola ends (end-aisle displays)</td>
</tr>
<tr>
<td>To maintain brand awareness, enhance corporate image and build goodwill among key influencers</td>
</tr>
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<table>
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<tr>
<th>DIRECT MARKETING</th>
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Marketing communication objectives should describe the target market and how to communicate with it. It should be clear from the previous requirement that the marketing communication objectives should have a bearing on a particular target market because the very reason for their formulation is the present situation in the target market. Marketing communication objectives for one target market will therefore differ from others and they will indicate how marketing communication management wishes to change the present situation in the market.

It is also important for the promotional manager to express the marketing communication objectives in terms of communication tasks. Here there are a number of guidelines for providing an indication of the particular communication task which must be performed in the above-the-line advertising or below-the-line promotional campaign. First, the promotion manager must understand the consumer’s decision-making process and how the marketing communication strategy will influence this process before the marketing communication manager can decide how to communicate with the target market. This influence can effectively be studied on the basis of the hierarchy of effects. The hierarchy of effects is a model of the effect of marketing communication on the consumer’s decision-making process.

There are different models of the hierarchy of effects which all start at the point where the consumer is unaware of the product and end at the point where the consumer acts, say, by purchasing the product. The various models include, among others, the AIDA model based on the steps attention, interest, desire and action, the DAGMAR model based on defining advertising goals for measuring advertising results, the Lavidge and Steiner model which illustrates the consumer’s decision-making process through the hierarchy of effects and the Continuous Advertising Planning Programme (CAPP) model developed in the USA (Botha et al 1994:178 & 206). Although various stages (from unawareness to action) differ in each model, they can be divided into three groups, which are known as the behaviour dimensions and which indicate psychological phases in the consumer’s attitude and decision making. The three behavioural dimensions
are known as the cognitive, affective and conative phases. The first phase is on the level of thinking, the second of emotions and the third of motives and actions. The emphasis in communication differs for the different behaviour dimensions. A rational approach is taken in the cognitive phase, and communication serves primarily to transmit information. During the affective phase, the emphasis shifts to a more emotional approach aimed at persuading the target audience. During the cognitive phase, the emphasis is on the repetitive communication, which can be rational or emotional.

By analysing the present situation, it can easily be established in which phase of the hierarchy of effects the majority of consumers in the target market are, and the marketing communications manager can decide how to communicate with the target market so as to allow the consumers in the target market to move up the hierarchy of effects. For example, short television spots (above-the-line) could inform consumers about a new product or publicity (below-the-line) could be used to arouse interest in or a desire to buy a product. The hierarchy of effects is usually applied to plan the advertising strategy and especially to formulate the advertising objectives. It can, however, also be used profitably to plan the total marketing communication strategy (above-the-line advertising and below-the-line promotion).

- The marketing communications objectives should be quantifiable. This applies mainly to the formulation of above-the-line advertising objectives rather than below-the-line promotion objectives. Quantification of below-the-line promotional objectives is not acceptable at the promotion stage because this makes the below-the-line promotional objectives more specific than the above-the-line advertising objectives (Botha et al 1994:180). According to the hierarchy of objectives, the objectives become more specific as one moves down the hierarchy because one is then working with increasingly more detailed activities or elements in the enterprise. The above-the-line advertising objectives should therefore not be stated in vaguer terms than the below-the-line promotional objectives.
The marketing communication objectives can also help to evaluate the particular activity to which they refer. It is futile to say that the marketing communication objectives have not been attained when it is unable to state at which element of the marketing communication strategy the problem should be sought. Marketing management must strive to develop a unique evaluation system for each element. The value of marketing communication objectives is that they provide a common vision or goal for all the marketing communication elements, which leads to better coordination and can help to determine the marketing communication budget. Virtually the same result, however, can be achieved through the marketing objectives, but these are less specific than the marketing communication objectives in respect to the marketing communication task of the promotion department. In practice, the objectives of the various marketing communication elements are often derived directly from the marketing objectives. There are, however, definite advantages in deriving them from the marketing communication objectives. In cases where the objectives of the marketing communication elements are derived directly from the marketing objectives, the collection of objectives produced in this way are regarded as marketing communication objectives, hence there is no overall promotional objective.

- The marketing communication objectives should be measurable. It is important that the objectives of the marketing communication elements are measurable. It can therefore be said that the research technique for determining the result of the marketing communication programme should form part of the promotional objective. The research techniques used to measure or evaluate the marketing communication efforts were discussed in chapter three (see figures 3.6 to 3.8 and table 3.4).

- The marketing communication objectives should indicate the period during which the objectives must have been achieved. The period during which the marketing communication objectives must have been achieved obviously encompasses the period within which the activities aimed at attaining the objectives of all the various marketing communication objectives should have been performed. Different objectives can be formulated for different periods for
Marketing communication strategies, as well as strategies using different marketing communication elements (above-the-line advertising and below-the-line promotions), are based on specific marketing communication objectives. For example, where the above-the-line advertising objectives define what above-the-line advertising must do to fulfill the marketing objectives, the above-the-line advertising strategy will define what must be said in order to achieve the above-the-line advertising objectives (Koekemoer 1998:156).

If the primary objective is to gain brand awareness and develop a positive brand image, then above-the-line advertising will receive the most emphasis. If the main objective is to communicate and demonstrate complex product features, then personal selling (below-the-line promotional element) will dominate. If the objective is to gain maximum trial for a new product or encourage switching from a competitor, then sales promotion components such as coupons, free samples and special events (below-the-line promotional elements) might be employed, combined with incentives to influence the trade to stock it (Assael 1993:563). An objective-by-tool matrix providing some guidelines for developing a marketing or marketing communication strategy, based on specific marketing communication objectives, is shown in table 4.2.

**TABLE 4.2**

**AN OBJECTIVE-BY-TOOL MATRIX**

<table>
<thead>
<tr>
<th>Marketing communication objective</th>
<th>Above-the-line</th>
<th>Below-the-line</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Advertising</td>
<td>Instore promotions</td>
</tr>
<tr>
<td>Create awareness</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Create trial</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Endorse current users</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Expand users</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Expand usage/users</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Retain customer base</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Create perceptions</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Chance</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
From table 4.2 it is clear that most marketing communication elements are suited to create awareness and trial. However, above-the-line advertising and direct mail (below-the-line promotional element) seem to be the most appropriate when the marketing communication strategy is directed towards retaining the current customer base. Furthermore, it should be noted that a marketing communication strategy also entails the integration of various marketing communication elements in order to maximise the communication impact. It also entails the combination of marketing communication elements aimed at a specific target market.

Obviously is it the marketing manager’s task to integrate the marketing communication elements in such a way that the objectives of marketing communication are achieved. As indicated earlier, these objectives are to inform potential consumers about the attributes of the product, persuade them to buy the product and remind them to continue buying it.

The marketing communication campaign is made up of the particular combination of marketing communication elements that pursue a particular objective and are directed towards a particular target market. Deciding on the nature of the combination of different marketing communication elements is a challenge to the marketing communication management because, as circumstances change, the whole combination must change as well. Not only does the composition of the marketing communication elements repeatedly change, but so also do the messages contained therein as well as the different techniques and media used. Obviously each of the elements must make a contribution to the effective transmission of the message. It would be counterproductive, for example, if the message communicated by an advertisement were to contradict the sales representative’s message. This would confuse rather than persuade the consumer.
Certain parts of the research instruments (brand company and brand questionnaires attached as Annexures B and C) that were used for the study were specifically constructed to determine the level of integration of the various marketing communication elements by South African brand-owned companies. Question 5 (brand company questionnaire attached as Annexure B) and question 16.2 (brand questionnaire attached as Annexure C) clearly use the same matrix approach reflected in figure 4.2 above. The outcome of the response on these questions is discussed in chapter six (see section 6.3.4).

- **Step 2: Forecast sales and profits for the brand (financial analysis)**

It is of crucial importance for marketing and brand communication managers to be supplied with reliable measures of future sales (or profits) as these measures will be a key factor to success of the planning and implementation of the marketing and the marketing communication strategies. Market forecasting is essentially part of the marketing forecast, which includes aspects such as forecasts of prices, products, distribution and marketing communication.

Market forecasting can be done from two different perspectives:

- historical basis, where the forecast is based on historical data or

- current basis, where the forecast is based on the current situation.

Table 4.3 reflects both qualitative and quantitative forecasting techniques. The qualitative techniques rely mainly on judgement and subjective evaluation. The most important characteristic of these techniques is that they mainly depend on experience, talent, intuition and the feel of the market. The analysis of past performance may or may not be taken into account. The four qualitative forecasting techniques are reflected in table 4.3.
In contrast with qualitative forecasting techniques, quantitative forecasting techniques are largely based on historical data and involve the careful investigation of past trends and relationships between different variables. Two main forms of quantitative forecasting techniques can be distinguished, namely time-series analysis and statistical demand analysis. Typical time-series forecasting techniques are the moving average and exponential smoothing techniques (see table 4.3). Statistical methods on the other hand typically include regression and correlation analysis, leading series techniques, income elasticity coefficients and input-output analysis (see table 4.3). Table 4.3 provides a résumé of the forecasting techniques referred to above, indicating their accuracy, typical applications and the data required.
**TABLE 4.3**  
QUALITATIVE AND QUANTITATIVE FORECASTING TECHNIQUES

<table>
<thead>
<tr>
<th>Technique</th>
<th>Description</th>
<th>Accuracy</th>
<th>Typical application</th>
<th>Data required</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>QUALITATIVE FORECASTING TECHNIQUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Theory of expert opinion</td>
<td>This method uses expert opinion based on experience, insight and judgement about different scenarios of the future</td>
<td>Fair</td>
<td>Forecast of long-range and new product sales forecast</td>
<td>A set of possible scenarios about the future prepared by experts in the lights of past events</td>
</tr>
<tr>
<td>Delphi</td>
<td>A panel of experts is interrogated by a sequence of questionnaires in which the responses to one questionnaire are used to produce the next questionnaire. Any set of information only available to some experts is thus passed on to the others, giving all the experts access to all the information needed for forecasting</td>
<td>Usually not applicable, Fair to very good, Fair to very good</td>
<td>Forecast of long-range and new product sales and technological forecasts</td>
<td>A coordinator issues a sequence of questionnaires, edits and coordinates responses</td>
</tr>
<tr>
<td>Composite sales force opinion</td>
<td>Sales representatives come together (normally under the chairmanship of the marketing manager) and prepare forecasts like the jury of experts</td>
<td>Fair</td>
<td>Sales forecast</td>
<td>No data required, but other sales statistics on regional basis supplied</td>
</tr>
<tr>
<td>Survey of buying intentions</td>
<td>The intentions of consumers to buy (normally durable goods) are determined by means of, for example, personal interviews.</td>
<td>Poor to good, Poor to good, Very poor</td>
<td>Forecast of sales by product class</td>
<td>Several years' data required to relate indices to company sales</td>
</tr>
<tr>
<td>QUANTITATIVE FORECAST TECHNIQUES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(I) Time series techniques</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moving average technique</td>
<td>Each point of a moving average of a time series is the arithmetic mean (average) of several consecutive points of a series. A number of data points is chosen to eliminate effects of seasonal or irregular influences</td>
<td>Fair</td>
<td>Poor</td>
<td>Very poor</td>
</tr>
<tr>
<td>Exponential smoothing</td>
<td>This technique is a weighted moving average, except that more recent data points are given more weight</td>
<td>Fair to very good</td>
<td>Poor to good</td>
<td>Poor</td>
</tr>
<tr>
<td>(II) Causal techniques</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regression and correlation analysis</td>
<td>This functionally relates sales to other economic, competitive, or internal variables and estimates an equation using the least-squares technique. Relations are primarily analysed statistically</td>
<td>Good to very good</td>
<td>Good to very good</td>
<td>Fair to good</td>
</tr>
<tr>
<td>Leading series</td>
<td>A time series of an economic activity whose movement is given direction preceding the movement of some other time series in the same direction is a leading indicator</td>
<td>Fair</td>
<td>Fair</td>
<td>Poor</td>
</tr>
<tr>
<td>Income elasticity coefficients</td>
<td>Forecast of variables which are entirely or mainly dependant on income</td>
<td>Fair</td>
<td>Fair</td>
<td>Poor</td>
</tr>
<tr>
<td>Input-Output analysis</td>
<td>A method of analysis concerned with the industrial or departmental flow of goods and services in the economy of a company and its markets. It shows what flows of inputs must occur to obtain certain outputs</td>
<td>Fair</td>
<td>Good to very good</td>
<td>Fair</td>
</tr>
</tbody>
</table>

In some cases, the development of financial targets is a bottom-up process in which the brand manager develops financial projections based on strategy and objectives (Piercy 1987) and submits them to senior management for approval. In other cases, the process is a top-down one, which means that senior managers determine the overall corporate sales and profit objectives for the coming year and determine which amount each division, category, or brand should contribute to achieving that objective. A combination of bottom-up and top-down approaches could also be followed for the forecasting of sales and setting profit objectives. Brand managers' sales projections and senior managers' profit goals are typically the basis for negotiation between the two parties in order to arrive at agreed-upon forecasts and profit objectives for the coming year.

• **Step 3: Set initial budget and allocation**

The total amount of money that will be spent on marketing communication depends on the marketing communication strategies the firm intends to follow. The amount allotted to each marketing communication element will then depend on its relative importance. The techniques used for setting the marketing communication budget range from methods based on historic data, theoretical models and empirical techniques that are built on experimental feedback from the marketplace rather than historical data. The various marketing communication budget techniques grouped under each of these budget categories are discussed in detail in section 4.5.

• **Step 4: Adjust the allocation**

Having set the initial budget and its allocation, managers then focus on adjustments to the allocation. At this stage, trade-offs between above-the-line advertising and below-the-line promotions become more explicit and critical. Although many factors influence these adjustments, marketing objectives and strategy, competitors' activity and an evaluation of past effectiveness are the most likely factors to influence adjustments. Managers compare the marketing objectives for their strategy (as developed in step one) with the traditional role
of each marketing communication tool, and this influences adjustments to the
initial allocation. For example, if the objective is to increase trial among users
of a competitor's brand, this may be best achieved through a directed consumer
(coupon) promotion, which could result in more money being allocated to this
below-the-line promotional tool.

A further consideration influencing the initial allocation arises from formal
evaluations of past marketing communication activities (using scanner-based
evaluation systems provided by information suppliers for example). The success
or failure of marketing communication programmes, as indicated by these
evaluations, can then be used to justify changes in the budget allocation. Such
changes would not necessarily involve a trade-off between above-the-line
advertising and, for example, sales promotions (below-the-line promotional
element), but could also entail a trade-off between consumer and trade spending
(Low et al 1992:12).

Managers' increasing use of scanner-generated data and evaluative models in
adjusting the marketing communication mix appears to improve the process,
since the problem of deciding on an optimal mix is essentially a question of
effectiveness, i.e. how to spend a limited budget to produce the best results. The
use of these evaluative techniques appears to address the issue of effectiveness
directly, leading to the more effective deployment of scarce financial resources.
There are, however, other factors that could overrule the results obtained from
the abovementioned evaluative techniques.

- **Step 5: Present the plan and allocation to senior management**

At this stage the marketing communication budget is submitted to the senior
management in conjunction with the annual presentations of brand plans. In
addition to providing a quality control check, an important function of the senior
management group is to make trade-offs among brands to manage the company
brand portfolio effectively. Those brand managers who put forth convincing
arguments for increasing funding, for example, may get approval for their ideas at the expense of other brands that are judged to have less profit potential or for which less convincing arguments were made.

- **Step 6: Adjust the budget allocation based on senior management input**

In some cases, senior management does approve the brand plan, including the marketing communication budget and its allocation, as presented. In other cases, managers would suggest changes to the objectives, the strategy and the allocation of the marketing communication activities. This stage of the process can best be described as a negotiation phase, as brand managers discuss the suggested changes with the senior management in order to arrive at a plan. In some instances managers only act in an advisory capacity, in which case the individual brand manager is free to consider and use senior managers’ suggestions. In other instances, senior managers’ suggestions take the form of orders, which brand managers are obliged to heed.

- **Step 7: Implement the plan and make adjustments**

During this stage decisions are made concerning competitive actions and plans to achieve volume and profit objectives. These decisions may necessitate changes to the marketing communication budget allocation. These changes, again, tend to be reactionary in nature and seem to ignore the careful consideration given to earlier decisions. Part of the reason for this apparent disregard of weeks and months of hard work is that, during the implementation phase, elements of the marketing communication mix differ in the degree to which they can be altered. For example, above-the-line advertising is typically cut when profit objectives are not being met because the savings can be added directly to the bottom line without greatly affecting short-term sales. If trade promotions (below-the-line) are cut, this decision would be met with considerable opposition from the sales force. In addition, when tactical decisions are made under pressure, managers often rely on traditional responses, for example, if a competitor launches a new low-priced brand, a coupon
promotion would be the traditional response. These factors often leave brand managers with few alternatives, particularly when cuts in the marketing communication budget are necessary to achieve short-term profit or volume objectives.

The role of senior management in making adjustments to the marketing communication budget allocation is also an important aspect of this stage, since company executives and other senior managers may be more concerned about short-term financial performance than long-run results (such as improving consumer attitudes and brand equity). This concern with financial results sometimes motivates senior managers to use their authority to force brand managers to adjust their marketing communication budgets.

- **Step 8: Evaluate the budget allocation**

This final stage is often less structured than the other stages of the budget allocation process. Evaluation of the previous year's spending typically occurs at various stages of the current year's marketing planning and budget allocation process (see step 4). Here advertising standards, such as the following, have been developed (Rachlin 1991:96):

- total cost per unit of space
- cost per inquiry received
- cost per sales transaction
- cost per rand of sales
- cost per unit of time and
- cost per account sold.

Often sophisticated modelling techniques are used to determine the optimal spending mix. The various techniques used to evaluate the effectiveness of above-the-line advertising and below-the-line promotional efforts have been discussed in the previous section under marketing communication research (see end of section 3.5).
A few techniques evaluating above-the-line advertising that merit mentioning are post-testing techniques, such as day-after-recall (DART) tests, Starch tests, recall attitude tests, enquiry tests and sales tests (Koekemoer 1998:417-424). In turn, for below-the-line promotional efforts (Koekemoer 1998:424-438), ratios such as the sales expense ratio (expenses/sales), cost per call ratio (total cost/number of calls made), orders/account ratio (number of orders/total number of calls) are used to measure the performance of sales people, while pre- and post-tests are used to evaluate sales promotions aimed at the trade (retail audits), sales persons (attitude studies) and consumers (consumer audits).

In addition, the split-run technique and the Return on Investments (ROI) model (net profit/total investment x 100), among others, are used to evaluate direct marketing efforts.

To evaluate public relations efforts, Seitel (1989:154) is of the opinion that content analysis is required. This would mean that an analysis of news coverage provides the organisation with a good idea of the effectiveness of its communications. Such an analysis might incorporate specific criteria, such as frequency of coverage (how many releases were published?) as well as the coverage (who is reached?) itself.

Traditional qualitative and quantitative research can be used to measure awareness, attitudes and perceptions and, combined with broadcast delivery, publicity and sales results they could provide answers relating to the effectiveness of sponsorship programmes and the achievement of sponsorship objectives.

The foregoing discussion covered the steps needed to effectively construct a marketing communication budget. Building on this, the next section discusses the various marketing communication budget methods developed over time.
MARKETING COMMUNICATION BUDGET METHODS

Over the years a number of methods for estimating, budgeting, or allocating 'marketing communication' expenditure has been documented by many authors. McNiven (1969); Burke (1973:197-214); Broadbent in Weinberg, Doyle & Simmonds (1974:68-78); Eva (1978:193-211) at an Esomar Seminar in June 1978; Broadbent (1979:153-169); Russel, Verril and Lanc (1988:129-132); Assael (1993:564-566); Sissors and Bumba (1993:365-381); Shimp (1993:281-288); Belch and Belch (1995:238-259) and Sinclair (1997:84-86) have all documented typical marketing communication budget methods which developed over years. When grouped together, the marketing communication budget methods/techniques can be categorised as follows:

- Guideline methods. This category includes budget methods using historical or judgmental data as a basis for allocating budgets.

- Theoretical methods. Here managers attempt to estimate the most profitable level of marketing communication by using econometric or marketing models based on historical data.

- Empirical methods. Here budgeting techniques are built on experimental feedback from the marketplace rather than historical data.

Each of the budget categories listed above is discussed in the sections to follow. The advantages and disadvantages of each method are also outlined. Before providing a detailed discussion on each category, a summary of the various budgeting methods/techniques grouped under each main category is outlined in table 4.4.
**TABLE 4.4**

CLASSIFICATION OF MARKETING COMMUNICATION BUDGETING METHODS/TECHNIQUES

<table>
<thead>
<tr>
<th>MAIN BUDGET CATEGORIES</th>
<th>BUDGETING METHODS</th>
<th>BUDGET APPROACH</th>
</tr>
</thead>
<tbody>
<tr>
<td>GUIDELINE METHODS/TECHNIQUES</td>
<td>Fixed guidelines</td>
<td>Percentage of sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Percentage of gross margin</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Residue after previous year’s profits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unit of sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Per outlet</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cost per capita</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Competitive expenditure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Matching brand share to advertising share</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minimum campaign</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Media inflation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Payout planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Management decision</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intuitive, rule of thumb</td>
</tr>
<tr>
<td></td>
<td></td>
<td>What can be afforded</td>
</tr>
<tr>
<td></td>
<td>Arbitrary appropriations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Objective-and-task or task method</td>
<td>Go for broke</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DAGMAR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Composite media cost</td>
</tr>
<tr>
<td>THEORETICAL METHODS/TECHNIQUES</td>
<td>Sales models</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dynamic models</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Competitive models</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stochastic models</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Simulation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Vidale and Wolfe method</td>
<td></td>
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<tr>
<td></td>
<td>The Simon method</td>
<td></td>
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<tr>
<td></td>
<td>The Weinberg method</td>
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<tr>
<td></td>
<td>The Hendro Graphics method</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The map technique</td>
<td></td>
</tr>
<tr>
<td>EMPIRICAL METHODS/TECHNIQUES</td>
<td>Experimentation (test marketing)</td>
<td></td>
</tr>
</tbody>
</table>


The construction of the broad categories outlined in table 4.4 is based on historical and contemporary marketing communication budget methods and techniques. Therefore, some secondary data explored date back to the late 1970s. This approach allowed for a comprehensive list and classification of the most prominent marketing communication budget methods and techniques used over time.
In terms of a secondary objective, the broad classification used in table 4.4 also serves to address the historical approaches to marketing communication budgeting, both nationally and internationally. However, to provide a better understanding of more contemporary and local marketing communication budget methods and techniques, section 4.7 highlights those marketing communication budget methods and techniques currently applied in South Africa.

Certain sections of the research instruments (brand company and brand questionnaires attached as Annexure B and C) constructed for the study make provision for structured questions (questions 14.1 and 14.2 of the brand company questionnaire attached as Annexure B and question 11 of the brand questionnaire attached as Annexure C) to determine the most frequently used marketing communication budget methods applied by South African brand-owned companies. The results of the latter research findings are discussed in chapter six (see section 6.3.11).

On the basis of the broad classification of the marketing communication budget methods/techniques depicted in table 4.4, the various marketing communication budget methods and techniques are discussed below under each of the three identified broad categories. Following a collective approach, the various secondary data sources listed below table 4.4 were integrated to facilitate the detailed discussion of each method and to identify potential advantages and disadvantages of each method/technique.

4.5.1 Guideline techniques

The primary guideline techniques (fixed guidelines, arbitrary appropriations and the objective-and-task or task method) are each separately discussed below.

4.5.1.1 Fixed guidelines

There are eleven approaches that could be followed, namely:

- Percentage-of-sales approach

Percentage of sales, the most widely used method of guideline budgeting, is a
determined by past experience or industry or category guidelines. The compilation is fairly simple. A given percentage of the previous year’s sales or the forecast sales for the coming year for the product determines the allocation. For example, if sales of the previous year totalled R100 000, and 2% was the arbitrary figure selected as appropriate for marketing communications, the budget for the coming year will be R2 000 (R100 000 x 0,02 = R2 000). A percentage of forecast sales can also be used and the amount allocated to marketing communication (above-the-line advertising and below-the-line promotions) could be established as above.

Koekemoer (1998:158-159) lists two main advantages of the percentage-of-sales approach:

- It is financially safe and keeps marketing communication spending within reasonable limits as it bases spending on the past year’s sales or what the firm expects to sell in the coming year.

- The method is simple, straightforward and easy to implement (see also Schultz et al 1979:55).

However, this method has an inherent weakness. When sales are good, the marketing communication budget would increase. When sales are bad, marketing communication expenditure would be reduced. The basic principle at work is that marketing communication then becomes a result of sales, which is contrary to the basic principle of marketing communication. Advertising should increase sales and not the other way around. An additional problem in the percentage-of-sales budgeting approach is the lag effect in planning. For example, a marketing plan for 2003 would be developed in 2002. However, the marketing communication budget would be based on the last full year’s sales; in this case, the sales of 2001. As a result, the advertising budget for 2003 would actually be based on sales figures that would be two years old by the time the budget is implemented.
A further problem with this approach is stability. Only if all firms used a similar percentage would stability be brought to the marketplace. The problem is that this method does not allow for changes, either internally or from competitors. An aggressive firm may wish to allocate more money to the above-the-line advertising and below-the-line promotional budget. This strategy will not be possible with the percentage-of-sales method (Koekemoer 1998:159).

It is also difficult to employ the percentage-of-sales method when introducing new products. If no past sales figures are available, there may be no basis for establishing the budget. Projections of future sales may be difficult, particularly if the product is highly innovative and/or may have fluctuating sales patterns.

In the final instance, decreases in sales will lead to decreases in budgets, while budgets may be that what sales depend on. Lower marketing communication budgets may therefore increase the downward sales trend. Successful companies are often those that have, contrary to the percentage-of-sales method, allocated additional funds during hard times or downturns in the sales cycle.

- Percentage of gross margin approach

Another popular method of budgeting for marketing communication activities is to apply a percentage of the gross margin (net sales less cost of goods) of the company or brand. Marketing communication expenditure is calculated after production and marketing costs have been subtracted from sales income. The calculation is a straightforward one in which the marketing communication budget is simply determined as a percentage of past or anticipated gross margin. For example, if a company has a gross profit margin on a product of R1 million and invested 5% in marketing communication, the ratio (advertising as percentage of gross profit) will dictate a budget of R50 000.

This method has the attraction of keeping marketing communication expenditure in proportion to turnover and profits but evades the issue of what marketing communication is for. As with the previous method, this method is
Residue after previous years' profits

This procedure entails that marketing communication funds are determined from what is left after the required level of profit for distribution has been subtracted from overall profits and the previous year's turnover. The idea of ploughing back profit into the development of the product may have some merit in certain circumstances, in other words marketing communication is being treated as a reinvestment. This policy would require knowledge of the expected return and the timing of this return but since this is usually not known, it would be difficult to justify this method financially.

Unit of sales approach

In this method every item sold is assumed to carry a fixed overhead cost for advertising it. This procedure is born from standard costing procedures and forces management to think of marketing communication as a fixed cost rather than a variable one. The method is similar to, but not quite the same as, the percentage-of-sales method. It entails the allocation of the marketing communication rand on a per unit basis. For example, an affordable marketing communication cost per unit is determined by the advertiser.

By estimating the number of units that will be sold, the advertiser determines the marketing communication budget. If an advertising investment of, for example, R25 per vehicle is believed to be sufficient, and 50 000 units are forecast to be sold, the marketing communication budget would be R1,25 million (50 000 units x R25 = R1 250 000).

This method has the advantage of tying the marketing communication appropriation directly to the unit of sale, but then again, suffers from the difficulty of determining whether marketing communication creates sales or is the result of sales. In this case, the marketing communication budget is not actually generated until the unit is sold. An extreme example of the limitation of this method might be of a theatre which allocates a fixed amount to advertising per seat booked. As bookings diminish, so does the advertising promoting the show, which may be counterproductive.
• Per outlet-approach

Many manufacturers of durable goods or service firms that rely heavily on the retailer for a personal selling effort, set marketing communication budgets according to the number of outlets through which the product will be sold. For example, a consumer loan organisation determines that the company can invest R100 per loan office per year to generate personal loan applications. If it is assumed that there are 5 000 loan offices across the country, the marketing communication budget will be R500 000 (5 000 loan offices x R100 = R500 000).

Although the per-outlet approach is simple and easy to calculate, it ignores the fact that all loan offices are not alike. Some offices may need considerably more than R100 per annum in marketing communication support, and others less.

• Cost per capita

With this method the advertiser calculates the marketing communication cost per head for current customers, and when wishing to increase sales by gaining more customers, calculates marketing communication expenditure on a pro rata basis.

This sounds a simple method, particularly for industrial advertisers or durable markets where customers purchase only one item at a time (e.g. a central heating system). Although this method has the advantage of forcing the advertiser to consider the size of the target market and to determine who the potential customers are, the limitations of the method include the fact that it may be progressively harder to persuade new customers to buy and that the effects of competitors' advertising are ignored.
Competitive expenditure approach

With this method, the aim is to copy competitors on the assumption that either they know the right amount to spend or there is a market ‘norm’ which must be subscribed to. Some advertisers base their budget on what their competitors are spending, either on a rand-matching basis, or on a percentage of what is spent in the entire category. An advertiser, for example, may determine from published sources that a major competitor allocates R450 000 for advertising over a certain period of time. The advertiser will then appropriate the same amount to achieve a competitive parity or allocate a percentage amount which equalises market share. Thus, if the competitor, against whom the plan was developed, has a 20% share of the overall market and our advertiser has only 10% of the share, the appropriation will be R225 000 (20% share: 10% share = 0.5 ratio; thus 0.5 x R450 000 = R225 000).

Another budgeting technique reflecting the competitive-parity approach is to budget as a percentage of the total marketing communication investment by all competitors in the same category. In most instances, this percentage is related to the perceived market share or sales in the category. For example, if all marketing communication in the retail food industry amounts to R200 000, and advertiser X has a 10% share of sales in the retail food market, the marketing communication budget would be established at R20 000 (R200 000 x 0.1 share = R20 000). In some cases, advertisers set their budget at a figure above or below the market share in the hope of either capturing a larger portion of the market or achieving advertising effectiveness at a slightly lower cost.

The competitive approach has the advantage of keeping the budget in line with competition so that advertising ‘wars’ are kept in check. Furthermore, the ability to tie the expenditure directly to the market share is appealing to any advertiser. On the minus side, the competitive-parity approach assumes that one’s competitors know the best level for marketing communication expenditure in the category, whether they do or not. Another problem is that the determination of competitive or total marketing expenditure in the category may be difficult or inexact. The chief disadvantage is that the marketing
communication budget is determined outside the company by competitors whose problems and opportunities may be entirely different. While there appears to be a correlation between the share in marketing communication and the share in the market, the concept itself may be reliant on a self-fulfilling prophecy.

The method also ignores the fact that above-the-line advertising and below-the-line promotions are designed to accomplish specific objectives by addressing certain problems and opportunities. It furthermore assumes that, because firms have nearly equal expenditures, their campaigns will be equally effective. Such an assumption obviously ignores contributions of creative executions and/or media allocations, as well as the degree of success of various marketing communication attempts. Furthermore, it ignores the fact that some firms simply make better products than other. Finally, there is no guarantee that the main competitors will not change their strategies. They may launch a new product or relaunch an existing one and suddenly spend a lot more on advertising and promotion than before.

- Matching brand share to marketing communication share (share of voice method)

This procedure is a further development of the competitive expenditure approach. It attempts to allow marketing communication expenditures of rivals to be related to their respective sizes in the market.

- Minimum campaign approach

Broadbent (1979:166) suggests that some advertisers believe there is a minimum level, particularly in television, below which any investment becomes of little value. Cohen (in Schultz et al 1979:58) suggests the same idea with the 'noise-level' approach. Cohen’s suggestion is that a minimum amount must be invested to be heard above the ‘advertising noise’ of others in the marketplace. There is probably some value to the idea that, below a certain level, a marketing communication investment may not be heard in the marketplace. Unfortunately, that minimum level is largely a matter of judgement, and there appear to be no
hard-and-fast rules to determine the minimum level or even proof that it exists. Thus, advertisers following this approach apparently determine the budget entirely on judgement.

- Media inflation approach (maintaining previous expenditure)

With rapidly increasing media costs, several authorities have suggested that one guideline for marketing communication budgeting is to simply use a percentage increase figure with each new budget to cover rising costs. No doubt, rapid rises in media costs have seriously eroded the buyer power of all types of marketing communication budgets over the past few years. Media rate increases of well above the inflation rates of consumer goods and services are quite common in South Africa (*AdFocus* 1997:99).

The media inflation procedure treats marketing communication expenditure as a fixed cost and should be criticised for being unenterprising, unresponsive to changing situations and likely to lead to poor returns from marketing communications. The only merit is that it is a ‘comfortable’ approach and one where the risk element is known. It could, of course, lead to too much spending in bad years.

- Payout planning

The first months of a new product’s introduction typically require heavier-than-normal above-the-line advertising and below-the-line promotional appropriations to stimulate higher levels of awareness and, subsequently, trial. With respect to below-the-line promotions, spending on a new entry should be approximately twice the amount required for the desired market share (*Koekemoer* 1998:162).

To decide how much to spend, marketers will often develop a payout plan. This plan determines the investment value of above-the-line advertising and below-the-line promotional allocations. The basic idea is to project the revenues the product will generate over two to three years, as well as the cost that will be incurred. Based on an expected rate of return, the payout plan will assist in
determining what above-the-line advertising and below-the-line promotional expenditure would be necessary and at what time this return may be expected. Typically, a new item of Fast Moving Consumer Goods (FMCG) would lose money in year one, almost break even in year two and finally begin to show substantial profits by the end of year three. The above-the-line advertising and below-the-line promotional figures are then higher in year one and declining in years two and three. This marketing communication budget must then also reflect a company’s guidelines for new product introductions, as companies generally have established time periods in which the products must begin to show a profit.

4.5.1.2 *Arbitrary appropriations*

Following this approach, management determines the amount to be invested by some formula which is usually based on the financial situation of the entire company rather than an individual brand. The four basic methods used to determine the marketing communication budget by means of an arbitrary approach are the following:

- **Management decision**

  The marketing communication budget is established by top management and is simply allocated as the amount available to be spent. It may, or may not, be tied to the needs of the brand or the company. The campaign planner is concerned only with the allocation and control of marketing communication and not with budget determination.

- **Intuitive, rule of thumb methods**

  These procedures are defined as arbitrary, being the result of someone’s subjective assessment of what ‘should do the job’. The assessment is often an amalgam of hunch and experience and depends to a large extent on the person making the decision.
• What can be afforded

Top management allocates the marketing communication budget on the basis of what is believed to be affordable to either the brand or the company. The overriding factor in this management decision is usually the total profit desired or return on investment. In other cases, the need may be to revitalise an existing brand or to attempt to halt the declining sales of the product or brand by investing marketing communication funds. Since each case is individual, there may be different rationales for the decision of what can be afforded.

• Go for broke

In rare instances, management may decide that marketing communication can be used either to capture a market or to attempt to save a dying brand. Marketing communication funds are then allocated with no relationship to sales, profits, or even return on investments. The basic plan simply is to overwhelm consumers or competition in the marketplace with marketing communication efforts. Although this approach is used rarely, it is sometimes successful. Top management is usually responsible for the budget allocation, since the plan has a direct bearing on the over-all financial stability of the company.

4.5.1.3 The objective-and-task or task method

The objective-and-task method is generally regarded as the most sensible and defendable marketing communication budget method. When using this method, advertising decision-makers must clearly specify the role they expect marketing communication to play and then set budgets accordingly. The role is typically identified in terms of a communication objective (for example, increase brand awareness by 20 %) but is also often stated in terms of sales volume or market-share expectations (for example, increase market share from 15 % to 20 %).

There are basically two approaches that can be followed, namely the DAGMAR plan and the composite media cost method.
The DAGMAR plan

To develop a more scientific approach to advertising budgeting, the so-called ‘Defining Advertising Goals for Measured Advertising Results’ (DAGMAR) budgeting plan was introduced (Schultz et al 1979:59). The DAGMAR plan proposes that advertising should be budgeted to accomplish specific predetermined advertising goals. It therefore suggests that specific advertising campaign objectives be set in advance. On the basis of those objectives, whether they may be awareness, brand trial or other results, the amount of advertising necessary to accomplish those goals can then be determined. In this way the advertising budget is built from the ground up to achieve the predetermined goals rather than through the use of past or future results. The DAGMAR approach offers the opportunity to measure whether the goals set for the advertising campaign are achieved, something other guideline approaches often ignore.

The major difficulty in using the DAGMAR budgeting method is that, although marketing communication objectives and goals are set in advance, it is most difficult to determine how much money is needed to achieve those goals. The objective, for example, of achieving a 20% awareness of the advertising theme is easily set by the planner. It is quite another task, however, to determine how much media reach and frequency will be needed to achieve that 20% awareness goal among consumers.

While the objective-and-task method of marketing communication budgeting is more scientific and solidly based than other guideline methods, the chief advantage may lie in the fact that it is possible to determine whether the money was well spent afterwards. The budget is therefore determined by the objectives to be attained. Thus, rather than being established at the top and passed down, the managers closest to the marketing effort will be involved and specific strategies will be considered in the budget-setting process.
The lack of information again hinders what seems to be a solid approach to marketing communication budgeting. Where there is no track record for the product or when the product is new, this budgeting method is very difficult to implement. The major disadvantage of this method is that it is not always easy to determine the tasks required and the costs associated with each. While these decisions may be relatively easy for certain objectives (for example, estimating the cost of sampling required to stimulate trial in a defined market area) it is sometimes not possible to determine exactly what the required task is and/or how much it will cost to complete the job.

- Composite media cost method

The composite media cost method is an elaboration of the task method. When specific media are assigned to specific tasks, the overall appropriation is the sum of the individual budgets. For example, a mail order company might use the press to attract new customer enquiries, direct mail to gain further orders from past customers and catalogues to prompt additional sales from existing customers. Each medium would have individual objectives and require specific budgets to achieve these.

4.5.2 Theoretical methods

Theoretical approaches to marketing communication budgeting are usually based on some form of mathematical method using historical data as input. Most models are proprietary or require information which is not obtainable at reasonable cost.

Although they are often not practical for many companies, a brief discussion of the more popular models is presented in the interest of completeness. (A detailed discussion of each method is beyond the scope of this text.) The ten theoretical methods that will be discussed briefly, are quantitative theoretical methods as identified by Engel, Wales and Warsaw (in Schultz et al 1979:59). The first five models belonging to this category will be mentioned only shortly while the last five of these will be discussed in a little more detail in order to provide some form of understanding of how they work and how they are implemented in detecting
• Sales models

Here marketing communication is regarded as the only variable affecting sales. Thus, an optimisation approach is used to determine the ideal marketing communication budget.

• Dynamic models

These models attempt to account for the effect of advertising on sales over time. A typical approach is to incorporate the carry-over effects of present advertising into the near future through modelling.

• Competitive models

Here the approach is to create a model of the activities of one’s competition. Most such models are based on some form of game theory, in which it is assumed that all players are interdependent and that uncertainty results from not knowing what the others will do. A strategy is then developed for reducing and controlling this uncertainty through the model.

• Stochastic models

Two major approaches using the laws of probability have been developed. One is based on Markov Chains and the other on the Stochastic Learning model.

• Simulation

Several computer models have been developed that simulate consumer behaviour from stored data. Through experimental approaches, various levels of budget allocations are tested to determine the most effective return on investment. Computer simulation models also involve statistical techniques, such as multiple regression analysis, to determine the relative contribution that the size of the budget has on the sales response to advertising.
The Vidale and Wolfe method

This model of aggregate sales behaviour over time relates to varying levels of advertising and is reportedly consistent with market observations. The operational side of the model calls for three quantities to be measured, namely:

- Sales decay constant, which is the rate at which sales decline in the absence of advertising. This is a constant for any one product.

- Saturation level, which is the upper limit of achievable sales when advertising is applied. This factor is based on the premise that, for a given medium, only a certain portion of potential customers exposed to the medium will respond.

- Sales response content, which is the additional sales generated per unit of advertising subject to the saturation level.

The assumption behind the model is that while the sales response of potential buyers per unit of advertising expenditure is constant, the observed response in the market declines as more is spent because there are fewer and fewer potential customers to be converted.

This model can be applied to establish the advertising rate necessary to achieve a constant level of sales, or the level of expenditure necessary to raise sales to a given level. The profit implications of any given action can then be computed.

The Vidale and Wolfe approach may well be appropriate to a small market dominated by one major brand that is not subject to repeat purchasing. It could also apply to a national launch of a new product into a small market where competition is not intense.
The Simon method

JL Simon has developed seven steps to calculate the ideal advertising budget, and his budget-setting rules, originally based on those for direct response campaigns, apply in several respects to a minor brand in the sort of market covered above under the Vidale and Wolfe method. The other similarity with Vidale and Wolfe is the use of a retention rate, which has resemblance to their sales decay constant. The retention rate is used to access the level of sales if no advertising is undertaken in a given period. The retention rate can be based on data, experiments or, at worst, the firm may use its judgement in deciding the retention rate. The effect on sales of divergent levels of advertising in a period must be established, thus calling for historical data of good quality.

Simon's seven steps are the following:

- **Step 1.** Multiply the last period's sales by the retention rate. This estimates the sales in the current period if no advertising is undertaken.

- **Step 2.** Estimate the sales volume that would occur in the current period for various levels of advertising the company wishes to consider.

- **Step 3.** Subtract the result of step 1 from each of the sales values in step 2 and subtract the cost of producing the total sales levels. This provides an estimate of the next revenue for the different levels of advertising for the current period.

- **Step 4.** Multiply the retention rate by the results of step 3. This estimates the net revenue caused in the succeeding period by advertising in the current period. This step can be repeated again and again so as to consider the total time span in which the advertising is expected to exert an effect.

- **Step 5.** Multiply each period's result in 4 above, by the discount rate for money.
o Step 6. Add the results for all products considered and subtract the cost of advertising. This yields the present value of advertising outlay in the current period.

o Step 7. Compare the present value of each advertising level proposed and pick the one giving the highest figure.

- The Weinberg method

Weinberg describes the application of elementary mathematics to the appropriation decision for large, competitive products. His method uses past advertising and sales data for a product and its competitor to compute an ‘optimum’ advertising budget. This is done as follows:

- for each of a series of recent years, calculate the product’s share of advertising expenditure in the market
- for the same years, calculate market shares in sales terms (by value)
- divide advertising share by market share to obtain the ‘advertising exchange rate’ and
- graph the logarithm of this rate for each year against the change in market share.

The Weinberg method is appropriate to develop order-of-magnitude estimates of budget levels for a mature product in an advertising-intensive market with little below-the-line promotional activity.

- The Hendro Graphics Method

The key inputs in this method are:

- the direct manufacturing margin (presumably sales less variable cost)
- advertising expenditure and
- the share of the market.

Graphs are then produced relating advertising expenditure at divergent levels to market share and subsequent profit.
The Hendro method is one of a number of operational research techniques derived from the physical sciences. The root of this method is the theory of entropy used to measure the transference of heat from one piece of matter to another. This method will be of most value for products in large, competitive markets where advertising is primary used to generate short term market share by influencing potential brand switchers. The limitation of this technique is similar to many of the other models in that it cannot cope with potential market forces other than that of advertising.

- The map technique.

Designed to appraise product and advertising strength against competing brands' relative positions, the map technique could help evaluate the adequacy of current advertising levels and future strategies. The assumption is made that the brand share changes can be dissected by the effect due to advertising and other factors. Yet again, where below-the-line promotional activities or significant product changes are believed to affect market shares, markets would not be suitable for appraisal.

The map technique would be suitable if products are not new, market or competitive products are not completely difficult to be defined, other promotional activities in the market have been fairly static, significant product improvements have not been frequently made by competitors and consumers do perceive product differences.

The only data required for the map analysis is the change in annual brand share form year to year, over a five-year period at least, together with equivalent changes in the share of advertising expenditure. Data for all brands in the market are then plotted on a graph for a comparison of relative strengths and weaknesses and to allow diagnosis of any particular brand. The interpretation of the graph would provide an indication of the effectiveness of advertising in market share terms, and can discriminate between brands with shares that stem from weak copy and poor positioning, and those that have these elements right and where incremental advertising shares will result in sales share gains.
Because of the problems associated with the quantitative models, the acceptance and use thereof have been limited. Engel, Wales and Warsaw (in Schultz et al 1979:60) believe that quantitative methods have three basic problems, namely that

- necessary information usually cannot be obtained at a reasonable cost
- most models assume that above-the-line advertising is the only variable in the marketing communication mix and
- many assumptions in the various models appear to be quite arbitrary.

The value of quantitative models has yet to reach the promised potential. Perhaps as computers continue to find their way into the advertising domain, better methods will be forthcoming.

It should be noted that the study also aims to construct a quantitative marketing communication budget method which could guide marketing, brand and product managers in their annual marketing communication budget planning (see section 1.3). More specifically, such a method is aimed at marketing communication budgeting strategies that support long-term brand building. The marketing communication variables required to construct such a long-term marketing communication budgeting method is reflected in section G (question 26) of the brand questionnaire (see Annexure C). Section 1.4 elaborates on the meaning of the variables (above-the-line advertising, below-the-line promotions and consumer or trade franchise building activities) listed in section G of the brand survey questionnaire. The outcome of the response obtained from question 26 of the brand questionnaire is discussed in chapter seven (see section 7.2.6). Once the outcome of the long-term marketing communication budgeting method is known, the forecasting techniques discussed in section 4.4 (see table 4.3) could further be applied to determine future marketing communication budget appropriations.
4.5.3 Empirical approaches

The final marketing communication budgeting estimation technique relates to an empirical approach towards budgeting. This method differs from others since it is built on experimental feedback rather than historical data. This budgeting approach is sensitive to specific characteristics of a given product class and to the marketing factors acting on the product at the time the concept is set. Because experimentation requires trial and evaluation over time, it can be used for specific brands and cannot be projected for other product classes or even for other brands in the same category. Most empirical approaches to budgeting are highly proprietary and little is known of them.

A typical example of the experimentation approach might be the use of a series of test markets. Assume the product for which the budget is being evaluated is a brand of frozen orange juice. Initially, in several test markets of equal population, the usage of frozen orange juice and brand share would be selected and matched as closely as possible. Varying expenditure levels would be set for the markets. For example, Market A might be budgeted at the current national programme level for that particular brand. Market B might be set at a 50% of that amount and Market C at 150%. Advertising results in terms of both brand and total frozen orange juice category sales would be measured. In addition, communications effects would be tracked. Through a comparison of the results obtained over time, estimates of how the varying budget levels might perform on a broad scale basis could be made. As a result of these experimentations, budget levels for the frozen orange juice brand could be established with more precision than with the other fewer sophisticated approaches.

4.6 HOLISTIC MARKETING COMMUNICATION BUDGET APPROACH

The 'total' approach to budgeting provides a summary of the aspects requiring attention when marketing communication appropriations are made. In this procedure an attempt is made to take into account and blend all the influences of the marketing communication appropriations, namely:
• past sales
• forecast sales and profit requirements
• production capacities
• market environment (competitors, economy and political trends)
• product performance, for instance, adequacy perception of quality, et cetera
• sales force strength
• distribution strength and problems
• seasonal factors
• regional factors
• availability and cost effectiveness of media and
• trends in the market as revealed by research.

In a practical sense, this method is one of the more realistic ones because a careful review of all the factors listed above will inevitably lead to a comprehensive understanding of every element in the marketing communication mix. The most frequently used marketing communication budget approaches followed in South Africa are highlighted in the next section.

4.7 MARKETING COMMUNICATION BUDGET METHODS APPLIED IN SOUTH AFRICA

The budget methods and techniques discussed in the previous sections outlined both national and international approaches that are used to construct a marketing communication budget. To obtain an indication of the most popular budget approaches followed in South Africa, the Marketers Media Guide (1997), published by Marketing Mix in association with the Media Initiative Africa (MIA), was utilised as source to review the most widespread media budgeting methods. According to this publication, a media budget is inevitably a compromise between the practical amount of money available and the money needed for the media job to be done. The methods mentioned by the publication reveal this compromise in that one is an approach from the ‘available funds’ side, one from the ‘market situation’ side, while the final method, probably the most balanced (and most difficult) approach of all, approaches the budgeting process according to the ‘task’.
• **The share of voice method**

According to empirical work of the past, there is a relationship between a brand’s market share and the same brand’s share of advertising voice. To maintain a 10% share of the market, a brand should have a 10% share of the marketing communication expenditure for the category. If this is less, the brand’s market share is at risk. If this is more, the brand has the aptitude to grow. It is thus quite practical to look at previous years’ marketing communication expenditure across all brands in the category and, on the basis of current knowledge, to extrapolate these for the forthcoming year. It is then quite possible, on the basis of your own brand’s market share and the corporate decision of whether to milk the brand (spend below-market share percentage), maintain the brand (spend on par with market share percentage) or grow the brand (spend ahead of the market share percentage), to establish the marketing communication budget.

• **Advertising to sales ratio method**

Sometimes known as the ‘case sold’ approach, this method might be termed the accountant’s method. It assumes that a brand can only afford a certain amount of money per case sold, regardless of what the market or the opposition is doing. If the forecast is to sell one million cases of the brand at a cost of R60 per case and 5% is allowed for marketing communication, then the budget is R3 million. As has been mentioned, the danger of this method is that it takes no account of market activity.

• **The task method**

Primarily, a decision has to be taken as to what you want the advertising to achieve. In other words, what is the task? If the decision is to increase brand awareness by 15% and to expose the target market to the advertisement at least four times every six weeks, then a marketing communication plan which delivers this kind of result should be prepared. Once prepared, the optimal marketing communication elements (above-the-line advertising or below-the-line promotions) can be identified and costed out.
From the above discussion, it is clear that marketers have a variety of budgeting approaches at their disposal. The listed methods are, however, not mutually exclusive. It is more than likely that a combination can and should be used (holistic budget approach).

The discussion on the various marketing communication budget methods showed that

- marketing communication budget approaches can work either from a top-down or from a bottom-up basis and that

- the development stage of a brand largely determines the type of budget method to be used. For example, a new brand will require a different budget approach compared to existing ones.

Without an elaboration of each of the issues highlighted above, the discussion on marketing communication budgeting will be incomplete. Consequently, section 4.7.1 differentiates between top-down and bottom-up approaches to marketing communication budgets. The discussion is further broadened by clustering the approaches into typical above-the-line advertising and below-the-line promotional budgeting approaches. Building on this, a contemporary and comprehensive overview of the approaches followed by South African brand-owned companies at the end of 2001 is provided in section 6.3.10. This discussion is based on the outcome of the brand company survey conducted among 250 South African brand-owned companies. The discussion of approaches to marketing communication budgets is finally completed by a discussion of the most appropriate budgeting approaches when new or established products or services are marketed (see section 4.7.2).
4.7.1 Top-down and bottom-up budgeting

In a top-down approach, managers establish one overall expenditure level for the marketing communication mix and then allocate these funds to the components of the marketing communication mix. In essence, top management decides on a budget figure and the spending limit. The budget is then supposed to remain within these limits. The budget is therefore predetermined. The top-down budgeting approach is depicted in figure 4.6.

FIGURE 4.6

TOP-DOWN BUDGETING

The top-down budgeting approach has the advantage of treating the marketing communication mix as an integral part of the marketing strategy. This enables the determining of how much effort is required overall to inform and influence the consumer. The danger in using a top-down approach is that the manager might lose sight of the specific objectives and roles of each of the marketing communication disciplines.

In contrast, a bottom-up approach first requires developing separate budgets for above-the-line advertising and below-the-line promotional disciplines, such as personal selling, direct marketing, sales promotions, public relations and sponsorship. This approach is also known as a build-up approach. In principle marketing communication objectives are set, activities needed to achieve the objectives are planned and the costs of planned activities are budgeted before the overall budget is approved by top management. The bottom-up budgeting approach is depicted in figure 4.7.

FIGURE 4.7

BOTTOM-UP BUDGETING

The bottom-up approach has the advantage of focussing on the tasks required to achieve specific objectives all pertaining to above-the-line advertising and below-the-line promotions (i.e. personal selling, direct marketing, sales promotions, public relations and sponsorship). The disadvantage, on the other hand, is that this approach may possibly be at the expense of exceeding necessary limits on the total marketing communication budget. In building up a budget, the manager might allocate too much money to the marketing communication mix, because each marketing communication discipline independently establishes a spending level based on its objectives.

For the purpose of grouping the budgeting methods or techniques listed in section 4.5 as either top-down or bottom-up, the classification by Belch and Belch (1993:298-304) is used. This classification is outlined in table 4.5. Not all budgeting methods discussed in section 4.5 are reflected in table 4.5, but it at least provides some indication of the types of top-down or bottom-up budgeting approaches.

**TABLE 4.5**

CLASSIFICATION OF TOP-DOWN AND BOTTOM-UP BUDGETING TECHNIQUES

<table>
<thead>
<tr>
<th>Top-down budgeting</th>
<th>Bottom-up budgeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable method</td>
<td>Objective-and-task method</td>
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<tr>
<td>Arbitrary allocation</td>
<td>Payout planning method</td>
</tr>
<tr>
<td>Percentage-of-sales</td>
<td>Quantitative methods (computer simulation models, e.g. regression analysis)</td>
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<tr>
<td>Competitive parity</td>
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<tr>
<td>Return on investment</td>
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</table>


**4.7.2 Budgeting based on brand development stage**

It was evident from the discussion in section 4.5 that certain marketing communication budget methods/techniques are suitable for new products while others only suit existing products. Logically, there is a difference between budgeting for a new product and budgeting for an existing product. Each of these approaches will be discussed separately below.
• **Budgeting for new products**

The most common budgeting technique when considering advertising for a new product or brand is based on the payout plan which was discussed under section 4.5.1.1. However, there are no hard rules for budgeting for above-the-line advertising and below-the-line promotional expenditure for a new product or brand. There are, however, some rules of thumb that have proven successful for a number of marketers. Three basic approaches to budget allocation are used, namely:

- **Buy-your-way-in approach.**

  This approach entails allocating enough money to dealer incentives, such as promotional discounts or price allowances, to achieve anticipated distribution. At the same time, heavy above-the-line advertising and consumer promotions (below-the-line promotional element) are used so that, once the product is on the dealers' shelves, consumers are encouraged to try it. The budget is set essentially by estimating the cost of required above-the-line advertising and below-the-line promotions, and then allocating that amount. In effect, this budget plan is a 'go-for-broke' approach (see section 4.5.1.2). While the method is expensive and not always successful, in some instances it is the only method that can be used.

- **Competitive expenditure approach.**

  This approach is widely used. The rule of thumb is used when, for example, the advertiser must spend one and a half to two times the annual advertising rate of competitors who have a share equal to that of the company or whose brand share objectives are the same. For example, assume our brand V has an 8% market share goal for the first year. Now studies are made of the competitive market share in order to determine which brand has approximately the same share of the total. Assume brand Z has an 8% market share. On this basis, an estimation would then be made of the annual advertising expenditure for brand Z. Assume that our competitor is estimated to be spending approximately R1.5 million on
brand Z. On this basis, using the rule of thumb, between R2.25 million and R3 million should be invested for our brand V, which is approximately one and a half to two times the annual rate of competitive brand Z.

- **The profit planning approach.**

While the methods labelled 'buy-your-way-in' and 'competitive-expenditure' have proved to be successful, they ignore the basic reason for the payout planning programme, namely, the payout. In most companies there is an acceptable payback period for new products, usually between 12 and 30 months in the case of nondurable consumer goods. This guideline can be used to determine the introductory budget. The profit planning approach, which will be discussed under existing product budgeting, then comes into consideration.

- **Budgeting for existing products**

Three primary budgeting procedures are available for existing brands, namely:

- **Historical or traditional**

  The first and most common approach is based on history and tradition. Using what has been done before has certain appealing characteristics which usually result in fairly rapid management approval of the planned expenditure. Unfortunately, past methods or approaches may not fit the marketplace in the future. If marketing is a dynamic system, history and tradition offer only limited assistance in determining future actions.

- **Guideline approach**

  A multitude of guideline approaches are available to the advertising budgeter, as was discussed in section 4.5.1.
Profit planning approach

The profit planning approach is strongly recommended for the development of budgets for existing products. Sales forecasting is the key in this budgeting method. This approach requires that the length of the payout period be determined first and adopts a management viewpoint, dictated by the needs of the brand and the entire company.

4.8 CONCLUDING REMARKS

This chapter focussed on various historical and contemporary marketing communication budgeting methods/techniques that have developed over the years. In this regard the steps in the marketing communication budget allocation process, factors affecting marketing communication budgeting and different approaches towards marketing communication budgeting were examined. The chapter to follow, focus on the survey methodology whereafter the findings of the surveys conducted among a sample of South African brand spenders are discussed in chapters six and seven. The current status of brands, the marketing communication budgeting policies and factors governing such policies, as well as the size and composition of the marketing communication expenditure in support of brand-building in South Africa, are investigated.
CHAPTER 5

SURVEY METHODOLOGY

5.1 INTRODUCTION

The first chapter explained the reasons for and importance of studying the specific research topics related to the marketing communication industry in South Africa. From the secondary data collected on the research topics (see bibliography) it was evident that

- only part of the marketing communication expenditure in South Africa (above-the-line advertising - see section 1.1) is formally measured and that

- structural changes in the marketing communication industry of South Africa show a general preference towards below-the-line promotions (see section 1.1).

The outcome of the secondary research revealed that only broad approximates and speculations currently capture the composition of the total marketing communication expenditure (above- and below-the-line) in South Africa. Furthermore, the nature of available secondary data failed to verify the actual extent, the underlying causes and long-term impact of the notable structural changes across industry.

The lack of secondary data that sufficiently address the identified information gaps largely necessitated an additional data collection effort amongst brand-owned companies who market products and services across various economic sectors of South Africa. More specifically, the primary aim of the additional data collection effort was to collect information from South African based brand-owned companies to gain a better understanding of the management of above-the-line advertising and below-the-line promotions in the marketing of products and services in South Africa (see section 1.3). To meet this endeavour, the construction of a long-term brand-building model was envisaged as the ideal solution to the specified research problem.
Such a model required, as key component, the ‘ideal’ marketing communication integration strategy conducive to consumer and trade franchise building (see section 1.4). Closely linked to the aim of constructing a long-term brand building model, the study also intended to recommend a quantitative marketing communication budget methodology which could guide marketing, brand and product managers in their annual planning of marketing communication budgets. Overall, the study aimed to provide guidelines for the marketing communication industry in terms of:

(i) the composition, size and impact of above-the-line advertising and below-the-line promotional spending

(ii) most frequently used marketing communication elements

(iii) marketing communication integration strategies

(iv) marketing communication budgeting methods and factors which impact on marketing communication budgeting appropriations and

(iv) structural changes in marketing communication budgeting appropriations and factors governing the changes in marketing communication expenditure.

The survey methodology applied in collecting new data on the various marketing communication issues highlighted above is the main focus of this chapter. Figure 5.1 provides a clear structure of the survey methodology followed in collecting primary data.
It is clear from figure 5.1 that the survey methodology applied in collecting primary data entailed various steps prior to analysing the collected data. In broad, the process of collecting primary data entailed the following:

- defining and sampling of the population under study (steps (i) and (ii) of figure 5.1)
- developing of the research instruments/questionnaires (steps (iii) to (v) of figure 5.1)
- editing and coding of raw data (step (vi) of figure 5.1)
- capturing of data (step (vii) of figure 5.1) and
- interpreting and analysing data (step (viii) of figure 5.1).
The steps listed above (except for data interpretation and analysis which are discussed in chapters six and seven) are discussed separately in the sections to follow. These discussions will shed additional light on the various concepts listed in figure 5.1.

5.2 DEFINING AND SAMPLING OF THE POPULATION

The population under study was defined as all brand-owned companies who market products and services in South Africa. However, to study the entire population was not feasible, mainly due to cost and time constraints. As an alternative, sampling of the population was applied. Sampling, by definition, means that only certain population units/elements are included in the study (see Martins et al 1996:251). Ultimately, the brand-owned companies available for selection in the sample were classified as sample units, while the marketing, brand or product managers of the various brand-owned companies were classified as the sample elements of the study.

As precondition for a random sampling process, the selected sample has to be representative of the population under study in order to produce meaningful, credible and generisable results. As will be indicated in the discussions to follow, sampling, with the aim to make some inferences about the population on the basis of what was observed in the sample, was only applied in the brand company survey (see section 5.3.2.1). Such possibilities were not considered for the brand survey (see section 5.3.2.1) as the purpose of the sampling was not to generalise about the population, but rather to collect qualitative information which could substantiate the research findings resulting from the brand company survey (see sections 5.3.2.1 and 5.3.3.2.2).

Sampling presupposes that certain population elements are excluded from the sample. This exclusion is destined to cause sampling error, which is generated whenever a sample is drawn (see section 5.3.6).
5.3 THE SAMPLING PROCESS

The various stages of the sampling process are discussed in sections 5.3.1 to 5.3.6.

5.3.1 Defining the population

This step involved the specification of the target population in terms of sample units, sample elements, time and size. For the purpose of this study, these were specified as follows:

Sample units: Brand-owned companies who market products and services
Sample elements: Marketing, brand or product managers
Time: 2001
Size: South Africa

5.3.2 Specifying the sample frame

To comply with the stated study objectives in section 1.3, the ideal listing (sample frame) of brand-owned companies required the names of brand-owned companies, as well as the size of their total marketing communication expenditure (above-the-line advertising and below-the-line promotional expenditure figures). Unfortunately, no such ideal database was available at the time of conducting the study. Nearest to the ideal, was the database of top South African brands by advertising expenditure magnitude maintained by AC Nielsen South Africa.

Unfortunately, the AC Nielsen database failed to measure below-the-line promotional expenditure. However, the database reflects brands whose marketing communication strategies logically include below-the-line promotional activities. Based on these reflections and some crude calculations to the effect that below-the-line promotions account for approximately half of the total marketing communication activities in South Africa (see section 1.2.1), the database of AC Nielsen South Africa was adopted as final sample frame. However, as pointed out earlier, the
format of the database was not ideal for sampling and consequently required some adjustments and additions. These adjustments and additions to the AC Nielsen database are separately discussed in sections 5.3.2.1 and 5.3.2.2 respectively.

5.3.2.1 Adjusting the population database

This process entailed the listing of single brand names and brand portfolio names. As first step to this endeavour the AC Nielsen South Africa database was carefully examined. This result showed that, in some instances, the AC Nielsen listing of top South African brands, reflected brand names which, if grouped together, comprised an entire brand portfolio of a single brand-owned company. For example, M-Net Television Services, M-Net Super Sports, M-Net Promotions and M-Net Competitions were listed as separate brands in AC Nielsen’s database of top brands in South Africa. In constructing a single brand portfolio for M-Net, these brands were simply clustered together as ‘family’ brands and recorded under a single family brand name in the final sample frame. Single brands listed in the sample frame required no clustering. These were only checked for duplication. After clustering the necessary ‘family’ brands, a list of 923 brand (single brands) and 123 brand portfolio (‘family’ brands) names was constructed. The listing of each brand and brand portfolio name (1 046 records) according to their corresponding brand company name, finally concluded the construction of the sample frame. Ultimately, the sample frame was used to conduct sampling for the brand company and brand surveys (see table 5.1).

The way in which the initial AC Nielsen South Africa database was constructed did not only facilitate the adjustment/clustering process, but also supported the final decision to conduct two surveys. To gain a better understanding of this decision, the two survey options which resulted from the adjustment/clustering process and the pilot study (see section 5.5.3.1), need some further clarification.
(i) The first option was to request a marketing, brand or product manager to report on the marketing communication strategies of each and every brand within the entire brand portfolio. A brand-owned company like M-Net, for example, is selected as sample unit. The marketing, brand or product manager of M-Net would then, if willing and available, complete a separate survey questionnaire for all M-Net brands (M-Net Television Services, M-Net Super Sports, M-Net Promotions and M-Net Competitions) listed in the sample frame. In attempting this approach during the pilot study (see section 5.5.3.1), the outcome showed that the time schedule of marketing, brand and product managers, especially of companies marketing a large number of brands, did not allow for separate reporting on the brand communication strategies of each and every single brand in the brand portfolio. Instead, marketing, brand or product managers rather showed preference to either (a) report on the marketing communication strategy of, at most, one single brand in their brand portfolio, or (b) to report on the entire marketing communication strategy for the company as a whole.

(ii) The second option was to request a marketing, brand or product manager to report on the entire marketing communication strategy of the brand-owned company. This option presented an opportunity to collect information on the entire marketing communication strategy of a company’s entire brand portfolio. Once the results of a large enough sample of brand-owned companies would have been integrated it would then further allow for some population estimates on the marketing communication strategies of all brand-owned companies who market products and services in South Africa (see section 6.4). This outcome is directly linked with the stated primary objectives of the study discussed in section 1.3 and consequently the selection of this option enjoyed preference above the first mentioned.

The M-Net example is, once again, used to explain the reasons for awarding preference towards the holistic approach. If, for example, M-Net were selected for inclusion in the survey, its marketing, brand or product manager would have been requested to participate in a survey requiring information on the entire marketing communication strategy of M-Net. Information on the marketing
communication strategy of the M-Net Television Services brand alone would not have captured the entire marketing communication strategy for M-Net and consequently some valuable information would have been lost. Ultimately, information on one brand alone does not capture the entire marketing communication strategy of the brand-owned company. Consequently, inferences about the population are impossible under such conditions.

From the pilot study results (see section 5.5.3.1) and further investigative talks with industry experts like Tony Koenderman (Editor of *AdFocus*), Roger Sinclair (University of the Witwatersrand: Department of Business Economics) and Ross Jennings (Market Research Manager: Nestlé South Africa) the holistic approach (second option) enjoyed preference above the more confined focus of the first option discussed above. However, the first option was not totally ruled out. This was based on the following facts:

(i) Some marketing, brand or product managers of brand-owned companies, who market two or more brands, also showed a willingness to provide information on the marketing communication strategies of, at most, one of their single brands of their company brand portfolio.

(ii) Synergy exists between the marketing communication strategies of a brand portfolio of single brands which are marketed by the same brand-owned company. Ultimately, this reflects direct linkages between single brand marketing communication strategies and the overall marketing communication strategy of the same company.

(iii) Some secondary study objectives (see section 1.3) were to verify broad marketing communication strategies based on single brand marketing communication strategies.

For convenience, the holistic approach, whereby the entire marketing communication strategies of brand-owned companies were researched (option 2), was termed the **brand company survey**. In turn, the more confined approach (option 1), whereby
single brand marketing communication strategies of brand-owned companies were researched, was termed the **brand survey**. Although regarded as secondary to the brand company survey, the brand survey was regarded as important in terms of meeting the stated secondary objectives of the study (see section 1.3).

More specifically, the brand survey intended to ascertain

(i) product/market/organisational/managerial factors governing marketing communication budget appropriations to single brands

(ii) changes and reasons for changes in the marketing communication strategies of single brands over time

(iii) research support and methods in support of marketing communication strategies of single brands

(iv) long-term brand strategies of single brands and

(v) figures of marketing communication expenditure (time series) on single brands over time.

In meeting these secondary objectives, the main aim was not to generalise about the population but rather to collect qualitative data from a relatively small number of respondents (see section 5.3.4.2). Such information was collected from respondents mainly to uncover additional ideas on single brand strategies which ultimately showed some synergy effects with the overall brand marketing communication strategy of the same brand-owned company. In essence, such additional information served to clarify some trends noticeable from the quantitative data collected from the brand company survey. This reflected an unequivocal linkage between the brand company and brand surveys.

It is thus clear why the adjustment/clustering process of the database finally resulted in conducting two surveys, namely the brand company survey and the brand survey. Although directly linked, these surveys differed in various ways. Table 5.1 captures the linkages and differences between these two surveys.
# TABLE 5.1
CONTRASTING THE BRAND COMPANY AND BRAND SURVEYS

<table>
<thead>
<tr>
<th>Aim</th>
<th>Brand company survey</th>
<th>Brand survey</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To collect data on the total marketing communication strategies of brand-owned companies in South Africa with the main aim to determine: (i) the most frequently used marketing communication elements/tools (ii) the level of integrated marketing communication (iii) the composition and size of marketing communication budgets (iv) the structural changes in marketing communication strategies, reasons therefore and impact of changes on company sales (v) most frequently used marketing communication systems and budgeting approaches</td>
<td>To collect detailed data on the marketing communication strategies of single brands marketed in South Africa with the aim to ascertain: (i) product/market/organisational/managerial factors governing marketing communication budget appropriations to single brands (ii) changes and reasons for changes in the marketing communication strategies of single brands over time (iii) research support and methods in support of marketing communication strategies of single brands (iv) long-term brand strategies of single brands (v) marketing communication expenditure figures (time series) of single brands over time</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Population under study (target population)</th>
<th>Brand-owned companies who market products and services in South Africa</th>
<th>Brand-owned companies who market products and services in South Africa</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Sample unit</th>
<th>Brand company</th>
<th>Brand company</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Sample elements</th>
<th>Marketing/brand managers</th>
<th>Brand/product managers</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Sample frame</th>
<th>Modified AC Nielsen database</th>
<th>Modified AC Nielsen database</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Sampling approach</th>
<th>Probabilistic sampling procedure</th>
<th>Non-probabilistic sampling procedure</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Sampling method</th>
<th>Systematic sampling</th>
<th>Convenience sampling</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Sample size</th>
<th>250</th>
<th>30</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Data collection methodology</th>
<th>On-line quantitative survey</th>
<th>On-line qualitative survey</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>E-mail survey combined with telephone interviews</th>
<th>Modified Delphi, e-mail invitation survey combined with telephone interviews</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Population estimation requirements</th>
<th>Projecting of survey results to the wider population was required and made possible via systematic sampling</th>
<th>The aim was not to generalise about the population but to gain additional ideas from brand/product managers to substantiate the findings obtained from the brand company survey</th>
</tr>
</thead>
</table>

| Calculation of sample error | Required | Not required |
Besides reflecting linkages and discrepancies between the brand company and brand surveys, table 5.1 also provides a summary of the remaining steps of the sampling process (see discussion from section 5.3.3 onwards). As pointed out earlier, the decision on these surveys followed directly from the sample frame adjustment/clustering process. This ultimately justifies the reason for comparing and discussing these surveys at this point of time. However, what remains from the sample frame discussion, is to elaborate on the additions made to the sample frame following the adjustment/clustering process explained above.

5.3.2.2  
Additions to the adjusted population database

Although the adjusted population database was regarded as sufficient to support sampling (process of selecting a representative sample from the target population for the brand company survey), it still lacked some critical demographic data of the sample units/elements. This was required to support the final data collection effort amongst a sample of the target population for both surveys. Consequently some additions to the adjusted population database were made.

To address the shortcomings of the sample frame, the 1 046 brand and brand portfolio names listed in the population database (see section 5.3.2.1) were firstly paired with the corresponding brand-owned company names (sample units). These brand-owned company names were then listed in the sample frame in descending order of above-the-line advertising expenditure magnitude. Once this process was completed, a systematic sample for the brand company survey was drawn from the sample frame whereby sample units were selected at random (see section 5.3.3.2.1). For those sample units selected, a sample unit list was constructed. For the brand company survey 250 sample units were listed (see section 5.3.4.1). At this stage no sample size for the brand survey was specified although a minimum of 30 respondents was set as criterium beforehand (see section 5.3.4.2). Those sample units not selected for the brand company survey, constituted a so-called 'substitution sample frame' catering for potential unwilling and/or unavailable sample elements (see section 5.3.3.2.1).
With the names of the brand-owned companies known, the next step was to trace the telephone numbers of the listed brand-owned companies. This was done by utilizing South African telephone directories. Although this process was time consuming, it was regarded as absolutely necessary to support any further data collection efforts. Up to this stage, the additional demographic data (brand company names and telephone numbers) at least provided some linkage with the brand-owned companies but still lacked the contact details of the marketing, brand or product managers.

To address the latter shortcoming, the 250 listed sample units selected for participation in the brand company survey were telephonically contacted. During the initial telephonic contact with the selected marketing, brand or product managers, the call receivers (mostly switchboard operators) of the brand-owned companies were kindly instructed to provide the contact details of the marketing, brand or product manager of the selected brand-owned company. In most instances the call receiver forwarded the call directly to the marketing, brand or product manager. If this was not possible, the marketing, brand or product manager was contacted telephonically at least three different times during business hours. Although this procedure secured personal contact, the marketing, brand or product manager still had to be convinced to participate in the brand company and brand surveys. Once the marketing, brand or product manager confirmed participation in the surveys, their names and electronic mail address were recorded on the sample element list prior to forwarding the research instrument/on-line questionnaire (see section 5.3.5.2). If the marketing, brand or product manager was unwilling and/or unavailable to participate in the surveys, the substitution sample unit list was utilised to select a substitute brand-owned company. The prerequisite for such substitution was that the substituted (unwilling/unavailable) brand-owned company and the replacement brand-owned company had to spend more or less the same amount on advertising (see section 5.3.3.2.1). This procedure was continued until a final sample size of 250 was obtained for the brand company survey. Also worth mentioning is that the personal contact with the marketing, brand or product managers prior to sending the research instrument (questionnaire), largely contributed to the high participation rate of the respondents (see section 5.4).
Once the marketing, brand or product managers confirmed participation, the letter of introduction (see Annexure D) and questionnaires for both the brand company (see Annexure B) and brand (see Annexure C) surveys were electronically forwarded. At this stage the marketing, brand or product managers were unaware of the brand survey, but once the brand company questionnaire was completed, they were (after being kindly requested) left with the choice of completing the additional brand questionnaire for any self-selected individual brand.

The overall process of constructing the final sample frame and listing of the final sample elements, as explained above, is reflected in figure 5.2. This overview is further complemented with the discussion presented in section 5.3.5.1 that deliberates on the operational procedure followed in selecting the final sample elements.

**FIGURE 5.2**

**PROCESS OF CONSTRUCTING THE SAMPLE FRAME AND LISTING OF FINAL SAMPLE ELEMENTS**

![Diagram of the process]

- **INITIAL SAMPLE FRAME** (AC Nielsen, South Africa)
  - Adjusted SAMPLE FRAME
  - **Brand names & above-the-line expenditure figures**
  - **Listing of single and 'family' (portfolio) brand names**
  - **Link single and 'family' brand name to brand-owned company**
  - **EXTENDED SAMPLE FRAME**
  - **FINAL SAMPLE FRAME**
  - **DRAW SAMPLE**
  - **CONTACT SAMPLE UNIT**
  - List sample elements in terms of:
    - name
    - telephone number
    - electronic mail address
  - List telephone numbers of brand-owned companies
It should be noted that the final sample frame was constructed to suit the research conditions for this study. Due to the inter-connectivity between the brand company and brand surveys (see section 5.3.2.1) the same sample frame was used for both surveys. Besides being regarded as comprehensive in terms of reaching a representative portion of the target population (especially for the brand company survey), some last comments on the construction of the final sample frame are required. These comments are based on the main theoretical requirements set for any reliable sample frame (see Martins et al 1996:252).

• The first requirement was, the sample frame should have been as comprehensive as possible. The initial AC Nielsen database listed a total of 1 394 brands in descending advertising expenditure format. These figures reflect annual advertising expenditure on brands ranging from R1 million to R132,3 million. No figures were provided for advertising expenditure on brands below R1 million. Ultimately, the final sample frame constructed for the study only represented part of the population. Based on estimates that above-the-line advertising accounts for half of the total marketing communication expenditure in South Africa, the final sample frame was approximately 75% representative of the entire marketing communication expenditure in South Africa (above-the-line advertising and below-the-line promotions).

• A further requirement was that there should have been no duplication of elements in the sample frame. Where two or more brands constituted part of the entire brand portfolio of the same brand-owned company, the company was only listed once in the final sample frame (see section 5.3.2.1).

• A last prerequisite was that the sample frame should have been free from foreign elements. AC Nielsen's database only contained brand names marketed by South African brand-owned companies. Concomitantly, brand-owned companies not involved in advertising (foreign elements) were not listed in the final sample frame.
The comments on the prerequisites for a reliable sample frame provided above, indicate that the final sample frame used for the study represented a major part of the population with no duplicating and foreign elements present and was therefore suitable. It goes without saying that a perfect sample frame is seldom available which compels the use of the best possible sample frame as the one constructed for the study.

5.3.3 Selecting sampling methods

This section explains when a probability or non-probability approach should have been applied in order to draw the samples for the brand company and brand surveys. It also involves an explanation of how the sample elements were selected for each survey. Seeing that the selection process of the most appropriate sampling methods for the brand company and brand surveys involved two different actions, each is discussed separately below.

5.3.3.1 Sampling procedure

In deciding on the method of sampling, one could opt for either a probability or non-probability sampling procedure. With a probability sampling procedure each element in the population has a known, non-zero probability of being included in the sample (Martins et al 1996:256-258 and Diamantopoulos and Schlegelmilch 1997:13). Following this procedure for the brand company survey, the sample elements were selected by chance and this chance was known for each element being selected. Consequently, it was possible to apply the laws of chance (i.e. probability theory - see section 5.3.6) and estimate how likely it is that the sample reflects the ‘true’ situation in the population.

In contrast to the probability sampling procedure, the selection of sampling elements can be left to the discretion of the researcher when applying non-probability sampling procedures as applied in the brand survey. No scientific model, such as with the probability theory, exists to use with this procedure and consequently the degree of sampling error (see section 5.3.6) cannot be accessed.
5.3.3.2 **Sampling methods**

5.3.3.2.1 **Sampling methodology of brand company survey**

In theory, there is a wide range of probability sampling methods available (see Martins et al 1996:257-262 and Diamantopoulos et al 1997:14-15). The two-dimensional survey approach used to collect data (see table 5.1) and the said advantages of probabilistic sampling procedure (see start of section 5.3.3.1), finally led to the probabilistic sampling procedure being preferred for the brand company survey. The availability of a suitable sample frame (see section 5.3.2) further enticed the utilisation of probabilistic sampling for the brand company survey.

For the brand company survey the systematic sampling method was selected as the most appropriate probabilistic sampling method. The ease of applying this method in practice as well as the way in which the sample frame has been constructed (arranging sample units in descending order according to advertising expenditure magnitudes), amongst others, tipped the scale in favour of this sampling method.

Besides providing reasons for selecting the systematic sampling procedure, some explanation of the way in which the sample has been drawn by means of the selected sampling method is required. Diamantopoulos et al (1997:15) states that with systematic sampling, sample members are chosen at regular intervals after a random start. The sampling ratio is:

\[
\frac{N}{n}
\]

where N represents the population and n the sample size.
For the brand company survey the sampling ratio was calculated as follows:

\[
\frac{N}{n} = \frac{1046}{250} = 4.2
\]

According to the systematic sampling method sample members are chosen at regular intervals after a random start (Diamantopoulos et al 1997:15). To adhere to this requirement, a random starting value of three (3) was selected. Based on this, the brand-owned company listed third in the sample frame was the first to be selected as sample element for inclusion in the sample. Subsequently the 7th (3rd listed brand-owned company plus a sampling ratio of 4.2), 11th (7th listed brand-owned company plus a sampling ratio of 4.2), 16th (11th listed brand-owned company plus a sampling ratio of 4.2), et cetera was selected for inclusion in the sample.

The sampling ratio of 4.2 resulted in subdividing the 1046 brand-owned companies listed in the sample frame into 250 sampling intervals or advertising expenditure groups. The classification of brand spenders into different, but more or less similar, advertising expenditure groups also allowed for the substitution of unwilling and/or unavailable sample elements. Once an unwilling and/or unavailable sample element was detected it was substituted with a sample unit/element spending more or less the same amount on advertising than the one being substituted. The main reason for considering the substitution of unavailable and/or unwilling sample elements, was to secure a final response of 250 (see section 5.4).

5.3.3.2.2 Sampling methodology of brand survey

In contrast to the brand company survey, a non-probabilistic sampling procedure was used for the brand survey. Because some marketing, brand or product managers, which were selected from the sample frame in the brand company survey, were aware of the aims of the broad study and already participated in the brand company survey, it was convenient to also include them in the brand survey. However, the availability/accessibility of marketing, brand or product managers decided the further participation of these managers in the brand survey.
This type of non-probability sampling method is better known as convenience sampling. In this study, sample elements (mainly brand and/or product managers) were chosen on the basis of being available/accessible after the brand company survey has been completed. In most instances only one person was eligible to provide information on the marketing communication strategy of the company which resulted in the same person being responsible for participating in both surveys. In some instances several marketing or brand managers, who already participated in the brand company survey, kindly referred participation in the brand survey to their brand and/or product managers. Regardless of these gestures and much encouragement of sample elements to participate, a limited number of questionnaires have been completed for this survey (see section 5.4). A few other factors also contributed to low participation rates in the brand survey. These, amongst others, were:

(i) the relatively high level of confidentiality attached to the marketing communication strategies of single brands

(ii) the busy time schedules of most marketing, brand or product managers

(iii) the relatively lengthy brand questionnaire (see Annexure C) and

(iv) the fact that some brand-owned companies market two or more brands (portfolio of brands).

The two factors outweighing the other listed factors are the confidentiality attached to information related to individual brand marketing communication strategies and the fact that reporting on each brand communication strategy would be time-consuming. One reason may be the high level of competition in the market (see chapter seven).
Further ground for preferring the non-probabilistic sampling procedure for the brand survey was the fact that, after gaining an overall picture of the marketing communication strategies in South Africa via the brand company survey, only a broad overview of single brand marketing communication strategies was required. In addition to the latter, the cost in terms of time and money, largely inhibited the selection of a probabilistic sampling procedure for the brand survey.

5.3.4 Determining sample sizes

This step involved the specification of the number of sample elements to be included in the final sample. The determination of the sample sizes for the brand company and brand surveys was a rather complex issue, involving both statistical and practical considerations. These considerations for both surveys are highlighted below.

5.3.4.1 Brand company survey sample size

There were at least five key statistical and practical considerations when determining the sample size for the brand company survey.

- A key **statistical consideration** when determining the sample size for this study was the degree of variability in the population. The more heterogeneous the population, the larger the sample size needs to be in order to capture the diversity of the population. Brand spending companies in South Africa that market products and services across a whole range of economic sectors, with the more prominent being the retail, manufacturing, financial and business services, community, social and personal services and transport and communication services sectors (see section 1.2.2), were included in the survey. For a detailed description of each of these sectors, see Annexure E. The heterogeneous nature of the population justified a relative large sample of 250 sample units/elements.
A second **statistical consideration** was the degree of precision associated with population estimates based on the sample. The greater the precision required, the larger the sample size must be. Based on (i) the sampling method selected for the brand company survey; (ii) the sample size of 250 and (iii) the type of data generated via the research instrument (see section 5.5.2.3), a relative accurate reckoning of the population was possible via the application of different statistical techniques (see chapter six).

The third **statistical consideration** related to the desired degree of confidence associated with any estimates made. For example, when estimating that above-the-line advertising expenditure represents $\pm$ 50% of the total marketing communication expenditure (above- and below-the-line) at a 95% confidence level, a larger sample would be required than for an estimate of the same precision but a lower confidence level of say 90%. For the brand company survey it was possible to make some inferences about the population on the basis of what was observed in the sample of 250 respondents (see chapter six).

More **practical concerns** related to resource availability in terms of time, money and personnel. These factors, however, restricted the sample size to no more than 250 sample units.

Expectations regarding non-response were also incorporated in the determination of the final sample size. These expectations were discussed in section 5.3.3.2. In brief, the discussion concluded that the construction of a substitution sample frame allowed for the substitution of unwilling/unavailable respondents that were automatically substituted by willing and available sample units with more or less similar advertising expenditure magnitudes than the one being replaced. This procedure resulted in a selection of 250 sample units/elements who finally participated in the survey.
5.3.4.2 **Brand survey sample size**

Being non-probabilistic in nature, only 30 respondents were included in the brand survey. As has been explained in section 5.3.3.2.2, the marketing, brand or product managers for the brand survey were selected on the basis of their availability/accessibility after participating in the brand company survey. For the brand survey none of the statistical considerations listed under the brand company survey (see section 5.3.4.1) was considered. Mostly practical considerations, such as those listed in section 5.3.3.2.2, impacted on the final size of the sample.

5.3.5 **Drawing the sample and collecting the data**

The next sections explain the operational procedure for selecting the sample members included in the sample and the manner in which the fieldwork for the study was conducted.

5.3.5.1 **Operational procedure for identifying sample elements**

At the start of this section it should be noted that no separate discussion is required to identify the sample elements for the brand survey too. The main reason being that the process of identifying the sample elements for the brand company survey also serves to identify the sample elements for the brand survey. The way in which the brand company survey was utilised to identify the selected sample elements for the brand survey is explained below.

To begin with, some thoughts on the sample frame (discussed in section 5.3.2), which served as starting point for the operational procedure that identified the sample elements for both surveys, are presented here. Once the sample frame was finally constructed (see section 5.3.2), the final sample units to be included in the brand company sample were selected via systematic sampling procedure (see section 5.3.3.2.1). This selection procedure represented a further step in identifying the final sample elements. Following this step, the listed brand-owned companies' contact numbers were recorded. This secured contact with, at least the head office of the
selected brand-owned company. However, at this stage the identity and contact details of the marketing, brand or product manager of the selected brand-owned company still lacked. This called for an additional effort which entailed the following:

- telephonic contact with the selected brand-owned company’s head office to finally identify and locate the contact details of 250 marketing, brand or product managers and

- recording of the names and contact details (fixed line or mobile phone number) of the marketing, brand or product managers of the selected brand companies.

A funnel approach was clearly followed in order to identify and record the contact details of the final sample elements. This approach is summarised in figure 5.3.

**FIGURE 5.3**

**FUNNEL APPROACH IN IDENTIFYING SAMPLE ELEMENTS AND RECORDING SAMPLE ELEMENT DETAILS**

- Listing of brand and brand portfolio names (initial sample frame)
- Linking brand and brand portfolio names to corresponding brand company names (sample units)
- Selecting sample units for sample via systematic sampling procedure
- Listing of telephone contact numbers of brand companies (sample units)
- Contacting sample units to identify sample elements
- Recording names and contact details (telephone and e-mail addresses) of sample elements
Figure 5.3 shows how a funnel approach was followed in order to identify the sample units up to the point where the contact details (fixed line and/or mobile telephone numbers) of the marketing, brand or product managers have finally been recorded. Once all these were known, all that remained was to contact the marketing, brand or product manager to encourage participation in the study. Once the marketing, brand or product manager was reached, the purpose of the study and requirements for participation were explained. Whereas the objectives of the study listed in section 1.3 were used to explain the purpose of the study and to convince and encourage participation of the marketing, brand or product managers, the actual participation of the marketing, brand or product managers entailed the completion of the research instrument especially developed for the brand company survey (see section 5.5). As incentive for participation, each brand-owned company was guaranteed an executive summary based on the outcome of the survey findings.

Whenever the selected sample element declined participation in the survey (unwilling and/or unavailable sample element), it was simply substituted with an additional sample element of a brand-owned company spending a similar amount on advertising than the one being replaced (see section 5.3.3.2). The selection and substitution procedure of the final sample elements is reflected in figure 5.4. The selection and substitution procedure explained in the figure needs to be viewed in tandem with the discussion on the sample frame in section 5.3.2.2. For the sake of confidentiality, the brand and brand company names are not revealed but substituted with alphabetic ‘dummy’ names.
### SELECTION AND SUBSTITUTION PROCEDURE OF SELECTING FINAL SAMPLE ELEMENTS

<table>
<thead>
<tr>
<th>BRAND NAME</th>
<th>BRAND COMPANY NAME</th>
<th>ADVERTISING EXPENDITURE (R million)</th>
<th>SAMPLE ELEMENT (Brand Manager)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand A</td>
<td>AAA</td>
<td>59.1</td>
<td>Mr AAA</td>
</tr>
<tr>
<td>Brand B</td>
<td>BBB</td>
<td>58.6</td>
<td>Mr BBB</td>
</tr>
<tr>
<td>Brand C</td>
<td>CCC</td>
<td>57.4</td>
<td>Mr CCC</td>
</tr>
<tr>
<td>Brand D</td>
<td>DDD</td>
<td>56.1</td>
<td>Mr DDD</td>
</tr>
<tr>
<td>Brand E</td>
<td>EEE</td>
<td>53.0</td>
<td>Mr EEE</td>
</tr>
<tr>
<td>Brand F</td>
<td>FFF</td>
<td>51.4</td>
<td>Mr FFF</td>
</tr>
<tr>
<td>Brand G</td>
<td>GGG</td>
<td>51.3</td>
<td>Mr GGG</td>
</tr>
<tr>
<td>Brand H</td>
<td>HHH</td>
<td>49.3</td>
<td>Mr HHH</td>
</tr>
<tr>
<td>Brand I</td>
<td>III</td>
<td>48.6</td>
<td>Mr III</td>
</tr>
</tbody>
</table>

Figure 5.4 indicates the name of the brand, the brand company and advertising expenditure magnitude of each brand initially listed in the sample frame. For the sake of simplicity and in order to guarantee confidentiality to the brand-owned companies listed in the sample frame, information on the brand names and brand company names are not revealed but presented in alphabetical terms. The figure shows a shortened version of the sample frame constructed for the survey. The size of the advertising expenditure groups reflected in the figure are based on the systematic sampling procedure explained in section 5.3.3.2.1.
Figure 5.4 was further simplified by only reflecting the first two advertising expenditure groups and shows how:

(i) the initial sample elements have been identified within these advertising expenditure groups and how

(ii) unwilling/unavailable sample elements were substituted within these advertising expenditure groups.

From figure 5.4 it is clear that at least one brand company has been selected from each advertising expenditure groups. For example, from sampling interval I, brand company CCC (listed 3rd) has been selected via the systematic random sampling procedure as first sample unit to be included in the sample. Being ranked third, brand company CCC’s selection was owned to the predetermined random starting value of three (see section 5.3.3.2.1). Based on the calculated sampling ratio of 4.2 (see section 5.3.3.2.1), the next sample unit that qualified for inclusion in the sample was brand company GGG. Brand company GGG is listed seventh in the sample frame and its selection in the sample was determined by simply adding the calculated sampling ratio of 4.2 to the random starting value of three. Proceeding with this methodology, the final sample unit list constituted the names of 250 brand-owned companies.

As has been said earlier, first time contact with the marketing, brand or product managers did not always automatically result in participation as marketing, brand or product managers sometimes refused participation. To make provision for this, a sample substitution list was constructed (see section 5.3.2.2). From this substitution list any unwilling and/or unavailable marketing, brand or product manager (non-respondent) was substituted by a willing and available marketing, brand or product manager of a brand-owned company spending more or less the same on advertising than the one being replaced. When, for example, an identified marketing, brand or product manager (e.g. Mr GGG in figure 5.4) refused to cooperate in the survey, the
brand-owned company GGG was simply replaced with either FFF or HHH. The identity of the replacement marketing, brand or product managers (Mr FFF or Mr HHH) was located via the telephonic contact with companies FFF or HHH who spent more or less the same amount on advertising than company GGG.

The personal contact with the marketing, brand or product managers, prior to sending the questionnaire to the final sample elements (willing and available marketing, brand or product managers), further ensured a high response rate (see section 5.4). Once the marketing, brand or product manager confirmed his/her willingness and availability for participation in the survey, the brand company questionnaire (see Annexure B) was electronically forwarded as an e-mail attachment to the marketing, brand or product manager (see section 5.3.5.2.1).

Depending on their availability and accessibility, the marketing, brand or product managers who participated in the brand company survey also qualified as final sample elements for the brand survey. Accordingly, the brand company and brand questionnaires were electronically forwarded together as separate e-mailed attachments to the same marketing, brand or product manager. Once the brand company questionnaire was completed, the respondents were further encouraged to participate in the brand survey. Unfortunately, due to the factors listed in section 5.3.3.2.2, a much lower response was obtained from the brand survey when compared to the brand company survey.

5.3.5.2 Data collection methodology

Up to this point much thought has been shared on the selection, identification and participation of the sample units/elements for the brand company and brand surveys. During these discussions a relatively limited scope was provided on the data collection methods and reasons for selecting specific data collection methods for the brand company and brand surveys. The sections to follow will now focus on these topics in more detail.
The increasing digital interconnectivity of people, both at work and home, was one of the main reasons motivating data collection by means of on-line marketing research. Seeing that all marketing, brand or product managers had access to the Internet and that the most recent electronic mail addresses of the marketing, brand or product managers were available (see section 5.3.5.1) the choice of conducting on-line research, was obvious. Another reason supporting this choice was based on the reluctance of respondents to participate in research studies conducted via the more conventional research methodologies over the last couple of years (Boer 2001:1).

Traditionally, **quantitative marketing research** (collection of primary data from large numbers of individuals with the intention of projecting the results to the wider population) has been conducted in a face-to-face situation or via the telephone. Both these methods required the respondents to be available at the same time as the interviewer. With access to the Internet, respondents can nowadays complete the survey in the comfort of their own environment as well as at their own time and, should they feel like it, they can stop and start the survey at their own convenience.

Furthermore, with the conventional way of conducting **qualitative research** (collection of primary data from a small number of individuals or small groups in which the intention is not to generalise about the specific population), respondents are required to be physically present at the same location as the moderator. Nowadays, with digital interconnectivity, people are able to interact with each other in real terms, on a one-to-one or group basis, simply by entering the digital world from wherever they happen to be in the physical world.

Noting the structural changes in conducting marketing research as well as the difference between quantitative and qualitative marketing research explained above, and based on the aims set for the brand company and brand surveys (see table 5.1), it was clear that the on-line marketing research approaches for the two surveys would differ. Where the aim of the brand company survey was to project the sample results to a wider population, the choice of data collection method was largely restricted to
the application of on-line quantitative research techniques. For the brand survey, the purpose was not to generalise about the population and consequently on-line qualitative marketing research techniques were considered instead.

To differentiate between on-line quantitative and qualitative research methodologies, the different types of on-line research methodologies considered for each survey, prior to selecting the most appropriate method, are discussed in the sections below.

5.3.5.2.1.1 On-line quantitative surveys

Prior to deciding on the most appropriate on-line quantitative data collection method for the brand company survey, the following three methods were considered (also see Strydom et al 2000:166-168, Boer 2001, Jordaan 2001 and Turner 2001):

- **Web-based surveys.** With this data collection method respondents are invited (by e-mail, telephone or fax) to visit a specific URL (Uniform Reference Locator) where the website survey is located. Questionnaire design can be done on commercial web-authoring software, such as Front Page Explorer, and specific software that will aid in the page design as well as the database support used for data collection. The most recent versions of CATI-software also offer web compatibility.

- **E-mail surveys.** For this survey type, either an ASCII text questionnaire or a web-based survey sent as an e-mail attachment are possibilities. Whereas e-mail interviewing is largely suited for shorter surveys and business-to-business interviewing, web-based interviewing is more suited for lengthier surveys and customer research. E-mail questionnaires are sent directly to the respondents for self completion and e-mail return. The e-mail questionnaire could be either in text-based format, or in executable file format. For example, the questionnaire could be produced in a CATI-software system and then prepared as a self executable e-mail attachment. Another approach is e-mail speciality software
that will enable the automatic distribution and return of e-mail questionnaires to a targeted list of e-mail respondents.

- **On-line panels.** Here a community of respondents is recruited to take part in a custom-designed panel. The panel members agree to complete a series of on-line questionnaires over a set period. This research method also allows for the opportunity to gain a wealth of information from one set of customers and track changes over time.

Based on, amongst others, (i) the stated objectives of the study (see section 1.3), (ii) the population under study (see section 5.3.1) and (iii) a representative sample frame for sampling the population (see section 5.3.2), the final selection of the most appropriate data collection method for the brand company survey was finally contested between the web-based and e-mail surveys. With the most recent e-mail addresses of the sample elements available and recorded (see section 5.3.5.1), the selection of an e-mail survey for the brand company survey could hardly be contested. The advantages of using this data collection method are reflected in table 5.2 below. The table serves as a good summary of capturing the main advantages of the e-mail survey. As will be noted from the listing, various milestones in advance of finally choosing the e-mail survey, were reached. These include, amongst others, the construction of an appropriate sample frame, identifying and recording of e-mail addresses of respondents, construction of a well-designed e-mail questionnaire (see section 5.5) and a guarantee of incentives for participation (see section 5.3.5.1).
TABLE 5.2

ADVANTAGES OF E-MAIL SURVEY

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inexpensive in comparison to traditional methods. Distribution and interviewer cost is almost totally eliminated</td>
<td></td>
</tr>
<tr>
<td>Speedy questionnaire design, distribution and response</td>
<td></td>
</tr>
<tr>
<td>The Internet has the capacity of reaching large numbers of people located across geographical areas</td>
<td></td>
</tr>
<tr>
<td>Automated data collection. Since the data is collected electronically, statistical software can be used to process and analyse the data</td>
<td></td>
</tr>
<tr>
<td>Less intrusive (no third party)</td>
<td></td>
</tr>
<tr>
<td>No interviewer bias</td>
<td></td>
</tr>
<tr>
<td>Respondent answers questions in own time</td>
<td></td>
</tr>
<tr>
<td>Respondent can stop and start</td>
<td></td>
</tr>
<tr>
<td>Respondents' location could accurately be identified once their e-mail addresses are known prior to sending the questionnaire</td>
<td></td>
</tr>
<tr>
<td>With an appropriate database of sample units (brand companies), the respondents could be selected at random for sampling</td>
<td></td>
</tr>
<tr>
<td>A higher response rate could be secured by creating incentives for participation. As incentive, respondents were guaranteed an executive summary of the final research findings</td>
<td></td>
</tr>
</tbody>
</table>


On the downside, the self-completion of questionnaires initially caused concern. However, with carefully designed guidelines and clear instructions on the e-mail questionnaire (see section 5.5), and through some telephonic follow-ups after completion of the questionnaires to verify uncertain responses, these problems were addressed sufficiently. Furthermore, where factors such as spamming (mass-distributed e-mail messages or e-junk mail) and the invasion of privacy through the use of cookie-files are often seen as serious disadvantages of using e-mail surveys (Strydom et al 2000:168), these have been overcome by personally contacting the sample elements selected for participation prior to sending the e-mail questionnaire.
In conclusion, it can be stated that, in order to collect data on the overall marketing communication strategies of South African based brand-owned companies, e-mail was used as the most appropriate on-line quantitative data collection method. This methodology was partly complemented by the traditional telephone survey whereby respondents were telephonically contacted prior to sending the e-mail questionnaire to explain the purpose of the study and encourage participation. Respondents were also telephonically contacted after returning of the e-mail questionnaire (either electronically or by fax) to verify some uncertain responses and to further interview respondents on outstanding issues.

5.3.5.2.1.2 On-line qualitative surveys

For this type of survey the following options were considered for the brand survey (also see Boer 2001, Jordaan 2001 and De Vantier 2001):

- **On-line chat rooms.** Chat rooms make it possible for respondents to attend a focus group from the comfort of their home or office with the added benefits of speed and cost savings. On-line chat rooms are facilitated by experienced moderators who can clear, save or restore the chat session, open or close the chat or even add, change or remove access to any people on the system. The disadvantages of on-line focus groups are that the sample is limited to those people who have access to the Internet. One definite drawback of this data collection method is that a respondent's facial expressions cannot be captured.

- **On-line expert panels.** These panels are run in a very similar manner to chat rooms. Expert panels bring together people with highly specialised skills to provide consensus on an issue in their line of expertise. A Delphi panel, for example, gathers opinions from various experts on a particular issue and collates the views of each expert. The collated opinions are then re-circulated to the experts who continue to add views, opinions and information until a consensus is reached. Some on-line expert panels may resemble a brainstorming session while others may follow a set guide to benchmark best practices or methods.
An on-line panel is ideal as it can greatly reduce the cost of research. However, an expert panel can be time-consuming, especially if held face-to-face as experts from different geographical locations need to travel to a central location. An on-line panel can include experts from any geographical location. A useful software package for an expert panel is 'HyperNews', which is used for forums and is available free of charge on the Internet. Once again, a qualified moderator facilitates the expert panel and ensures that the discussion follows relevant topics and new trends.

- **Usability surveys**, which are usually conducted by means of doing some in-depth discussions.

Having provided some background on the various data collection options available for the brand survey, reasons for the final decision must be given. The inter-linkage that existed between the brand survey and brand company survey in terms of sample element selection had to be taken into account.

As pointed out in the discussions in section 5.3.2.1, the brand company survey and brand survey were connected by using the same sample elements or representatives of the same sample elements, although further participation in the brand survey was largely influenced by the willingness of the sample elements. For the brand company survey the sample elements were selected at random. Consequently, the selection of the sample elements for the brand survey could not be controlled (as in the case of the brand company survey) as they were self-selected. Based on this, and with the aim not to generalise about the population, an on-line (e-mail) qualitative (modified Delphi) invitation survey was used to collect data for the brand survey. As in the case of the brand company survey, the on-line qualitative modified Delphi-technique of data collection was used in conjunction with telephone interviews. Under these circumstances the traditional approach of the Delphi-technique was modified. Instead of constructing and sending follow-up questionnaires to each respondent for items requiring additional information (as traditionally done by the Delphi-technique), follow-up information was collected via telephone interviews. During
these interviews, respondents were asked to reconcile their opinions with the new data and the combined responses of the other participants. The purpose of the telephonic interviews was therefore mainly to produce more precise answers and to encourage opinion convergence. This modified version of the Delphi-technique was used mainly because of time and cost considerations. The additional advantage of this modified technique was that participants were not identified to each other in any way, which elicited a greater flow of ideas. In summary the main advantages related to this modified technique were: (i) speed of gathering a great deal of information from respondents via e-mail and the telephone and (ii) the relatively low cost in reaching the respondents located across different geographical areas. However, because reporting on single brand marketing communication strategies was regarded by most respondents as relatively sensitive and because busy time schedules inhibited respondents' cooperation in both surveys, it was fairly difficult to reach the targeted population and to gain detailed feedback during the verification process.

5.3.6 Sampling error

The brand company survey was conducted by means of a probabilistic sampling procedure whereby each element in the population had a known, equal probability of being included in the sample (see sections 5.3.3.1 & 5.3.3.2). For a probabilistic sampling procedure a statistical evaluation of the sample error can be undertaken. Such an assessment would not be possible with a sample drawn by non-probabilistic methods (Diamantopoulos et al 1997:117). Consequently, a statistical evaluation of sampling error was only made for the brand company survey.

Prior to returning to the actual calculation of the sampling error for the brand company survey, the definition for sampling error in section 5.2 needs to be refreshed. According to the definition provided by Diamantopoulos et al (1997:117), sampling error reflects the difference between a result based on a sample and that which would have been obtained if the entire population in question (here all the brand-owned companies in South Africa) has been studied.
Thus, if $\pi$ represents the (unknown) population proportion and $P$ our sample proportion, then

$$\pi - P = e$$

where $e =$ sample error.

Although $\pi$ is unknown, being a population parameter, it cannot vary in value as its computation includes all the elements in the population. In contrast, $P$ can vary as it is based on only one part of the population, namely those population elements that happen to be included in the brand company survey.

Statistically, sample error could, for example, be computed from the standard deviation of the sample mean. The function of the standard deviation of the sample mean is to provide an interval within which the sample mean may have deviated from the true population mean as a result of sampling variations. This interval is termed the confidence region (see discussion below).

The statistic formula for estimating the standard deviation of a sample mean (or so-called standard error) is

$$\hat{\sigma}_x = \frac{s^*}{\sqrt{n}}$$

where $s =$ the standard deviation of the sample and $n =$ sample size.

\[ s^* = \sqrt{\frac{\sum (X_i - \bar{x})^2}{n - 1}} \]

where: $X_i =$ individual advertising expenditure figures

$\bar{x} =$ average advertising expenditure of sample

$n =$ sample size
For the brand company survey, the size of above-the-line advertising expenditure as percentage of the total marketing communication expenditure (question 6b of the brand company questionnaire attached as Annexure B) is used as an example to explain sampling error in a more practical way. From the collected data it was clear that, on average, expenditure on above-the-line advertising ($\bar{x}$) accounted for approximately 59% of the total marketing communication expenditure of the 250 brand-owned companies participating in the survey. The calculated standard deviation ($s$) for the range of above-the-line advertising expenditure figures was 25.5%. Ultimately, with a large enough sample (most experts suggest $n>30$), the sampling distribution of the mean ($\bar{x}$) can be approximated by a normal distribution with mean $\bar{x}$ and standard deviation $s/\sqrt{n}$, where $s$ is the standard sample deviation.

Thus, with a decent sample drawn, it was assumed that the standard error of the mean and the sampling distribution are normal. Given the results of the average and standard deviation of above-the-line advertising expenditure figures, provided in percentage of turnover terms (see question 6b of the brand company questionnaire attached as Annexure B), the standard error was calculated as follows:

$$s_{\bar{x}} = \frac{25.5}{\sqrt{250}} = 1.61.$$ 

As stated above, the function of the standard deviation of the sample mean is to provide an interval within which the sample mean may have deviated from the true population mean as a result of sampling variations. However, before attempting any kind of interval estimation, one must first decide on the confidence level for the estimate. It therefore needs to be judged how often it is correct that the interval will in fact contain the population parameter (in our example the population mean, $\mu$). In simple terms, a confidence interval reflects the range of values that can be assumed to contain the population parameter. Clearly, the wider the confidence interval, the greater the confidence that the particular interval will contain the (unknown) parameter. Conversely, the narrower the interval, the lower the
confidence that it includes the population parameter. Ideally, of course, a narrow interval with a high degree of confidence is more preferable. In general a 100 (1-\(\alpha\)) confidence interval for any population parameter \(\Theta\) [can be either a population proportion (\(\pi\)) or population mean (\(\mu\))] takes the following form:

\[
\text{Sample statistic} - k_\alpha \text{ (standard error)} \leq \Theta \leq \text{sample statistic} + k_\alpha \text{ (standard error)}
\]

In this form, \(k_\alpha\) is known as the critical value or ‘reliability coefficient’ corresponding to the confidence coefficient of \((1 - \alpha)\). The critical value ultimately shows the number of standard errors needed to create the desired level of confidence around \(\Theta\). Obviously, as \(\alpha\) increases, the confidence coefficient decreases. For example, if \(\alpha\) goes from 0,05 to 0,10, the confidence coefficient reduces from 0,95 to 0,90 and \(k_\alpha\) also decreases. This results in a narrower interval for \(\Theta\).

Returning to our example on above-the-line advertising expenditure, a confidence coefficient of 90 % (or \(\alpha = 0,10\)) was set. Accepting a normal sampling distribution (each half of the distribution is a mirror image of the other half) and with the help of standard normal tables, the z-scores (between which 90 % of the total area under the normal distribution curve is enclose) were valued at \(z = -1,64\) and \(z = 1,64\). With this known, \(k_\alpha = 1,64\).

The desired confidence interval is:

\[
\text{Sample statistic} - k_\alpha \text{ (standard error)} \leq \Theta \leq \text{sample statistic} + k_\alpha \text{ (standard error)} = 59 \% - 1,64 (1,61) \leq \mu \leq 59 \% + 1,64 (1,61) \text{ or}
\]
\[
56,4 \% \leq \mu \leq 61,6\%.
\]

Thus at a 90 % confidence level, the average expenditure on above-the-line advertising constitutes no less than 56,4 % or no more than 61,6 % of the total marketing communication expenditure (above-the-line advertising and-below-the-line promotions).
The practical example shared above finally ends the discussion on sampling issues. In terms of the basic structure of a data matrix, these sampling considerations relate to the rows of the matrix (units of analysis). Because measurement considerations, which relate to the columns of a data matrix, are equally important, they need to complement the discussion of sampling. Ultimately, the columns of any data matrix reflect the variables or study objects under investigation. Measurement considerations are addressed in detail in section 5.5. Prior to this, the responses obtained from the brand company and brand surveys are discussed in the next section.

5.4 RESPONSES

As been explained in section 5.3.2.2, the substitution of sample elements for the brand company questionnaire largely contributed to a full 250 respondents participating in the brand company survey. Being qualitative, rather than quantitative in nature, the brand survey allowed for a much smaller sample of 30 respondents. The substitution process was also applied to secure a return rate of at least 30 questionnaires for the brand survey. Table 5.3 shows the number and percentage of questionnaires returned for the brand company survey by economic sector.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of questionnaires returned</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>97</td>
<td>38,8</td>
</tr>
<tr>
<td>Retail</td>
<td>73</td>
<td>29,2</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>26</td>
<td>10,4</td>
</tr>
<tr>
<td>Transport and communication services</td>
<td>21</td>
<td>8,4</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>33</td>
<td>13,2</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100,0</td>
</tr>
</tbody>
</table>
It is clear from table 5.3 that most questionnaires were completed by brand-owned companies who market products and services in the manufacturing and retail industries. The sector distribution reflected in the table closely correlates with the information reflected in table 1.3 (see section 1.2.2). Accordingly, it can be assumed that the sectoral distribution is fairly representative of the population.

5.5 RESEARCH INSTRUMENT

The process of constructing the research instruments (hereafter questionnaires) for the brand company and brand surveys entailed planning, development and execution phases. Each of these phases is discussed below.

5.5.1 Planning phase

The construction of the questionnaires for both the brand company and brand surveys was instrumental in collecting, interpreting and analysing data. More specifically, the planning phase involved the identification of 'variables' or study objects for which data was required. For both the brand company and brand surveys, these 'variables' or 'study objects', which closely related to the study objectives defined in section 1.3, were defined in table 5.1.

5.5.2 Development phase

The development phase of constructing the questionnaires for both surveys involved:

(i) Selecting the most appropriate methodology in constructing the questionnaires and forwarding of the questionnaires to the sample elements (see section 5.5.2.1).

(ii) Transforming the 'variables' or study objects (see table 5.1 and section 5.5.1) into structured/unstructured questions and structured/unstructured responses (see section 5.5.2.2).
(iii) Formatting variable response alternatives into measurable units (see section 5.5.2.3).

(iv) Measurement error considerations (see section 5.5.2.4).

Each of the steps of the development phase of the questionnaires, is discussed separately below.

5.5.2.1 *Methodology of developing research instruments*

The selection of the most appropriate methodology for constructing the questionnaires for both surveys closely coincided with the selected data collection methodology (see section 5.3.5.2). From the discussion on the data collection methodology of both the brand company (see section 5.3.5.2.1.1) and brand surveys (see section 5.3.5.2.1.2) the final selection of a text-based e-mail questionnaire for both surveys hardly seemed surprising. The methodology in constructing an e-mail questionnaire is similar to the construction of any electronically generated text document. With most brand-owned companies using Microsoft (MS) Word software packages, the questionnaire was accordingly constructed in this format. Questions and responses were both text-based. By simply adding or deleting text, an electronic text document could be altered when forwarded for editing purposes. Based on the conventional way of sending text-based documents via e-mail, the questionnaires were e-mailed as an attachment to the sample elements, saved, opened, completed, saved once again and returned as an e-mail attachment.

In terms of the methodology followed in constructing the questionnaires, is should be noted that all structured response alternatives (see section 5.5.2.2.1) were recorded in a verbal descriptive format with structured questions (see section 5.5.2.2.1) ordered from the simplest to more complex/sensitive questions near the end of the questionnaires (see Annexures B and C). The sequence of questions was also structured logically. For example, questions on the changes in the marketing communication strategies of brand-owned companies over time were followed by
questions related to the direction of such change and reasons for such changes (see questions 8.1, 8.2 and 8.3 of the brand company questionnaire attached as Annexure B). This approach largely supported a logical and harmonious flow of thought in the brand company questionnaire. Furthermore, the questionnaires allowed for sufficient space for recording the information required. The questionnaires also included some leading instructions on how to complete each question. This technique is illustrated in, for example, questions 2, 3, 4 and 5 of the brand company questionnaire (see annexure B). These questions clearly state that the respondent should 'tick one', 'rate five' or 'tick as many as applicable' options. Last to consider were the coding blocks provided on the edge of the questionnaires (see section 5.8.1). These coding blocks were inserted on the edge of the questionnaires so that it did not confuse the respondents. All in all, the physical characteristics of the questionnaires and layout ascertained well-structured questionnaires.

The questionnaires for the brand company and brand surveys differed quite significantly from each other in terms of length. For the brand company survey, questions and responses for the identified research 'variables' or 'objects' (see table 5.1) were structured across a four-page e-mail questionnaire (see Annexure B). The possibility of collecting more detailed information on single brand strategies was attained with the construction of the lengthier (10 pages) brand questionnaire (see Annexure C). Information on single brand communication strategies served to substantiate broad trends observed from the brand company survey. Furthermore, information collected on the single brand marketing communication strategies of brand-owned companies was used to make some international comparisons (see chapter seven).

5.5.2.2 Question and response formats

Both structured/unstructured questions and structured/unstructured responses were used in the construction of the brand company and brand questionnaires. The questions/responses used, are discussed below.
5.5.2.2.1 **Structured questions with structured responses**

In a structured question with structured responses the respondent is given various possible answers (response alternatives) to select from. Respondents are instructed to choose either one or more of the response alternatives. The type of structured questions and structured responses used for both survey questionnaires (brand company and brand questionnaires) are reflected in table 5.4.

### TABLE 5.4

**STRUCTURED QUESTIONS AND RESPONSES USED FOR BRAND COMPANY AND BRAND SURVEY QUESTIONNAIRES**

<table>
<thead>
<tr>
<th>Question type</th>
<th>Basic form</th>
<th>Description</th>
<th>Example of structured questions/responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determinant choice</td>
<td>Choose 1 out of n</td>
<td>Respondent is given 'n' options and asked to select one of them</td>
<td>Q2, Q8.2, Q9, Q10 &amp; Q11</td>
</tr>
<tr>
<td>Rank order</td>
<td>Rank n</td>
<td>Respondent is given 'n' options and asked to rank them in ascending order or descending order</td>
<td>Q3 &amp; Q4</td>
</tr>
<tr>
<td>Checklist</td>
<td>Choose m out of n</td>
<td>Respondents are given 'n' options and asked to select up to 'm' (m ≤ n)</td>
<td>Q5</td>
</tr>
<tr>
<td>Direct quantification</td>
<td>Give a figure</td>
<td>Respondents are asked to state (or write) a fact that can be expressed as a number (integer or real)</td>
<td>Q1, Q6A, Q6B, 7A, 7B, Q8, Q8.4</td>
</tr>
<tr>
<td>Dichotomy</td>
<td>Yes/No</td>
<td>Respondents are asked to respond with a yes/no answer</td>
<td>Q8.1</td>
</tr>
<tr>
<td>Paired comparisons</td>
<td>Choose X or Y</td>
<td>Respondents are given two objects (X,Y) and asked to select one according to the characteristic in question</td>
<td>-</td>
</tr>
</tbody>
</table>

Q = Question numbers.

The table indicates the different types of structured questions with structured answers included in the brand company (see Annexure B) and brand (see Annexure C) questionnaires.

5.5.2.2.2  *Structured questions combining structured/unstructured responses*

It should be noted that some questions reflected in table 5.4 also contained 'other-specify' options, which represent a combination of structured and unstructured responses. Here, respondents are left with an option to provide their own response(s) whenever their answer(s) is/are not listed amongst the response alternatives provided. This option is usually listed after listing all the anticipated response alternatives. Questions 3, 4, 9 and 11 of the brand company questionnaire (see Annexure B) are examples of such responses. The brand survey questionnaire included twelve structured/unstructured response types.

5.5.2.2.3  *Structured questions with unstructured answers*

A structured question with an unstructured or open-ended response allows the respondent to give his/her own answer in his/her own way. Martins et al (1996:229) states that open or free-response questions have several advantages.

- They are ideal in situations where all possible answers to a given answer are not known.

- The researcher can usually deduce the reason for the particular response.

- They compel the respondent to think.

- They may be the ones to use when the number of possible responses is very great.
However, open-ended questions also have some disadvantages.

- They elicit much irrelevant information.
- They lengthen the interview.
- They make coding and processing more difficult.

An additional disadvantage of using open-ended questions during e-mail surveys, is that the use of such questions often lengthen the follow-up interviewing procedure, especially when responses are incomplete.

The type of open-ended questions used in the brand company and brand questionnaires are reflected in table 5.5.

**TABLE 5.5**

**STRUCTURED QUESTIONS WITH UNSTRUCTURED RESPONSES**

<table>
<thead>
<tr>
<th>Question type</th>
<th>Examples of structured questions with unstructured responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Brand company survey</td>
</tr>
<tr>
<td>Straight questions</td>
<td>-</td>
</tr>
<tr>
<td>Straight questions with probing</td>
<td>Q8.3</td>
</tr>
<tr>
<td>Sequence-of-mention questions</td>
<td>-</td>
</tr>
</tbody>
</table>

Q = Question numbers.

It is clear from table 5.5 that less open-ended questions were used in the survey questionnaires compared to structured questions. The main reason for this was the disadvantages (see start of section 5.5.2.2.3) involved when including too many of these question types.

5.5.2.2.4 Unstructured questions and unstructured responses

In sections 5.3.5.2.1.1 and 5.3.5.2.1.2 it was explained that some telephonic follow-up conversations were required to verify uncertain and unanswered responses. This provided the ideal opportunity to probe for additional explanations from respondents. Obviously such follow-up conversations allowed for some unstructured questions to guide respondents in providing unstructured responses.

5.5.2.3 Types of measurement scales

It is clear from the brand company questionnaire (see Annexure B) and brand questionnaire (see Annexure C) that the response alternatives of the questions (measured objects) differ in terms of the information they convey about the measured objects. To put it in statistical language, the measured objects differ in terms of measurement scales. The main reason for this is the aim to generate different types of data that would permit the application of different mathematical/statistical operations to the resulting data (see chapter six). The different types of measurement scales used in, for example, the brand company questionnaire are discussed in table 5.6.
TABLE 5.6

TYPES & EXAMPLES OF MEASUREMENT SCALES AND PERMISSIBLE STATISTICAL OPERATIONS FOR THE BRAND COMPANY SURVEY

<table>
<thead>
<tr>
<th>Measurement scale</th>
<th>Description</th>
<th>Type of data generated</th>
<th>Permissible mathematical/statistical operations</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal scale</td>
<td>In nominal scaling the numbers assigned to each object (response alternative) have no mathematical value and only serve as label for identification and/or classification.</td>
<td>Nominal data</td>
<td>Percentiles, Mode</td>
<td>Q2, Q5, Q8.1, Q8.2, Q8.3, Q9, Q10 &amp; Q11</td>
</tr>
<tr>
<td>Ordinal scale</td>
<td>This scale establishes an ordered relationship between objects being measured. The numbers used indicate whether an object has more or less of a given characteristic than some other object. The numbers do not provide information as to how much more or less of the characteristic is posed by the object concerned.</td>
<td>Ordinal data</td>
<td>Percentiles, Mode, Median</td>
<td>Q3 &amp; Q4</td>
</tr>
<tr>
<td>Ratio scale</td>
<td>The numbers assigned enable comparisons to be made between the measured object in terms of the absolute magnitude on a given characteristic.</td>
<td>Ratio data</td>
<td>Mode, Median, Mean</td>
<td>Q1, Q6&amp;b, Q7&amp;b, Q8 &amp; Q8.4</td>
</tr>
</tbody>
</table>

Q = Question number


It is clear from table 5.6 that different measurement scales yield different data. For the study, the applied measures yielded both metric (ratio) and non-metric (nominal and ordinal) data. In fact, the questions/responses were constructed as such to deliberately generate different data based on the amount of information required for each measured object. The additional advantage of generating different data, is that it broadens the application possibility of using different statistical techniques for analysis purposes. Some of these techniques are listed in table 5.6. Non-metric data (nominal and ordinal data) allows for the application of a set of analytical techniques known as non-parametric statistics, whereas with metric data (ratio data), parametric statistical techniques are applied instead. This discussion does not elaborate on each of the statistical techniques listed in table 5.6 as they form part of the analysis.
chapters (chapters six and seven). It should be noted that no additional data types than those reflected in table 5.6 were used for the brand survey. Consequently, the explanation of the data types used for the brand company survey is regarded as sufficient to support the understanding of the different scaling/data concepts used in both surveys.

5.5.2.4 Measurement error considerations

The discussion of the developmental phase of the questionnaires will be incomplete without some thoughts being shared on measurement quality. In an ideal world, every time something is measured one should be sure that the ‘score’ (value) obtained actually reflect the ‘true’ value of the underlying characteristic and nothing else. Unfortunately, since a perfect world seldom realises, measurement error is not normally zero. Given half a chance, measurement error will creep in whenever a measurement instrument is administered. Possible measurement error sources could result from (Diamantopoulos et al 1997:32-37):

(i) respondents characteristics, which could be both stable (for example, respondent disagrees only because he/she does not agree and will not ever) and temporary (for example, respondent is in a bad mood) or

(ii) imperfections of the measurement instrument (for example, ambiguous/misleading questions and omission of alternatives, such as the lack of a ‘don’t know’ alternative on a scale presented to an indecisive respondent).

During the investigative research process, everything possible was done to limit the potential measurement errors. The outcome of the developmental phase (which included various investigative talks on the study objects with industry experts) and pilot test phase (which included the generation of some preliminary results - dummy tables - from the pilot findings - see section 5.5.3.1), finally sanctioned the questionnaires as valid and reliable. The validity assessment, which, amongst others, included talks with industry experts, showed that the measurement devices in fact measured what they appeared to measure. Furthermore, based on the consistent results obtained from the research measures, the questionnaires used were declared
5.5.3 **Execution phase**

Much has been said on the planning and developmental stages of the questionnaires in sections 5.5.1 and 5.5.2. To build on this, the execution phase of the research instrument involved the sending of the e-mail questionnaires to the sample elements for completion. This procedure was partly explained in section 5.3.5.1. What is required before ending the discussion on the construction of the questionnaires, is to share some thoughts on the pilot study conducted before the final questionnaires were sent as e-mail attachments for completion by the sample elements.

5.5.3.1 **Pilot testing**

The pilot test phase involved the pretesting of the questionnaires and tabulation of replies. This was essential, mainly in order to ascertain that

(i) the designed questionnaire would perform the anticipated functions in the research environment

(ii) the data collection would be as relevant and accurate as possible

(iii) the target respondents would participate and cooperate as fully as possible and

(iv) the collection and analysis of data would proceed as smoothly as possible.

The pilot test was conducted with sample elements selected from the sample frame (see section 5.3.2.1) and done in the same way as the data collection methodology used for the brand company and brand surveys (see sections 5.3.3.2 and 5.3.5.2). After the return of the pilot test questionnaires, respondents were telephonically contacted to verify some responses and to provide feedback on possible confusing questions. Initially, only the brand questionnaire (see Annexure C) was constructed for the study. Based on the feedback on the pilot study, the length of the questionnaire, rather than the issues/study object addressed, caused relatively serious
concern to those participating in the pilot study. Being regarded as a potential factor inhibiting participation of respondents, the most important marketing communication issues (questions/responses) addressed in the brand questionnaire (see Annexure C) were extracted and incorporated into the newly designed, and much shorter, brand company questionnaire (see Annexure B). All research issues/study objects were directly linked to the primary objectives of the study (see section 1.3).

The newly constructed brand company questionnaire (see Annexure B) did not rule the brand questionnaire out of contention. In fact, the enthusiastic response obtained from the respondents who participated in the pilot study of brands showed clearly that there was great interest in the collection of data pertaining to all the marketing communication issues/study objects addressed in the brand questionnaire. More specifically, the marketing communication issues addressed were regarded by respondents as important parameters in constructing annual marketing communication budgets.

As precautionary measure, the brand company questionnaire (a shortened version of the brand questionnaire) and the brand questionnaire were constructed separately and sent as two separate e-mail attachments for completion by the sample elements.

5.5.3.2 Dispatching of the research instrument

Once the pilot test phase was completed and the necessary adjustments to the questionnaires were made, the designing of the questionnaire was finally concluded. All that remained was to e-mail the questionnaires to the respondents for completion. During this phase, the sample elements were kindly instructed to firstly complete the brand company questionnaire prior to deciding on completing the additional brand questionnaire. This approach ensured that respondents awarded a higher priority to the shorter four page brand company questionnaire (see Annexure B) compared to the lengthier (ten pages) brand questionnaire (see Annexure C). It is also worth mentioning that, besides the questionnaires, a letter of introduction and a synopsis, which explained the objectives of the study, were sent as part of the e-mail attachment (see Annexure D). Once received, respondents completed the questionnaires and returned them either by e-mail or facsimile for editing purposes.
The fieldwork for the e-mail brand survey and brand company survey was largely confined to the management of two research assistants. Their tasks mainly entailed:

- contacting the randomly selected brand-owned companies telephonically and recording the contact details of the marketing, brand and product managers (The sample unit list - see section 5.3.2.2 - was utilised to telephonically contact the marketing, brand or product managers selected to participate in the brand company and brand surveys.)

- contacting the marketing, brand or product managers via the telephone with the intention to explain the objectives of the survey and to encourage participation of the selected marketing, brand or product managers

- sending e-mail questionnaires to respondents (The sample element list - see section 5.3.2.2 - was used to send the e-mails to the selected marketing, brand and product managers.)

- verifying incorrect e-mail addresses (In some instances, negligence in recording the correct e-mail addresses of the marketing, brand or product managers resulted in some e-mails being returned undelivered. Consequently, the marketing, brand or product managers were, once again, telephonically contacted to verify their e-mail addresses.)

- receiving completed questionnaires via e-mail or fax

- checking returned questionnaires for completeness, comprehensibility and accuracy and

- telephonic follow-up of incomplete and uncertain responses.
5.7 EDITING OF DATA

No field editing was possible because the non-personal nature of collecting data via e-mail largely restricted the editing process to central office editing. The central office editing process for the brand company survey and brand survey comprised several aspects, which are shown in figure 5.5.

FIGURE 5.5

CENTRAL OFFICE EDITING TASKS CONDUCTED FOR BRAND COMPANY AND BRAND SURVEYS

The central office edit contained some editing of questionnaires via the research centre. The Bureau of Market Research (BMR) at Unisa kindly agreed to act as research centre. The most common, though relatively limited, problem encountered when the questionnaires were returned was that of missing data. Question 26 of the brand questionnaire (see Annexure C) showed constantly missing data largely due to respondents' refusal to provide expenditure figures on marketing communication over time. Although attempts were made to collect the missing data, most respondents still showed an unwillingness to quantify brand expenditure figures. Questions like question 6a, 6b, 7a and 7b on the brand company questionnaire (see Annexure B) also required some follow-ups. Respondents indicated that they either 'forgot' or, conveniently, 'lacked knowledge' to answer these questions. The reason behind this seemed mainly to the classified nature of such information. However, follow-up attempts required for these responses (questions 6a, 6b, 7a and 7b) were fairly limited.
Besides the above-mentioned, office editing also involved the verification of 'not applicable' responses. For example, question 8.2 of the brand company questionnaire (see Annexure B), was 'not applicable' for those respondents who experienced no change in the composition of their marketing communication mix (see question 8.1 of the brand company questionnaire).

The central office editing finally involved checking whether respondents adhered to the instructions provided on how to answer the specific questions. If for example, the respondent was asked to rate five alternatives but instead 'ticked' five options without rating them, the respondent was re-contacted telephonically and requested to supply the required data. Due to cost considerations, all questions in a questionnaire were edited prior to the following-up of outstanding data. This approach allowed for collective follow-up attempts of all outstanding issues. Once the editing process was completed and the detected errors corrected via telephone follow-up attempts, the data was finally coded. This process is discussed in the next section.

5.8 DATA CODING

Coding entails a technical process whereby codes are assigned to the respondents' answers preparatory to the tabulation of the raw data (Martins et al 1996:299). The coding process was two-dimensional.

(i) A batch of completed and edited questionnaires was transformed into symbols (codes) which could be assessed by a computer (data input).

(ii) Mistakes which were invariably made during the coding and data input process were detected (cleaning the dataset).

Each process listed above is discussed in the sections below.
5.8.1 **Edge coding and data input**

An edge code system was used for both the brand company survey and the brand survey. As the term implies, the codes were recorded on the edges of the questionnaires in the spaces provided (see Annexures B and C). During the coding process, codes were assigned to both structured and unstructured responses (see sections 5.5.2.2.1 and 5.5.2.2.2). For example, different codes (e.g. television = 1, direct marketing = 2, radio = 3, et cetera) were assigned to each of the structured response alternatives listed under question 4 of the brand company questionnaire (see Annexure B). Following this process, the codes assigned to the selected responses were edge coded in the spaces provided in the office blocks. This coding process is demonstrated practically in figure 5.6.

**FIGURE 5.6**

**CODING OF RESPONSES**

<table>
<thead>
<tr>
<th>Marketing communication activity (Question 4 of brand-owned company)</th>
<th>Assigned codes (code book)</th>
<th>Response (Rate five)</th>
<th>Coding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct marketing</td>
<td>2</td>
<td>Rate 1</td>
<td>0</td>
</tr>
<tr>
<td>Radio</td>
<td>3</td>
<td>Rate 2</td>
<td>0</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>4</td>
<td>Rate 3</td>
<td>1</td>
</tr>
<tr>
<td>Outdoor</td>
<td>5</td>
<td>Rate 4</td>
<td>0</td>
</tr>
<tr>
<td>Sales promotions</td>
<td>6</td>
<td>Rate 5</td>
<td>0</td>
</tr>
<tr>
<td>Press</td>
<td>7</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Public relations</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td>9</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Cinema</td>
<td>10</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Other (specify)</td>
<td>11, etc.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Figure 5.6 shows the methodology followed in the coding of responses obtained from question 4 (see Annexure B) of the band company survey. It is clear from the table that the process firstly involved the assignment of codes to each of the response alternatives. These codes were recorded in a code book. Television was awarded a code of 1, direct marketing a code of 2, et cetera.

Figure 5.6 also indicates the final response (third column of the table) of a ‘dummy’ respondent with ‘press’ being ranked as the most important marketing communication activity, ‘sponsorship’ as the second most important, et cetera. Once the responses were known, codes were awarded to each of the five selected alternatives based on the codes awarded in the code book. The codes were accordingly transferred to the code blocks on the edge of the questionnaire (see ‘office use’ blocks in figure 5.6). As the instruction to the respondents was only to rate up to five activities, the edge coding blocks only provided for a total of 10 coding blocks (two blocks for each rating). This is based on an anticipated rating of no more than 99 different activities. Should more than 100 activities or less than or equal to 999 different activities existed for rating possibilities, then three, instead of two coding blocks would have been included.

It is also clear that each coding block at the edge of the questionnaire was assigned with its own unique number. For example, the coding blocks for the first rated activity (‘press’) were numbered as 13 and 14. This additional numeric system allowed for the correlation of the variable number with the cell number awarded to the variable once captured in an electronic spreadsheet format. It should be noted that once the codes have been recorded in the coding blocks on the edge of the questionnaire, the codes were transferred into spreadsheet format. This process involved the compilation of a notebook in a Microsoft Excel format that contained different grids made up of rows and columns - better known as a data matrix. This dataset contained the variable name for each of the variables under investigation. Each variable name also had a variable label (describing the variable) and a value label (describing the value of the label, for example, television = 1, direct marketing = 2, et cetera). It should be noted that the data matrix specified the data only in
numeric terms as the alphanumeric data variables (open-ended questions) were manually recorded and coded in the coding book prior to transferring the numeric values/codes into electronic format.

The advantage of using spreadsheets for data input is multidimensional. The most important advantage is that spreadsheets are primarily designed to manipulate data matrixes, for example, add data to columns, multiply certain numbers with others, transform data into graphs and even perform some basic and sophisticated statistical analysis on the data (see chapter six).

5.8.2 Cleaning the dataset

After capturing the data into the computer, various computer techniques were applied in tracing coding and/or data capturing mistakes. The checks that were run to clear the dataset of possible coding and data-capturing errors were:

(i) Wild-code checks. By using Microsoft Excel statistical functions, it was possible to check for so-called ‘wild-codes’. These are codes not defined in the code book for a particular variable. For example, question 2 of the brand company questionnaire (see Annexure B) has three legitimate codes, namely: consumer market = 1, industrial market = 2 and consumer and industrial market = 3. A number 4 or greater would be a wild-code, probably a result of an error in coding or data capturing. The check was done by having the computer listing the numbers of responses in each category of each variable, and indicating whether a wild-code existed.

(ii) Consistency. This step involved to check consistency of responses within each case. For example, questions 10 and 11 of the brand company questionnaire show direct linkages in terms of the separate or integrated marketing communication budget that brand-owned companies maintain. With the help of comparisons of figures a consistency check was conducted to determine the uniformity of responses to questions 10 and 11.
(iii) Extreme case check. This check is defined as a response to a variable that is well out of the ordinary. For example, a respondent is clearly out of the ordinary if showing that all marketing communication expenditure is devoted to above-the-line advertising (question 6a of the brand company questionnaire) but indicates that direct marketing and sales promotions (below-the-line promotions) are amongst the most important marketing communication activities used in the marketing of products and services (question 4). Once again various computer checks were used to verify the existence of these possibilities.

Once ‘wild-codes’, inconsistent and out of the ordinary codes were detected, the data matrix in the computer was compared with the corresponding questionnaire and/or coding sheet. In this way all coding and data-capturing errors were eliminated. Once this process was finalised, the dataset was declared free from coding and data-capturing errors. Ultimately, the dataset, structured as a computer datafile, was stored on a disk file and ready for analyses (see chapter six and seven).

5.9 CONCLUDING REMARKS

This chapter explained the methodology applied in the primary data collection processes of the brand company survey and the brand survey. The discussion started off by explaining the sampling methodology applied in both surveys. This methodology finally resulted in the selection and identification of sample elements (marketing/brand/product managers) who ultimately served as information source of data on the various marketing communication issues being research. In addition, the development of the questionnaires used to collect data on the identified marketing communication research topics was explained. This largely entailed a description of the structured and/or unstructured question and/or response types used in the questionnaires. Building on the latter approach, the chapter concluded with a detailed explanation of the editing and coding processes which entailed, amongst others, (i) identifying omissions and errors during and immediately after the collection of data, (ii) identifying coding and/or data capturing mistakes and (iii) transforming of complete and edited answers into computer-readable format. Once stored electronically, the raw data was ready to be analysed. The transformation
CHAPTER 6

DATA ANALYSES: BRAND COMPANY SURVEY

6.1 INTRODUCTION

Chapter five described how the raw data underwent various stages of preparation before being ready to be analysed. The first step of the analysing process was the setting of analysis objectives. These objectives closely correlate with the study objectives (see section 1.3), which, in turn, are to collect data on specific 'variables' or 'research objects' related to the marketing communication industry of South Africa (also see section 5.1 and table 5.1). Setting of analysis objectives also involved decisions on the most appropriate techniques (see table 5.6) which would support data analyses in the most productive and unambiguous ways.

This chapter starts off by stating the analysis objectives for both the brand company survey and the brand survey in terms of the contents and focus of the analyses (also see table 5.1). Following this discussion, the data collected for the brand company survey is analysed and the survey findings of the 250 brand-owned companies surveyed. With the help of some descriptive techniques, various analyses of study-objective-related 'variables' were conducted. Being probabilistic in nature (see section 5.3.3.1), some worthy inferences (estimates) about the population, based on the outcome of the brand company survey, were made possible. As complementary approach to the latter, the analyses also included some hypothesis testing.

It should be noted that inferential analysis and hypothesis testing were not possible for the brand survey because of the non-probabilistic nature of the sampling methodology (see section 5.3.3.1). Mainly due to this reason and because of the more confined focus of the brand survey in terms of single, rather than multi-brand marketing communication strategies, it was finally decided to analyse the data obtained from the brand survey in a separate chapter (see chapter seven). Although discussed separately, the analyses of the data from the brand company survey and the brand survey are complementary. This follows from the unequivocal linkage between the brand company and brand surveys (see sections 5.3.2.1 and 5.5.3.1).
6.2 ANALYSIS OBJECTIVES

The process of setting analysis objectives, which closely correlated with the overall research objectives of the study (see section 1.3), involved:

(i) The selection of variables, or set of variables, to be analysed. According to Diamantopoulos et al (1997: 64), this selection process refers to the contents of analysis.

(ii) The specification of the analytical stance or orientation to be adopted. This entailed the focus of analysis (Diamantopoulos et al 1997: 64).

The specified analysis objectives in terms of content and focus are discussed in more detail below.

6.2.1 Contents of analyses

The variables analysed in both the brand company survey and the brand survey are captured in table 6.1.

<table>
<thead>
<tr>
<th>BRAND COMPANY SURVEY</th>
<th>BRAND SURVEY</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) The most frequently used marketing communication elements/tools</td>
<td>(i) Product/market/organisational/managerial factors governing marketing communication budget appropriations of single brands</td>
</tr>
<tr>
<td>(ii) Level of integrated marketing communication</td>
<td>(ii) Changes and reasoning behind changes in the marketing communication strategies of single brands over time</td>
</tr>
<tr>
<td>(iii) The composition and size of marketing communication budgets</td>
<td>(iii) Research support and methods in support of single marketing communication strategies</td>
</tr>
<tr>
<td>(iv) Structural changes in marketing communication strategies, reasons therefore and impact of changes on company sales</td>
<td>(iv) Long-term marketing communication strategies of single brands</td>
</tr>
<tr>
<td>(v) Most common marketing communication systems and budgeting approaches</td>
<td>(v) Marketing communication expenditure figures (time series) of single brands</td>
</tr>
</tbody>
</table>
Table 6.1 reflects the analysis objectives in terms of the identified variables commanding productive and unambiguous analyses. Ultimately these variables featured prominently in the questionnaires designed to collect data for the brand company survey and the brand survey (see Annexures B and C).

6.2.2 Focus of analyses

The focus of analyses and the type of statistical techniques used in the analyses of data obtained from both the brand company survey and the brand survey are captured in table 6.2.

**TABLE 6.2**

FOCUS OF ANALYSES AND ANALYTICAL TECHNIQUES: BRAND COMPANY AND BRAND SURVEYS

<table>
<thead>
<tr>
<th>FOCUS OF ANALYSIS</th>
<th>ANALYTICAL TECHNIQUES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BRAND COMPANY SURVEY</td>
</tr>
<tr>
<td>Descriptive focus&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>• Frequency distributions</td>
</tr>
<tr>
<td></td>
<td>• Percentiles</td>
</tr>
<tr>
<td></td>
<td>• Measures of central location:</td>
</tr>
<tr>
<td></td>
<td>(i) Mean</td>
</tr>
<tr>
<td></td>
<td>(ii) Mode</td>
</tr>
<tr>
<td></td>
<td>(iii) Median</td>
</tr>
<tr>
<td></td>
<td>• Measures of variability:</td>
</tr>
<tr>
<td></td>
<td>(i) Range</td>
</tr>
<tr>
<td></td>
<td>(ii) Variance</td>
</tr>
<tr>
<td></td>
<td>(iii) Standard deviation</td>
</tr>
<tr>
<td></td>
<td>(iv) Coefficient of variation</td>
</tr>
<tr>
<td></td>
<td>• Indexing</td>
</tr>
<tr>
<td>Estimation focus&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>Inferential statistical techniques</td>
</tr>
<tr>
<td>Hypothesis testing focus&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>Significance-tests</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> The aim of a descriptive focus is to provide a summarised picture of the sample (population) in terms of the variable(s) of interest.

<sup>(2)</sup> The aim of an estimation focus is to use the information of the sample to estimate the situation that is likely to exist in the population as a whole.

<sup>(3)</sup> The aim of a hypothesis testing focus is to test specific propositions concerning the variables of interest and use evidence provided by the sample to draw conclusions regarding these propositions for the population as a whole.
Table 6.2 depicts the focus of the analyses. Consequently, the information reflected in the table portrays the analysis objectives. It is clear from the table that the analysis objectives of the brand company survey was to conduct descriptive, estimated and hypothesised analyses. Due to the reasons stated below, only a descriptive analysis was considered for the brand survey.

Prior to analysing the data it should be noted that the selection and preference of the different analytical techniques listed in table 6.2 were governed by various factors. These include:

(i) The characteristics of the sample in terms of type and size. With regard to sample type, it should be noted that, unless the sample has been drawn probabilistically, as for the brand company survey (see section 5.3.3.1), the use of inferential statistics is not legitimate (Diamantopoulos et al 1997: 66). With regard to size, some statistical procedures are worthless unless a ‘sufficiently large’ sample is drawn. A ‘sufficiently large’ sample for a simple analysis is regarded to consist of at least 30 respondents (Diamantopoulos et al 1997: 67).

(ii) The sample characteristics in terms of the number of sub-samples. One of the aims of the analyses was to differentiate between the brand company survey findings of five different economic sectors (see Annexure E). This obviously allowed for the application of more sophisticated analytical techniques for the brand company survey compared to the brand survey.

(iii) The number of variables (see table 6.1) and the extent to which they differ in terms of their levels of measurement (see table 5.6). For this study both univariate (single variable analysis) and bivariate (when two variables are involved) analyses were undertaken. Some variables generated nominal and ordinal data which allowed for non-parametric statistical analyses, while other variables resulted in the generation of ratio data, only allowing for the application of parametric statistical analyses (see section 5.5.2.3).
Up to this point the different forms of analyses that were applied for the brand company and brand surveys were explained in detail. However, none of the analytical techniques listed in Table 6.2 has been defined. However, these techniques will be explained in the separate data analysis sections. For the remainder of this chapter the analyses of the brand company survey data are structured according to the three different forms of analysis listed in Table 6.2. The next chapter provides some descriptive analyses of the brand survey data.

6.3 DESCRIPTIVE ANALYSIS

As first step of the analyses of the brand company data, some descriptive analyses were conducted. This form of analysis provided a useful evaluation of the data obtained from the brand company questionnaire (see Annexure B). The specific purposes of the descriptive analyses were:

- to provide preliminary insights into the nature of the responses obtained, as reflected in the distribution of values for each variable of interest (see Table 6.1)
- to help detect errors in the coding process
- to provide means of presenting the data in a digestible manner, through the use of tables and graphs
- to provide summary measures of 'typical' or 'average' responses, as well as to provide the extent of variation in responses for a given variable and
- to provide an early opportunity for checking whether the distributional assumptions of subsequent statistical tests are likely to hold.
With the purposes of the descriptive analysis known, the analysis of the variables identified for the brand company survey (see table 6.1) can finally start. Important to note is that:

(i) a detailed description of the various analytical techniques/tools used to analyse the variables is provided during separate discussions on each variable (see sections 6.3.1 to 6.3.11).

(ii) the structure of the analyses follows the same sequence in which the variables were ordered in the questionnaire used for the brand company survey (see Annexure B).

The following variables were descriptively analysed for the brand company survey:

• brand quantities (see section 6.3.1)

• target marketing (see section 6.3.2)

• preferred marketing communication activities (see section 6.3.3)

• integrated marketing communication strategies (see section 6.3.4)

• composition of the marketing communication budgets (see section 6.3.5)

• size of marketing communication budgets in terms of company turnover (see section 6.3.6)

• size of market and marketing research expenditure in terms of company turnover (see section 6.3.7)

• structural changes in marketing communication strategies (see section 6.3.8)

• reasons for structural marketing communication changes (see section 6.3.8.1)
impact of structural changes on company sales/profits (see section 6.3.8.2)

marketing communication systems (see section 6.3.9).

marketing communication budgeting approaches (see section 6.3.10) and

marketing communication budgeting methods (see section 6.3.11).

6.3.1 Brand quantities

The number of brands marketed (see question 1 of the brand company questionnaire attached as Annexure B) by the sample population (brand-owned companies) can best be described in terms of a one-way frequency distribution. Frequency calculates how often values occur within a range of values. Figure 6.1 shows how 243 responses have been categorised in eight categories. A total of seven marketing, brand or product managers did not answer question one of the brand company questionnaire. In marketing research terms this is often referred to as item non-response.¹

FIGURE 6.1

FREQUENCY DISTRIBUTION: NUMBER OF BRANDS MARKETED
Figure 6.1 illustrates the frequency distribution of the number of brands (n) grouped in each class interval. For example, 189 or 77.8% of the brand-owned companies market between 1 and 5 brands. A closer analysis of the data shows that almost half (120 or 49.4%) of the respondents market only one brand. It should be noted that the number of class intervals reflected in figure 6.1 were not selected lucratively. Deciding on the optimal number of categories (c) was accomplished by following Sturges' rule (Steyn, Smit & Du Toit 1984:49 and Diamantopoulos et al 1997:80):

\[ c = 1 + 3.322 \log_{10} n, \text{ where } n = \text{sample size.} \]

The number of categories (c) for the dataset was consequently calculated as:

\[ c = 1 + 3.322 \log_{10} 250 = 8.9 \approx 9. \]

Although this formula is not a hard and fast rule to be followed uncritically in all situations, it was used to guide the establishing of the number of class intervals. Having decided on the class interval, an approximation of the class width (w) for each class interval was required. This calculation was based on the following formula:

\[ w = \frac{\text{max} - \text{min}}{c} \]

where max and min is the highest and lowest values respectively.

For the brand company survey, the highest number of brands being marketed by the survey population was 50 and the lowest 1. Therefore:

\[ w = \frac{50 - 1}{9} = 5.4 \approx 5. \]

Again the w-formula was only used as guideline in determining the class width of each class interval.
The data generated via question 1 of the brand company survey (see Annexure B) also allowed for the use of additional parametric statistics. The outcome of the statistics applied is shown in table 6.3. With the stated analysis objective to disaggregate the data according to economic sectors, information is also provided according to sectors.

**TABLE 6.3**

**SUMMARY MEASURES FOR BRAND QUANTITIES BY ECONOMIC SECTOR**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Summary measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td>Retail</td>
<td>7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>1</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>2</td>
</tr>
<tr>
<td>Transport and communication services</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
</tr>
</tbody>
</table>

*Item non-response = 7 (see start of section 6.3.1).

Table 6.3 uses various statistical measures to show, amongst others

- how the data is distributed (positively skewed data distribution as mean > median > mode)
- what is typical in the data (mean, mode, median) and
- how the data varies (range, standard deviation, coefficient of variation).

A brief explanation of each analytical technique listed in table 6.3 is provided in table 6.4.
TABLE 6.4
DEFINING SUMMARY MEASURES USED TO ANALYSE BRAND QUANTITIES

<table>
<thead>
<tr>
<th>Measure</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>The average of the dataset was obtained by simply adding the total number of brands (1,185) and dividing it by the total number of brand-owned companies that responded to question 1 (n=243)</td>
</tr>
<tr>
<td>Mode</td>
<td>The value in the data group which occurs most</td>
</tr>
<tr>
<td>Median</td>
<td>The value occurring in the centre of the dataset arranged from the highest to the lowest</td>
</tr>
<tr>
<td>Range</td>
<td>Difference between the highest (max) and lowest (min) value in the data group</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>The standard deviation is a measure of how widely values are dispersed from the average value (the mean). See section 5.3.6 for calculation of the standard deviation</td>
</tr>
<tr>
<td>Coefficient of variation</td>
<td>Standard deviation divided by mean</td>
</tr>
</tbody>
</table>


Based on the outcome of the statistical measures listed in table 6.3, the following analyses were made:

- Brand-owned companies that market products and services in the retail and manufacturing industries, market more brands compared to other industries. This finding is evident from, amongst others, the calculated mean-value of the dataset. However, due to relative significant data variances, the mean is probably not the best measure to substantiate the above-mentioned finding. Additionally, the median-value was calculated. The outcome based on the median-value of the dataset finally supported the conclusion that more brands are marketed by companies marketing products and services in the retail and manufacturing industries. It was also clear from the analyses that the distribution of the datasets of especially the retail and manufacturing industries, was markedly skewed (positively skewed distribution as the mean > median > mode). The datasets for these industries also showed that extreme end values are quite out of proportion (see range values in table 6.3).
• Most (mode) brand-owned companies across all economic sectors market only one brand (see figure 6.1).

• The datasets (number of brands marketed) for each industry showed relative higher variances for the retail and manufacturing industry compared to the other industries. The highest recorded number of brands marketed (50) was for a brand company marketing products and services in the manufacturing sector.

• The dataset for the transport industry showed the lowest variation from the mean (coefficient of variation). Ultimately, this reflected smaller differences between the individual data values in the transport industry compared to other industries.

From the data collected it can be concluded that manufacturing and retail industries market branded products and/or services more vigorously than other industries. The next section explores the markets that most marketing communication efforts are directed to.

6.3.2 Target marketing

Table 6.5 shows the market segments to which most marketing communication efforts of brand-owned companies are directed (see question 2 of the brand company questionnaire attached as Annexure B).
TABLE 6.5
TARGETED MARKET SEGMENTS OF BRAND-OWNED COMPANIES BY ECONOMIC SECTOR

<table>
<thead>
<tr>
<th>Sector</th>
<th>Consumer market</th>
<th>Industrial market</th>
<th>Consumer and industrial markets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Retail</td>
<td>46</td>
<td>63,0</td>
<td>1</td>
<td>1,4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>57</td>
<td>58,8</td>
<td>5</td>
<td>5,2</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>7</td>
<td>26,9</td>
<td>2</td>
<td>7,7</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>15</td>
<td>45,5</td>
<td>3</td>
<td>9,1</td>
</tr>
<tr>
<td>Transport and communication services</td>
<td>3</td>
<td>14,3</td>
<td>1</td>
<td>4,8</td>
</tr>
<tr>
<td>Total</td>
<td>128</td>
<td>51,2</td>
<td>12</td>
<td>4,8</td>
</tr>
</tbody>
</table>

It is clear from table 6.5 that most (51,2 %) of the brand-owned companies market their products and services solely in consumer market segments. Brand-owned companies in the retail (63,0 %) and manufacturing (58,8 %) industries are the most actively involved in the marketing of products and/or services solely to consumers. Compared across sector, a larger percentage (9,1 %) of brand-owned companies in the community, social and personal services industry market products and/or services solely to the industrial market. Furthermore, more brand-owned companies in the transport and communication services (80,9 %) and financial and business services industries (65,4 %) market their products and/or services simultaneously to the consumer and industrial markets than other industries.

6.3.3 Preferred marketing communication activities

The index method was used to uncover the most important marketing communication activities used in the marketing of products and service.
Figures 6.2 (a) to 6.2 (f) show the marketing communication activities in order of importance for the various economic sectors. The importance of each marketing communication activity is measured in terms of indices. Weighting was applied to calculate the indices on the basis of the ratings of the various marketing communication activities (see question 4 of the brand company questionnaire attached as Annexure B). Respondents were instructed to rate the five main marketing communication activities. A rating of one indicated the most important marketing communication activity used to market products and services. Consequently, a rating of one was allocated a weight of five, a rating of two weighed four, a rating of three weighed three, et cetera. The weighted total of each constraint was calculated by multiplying the incidence of each activity by the respective weights. The activity with the highest weighted total was equated with 100 and the indices for the other nth activities were calculated in accordance with the above. The following formula was used to facilitate the calculation process:

\[
\frac{a}{b} \times 100
\]

where \(a\) = the weighted total of the activity under consideration and \(b\) = the weighted total of the most important activity.

Figures 6.2 (a) - 6.2 (f) reflect the marketing communication activities of brand-owned companies by sector in order of importance.
FIGURE 6.2(a)

MOST IMPORTANT MARKETING COMMUNICATION ACTIVITIES USED TO MARKET PRODUCTS AND SERVICES IN THE RETAIL INDUSTRY (INDEX = 100)

- Personal selling: 0
- Cinema: 0
- Internet: 11
- Public relations: 45
- Press: 84
- Sales promotions: 56
- Outdoor: 15
- Sponsorship: 6
- Radio: 79
- Direct Marketing: 42
- Television: 100

FIGURE 6.2(b)

MOST IMPORTANT MARKETING COMMUNICATION ACTIVITIES USED TO MARKET PRODUCTS AND SERVICES IN THE MANUFACTURING INDUSTRY (INDEX = 100)

- Personal selling: 0
- Cinema: 18
- Internet: 2
- Public relations: 21
- Press: 64
- Sales promotions: 55
- Outdoor: 24
- Sponsorship: 12
- Radio: 62
- Direct Marketing: 27
- Television: 100
FIGURE 6.2(c)

MOST IMPORTANT MARKETING COMMUNICATION ACTIVITIES USED TO MARKET PRODUCTS AND SERVICES IN THE FINANCIAL AND BUSINESS SERVICES INDUSTRY (INDEX = 100)

FIGURE 6.2(d)

MOST IMPORTANT MARKETING COMMUNICATION ACTIVITIES USED TO MARKET PRODUCTS AND SERVICES IN THE COMMUNITY, SOCIAL AND PERSONAL SERVICES INDUSTRY (INDEX = 100)
FIGURE 6.2(e)

MOST IMPORTANT MARKETING COMMUNICATION ACTIVITIES USED TO MARKET PRODUCTS AND SERVICES IN THE TRANSPORT AND COMMUNICATION INDUSTRY (INDEX = 100)

![Diagram showing marketing communication activities](image)

FIGURE 6.2(f)

MOST IMPORTANT MARKETING COMMUNICATION ACTIVITIES USED TO MARKET PRODUCTS AND SERVICES: ALL INDUSTRIES (INDEX = 100)

![Diagram showing marketing communication activities](image)
The following analyses could be made from the results emanating from the index method and reflected in figures 6.2 (a) - 6.2 (f).

- The most important marketing communication medium across all sectors is television (see figure 6.2 (f)). This marketing medium (index = 100) is regarded as a more important marketing communication tool for the retail and manufacturing industries compared to other industries. Across sectors, television was also rated above the other 'above-the-line' marketing communication activities such as radio, outdoor, press and cinema. Second most important marketing communication medium amongst the so-called 'above-the-line' marketing communication activities was the press (magazines, newspapers, et cetera) with an index value of 96 (see figure 6.2 (f)). This communication medium was rated highest in the financial and business services, community, social and personal services and transport and communication services industries.

- Direct marketing (index = 44) and sales promotions (index 44) top the list of 'below-the-line' marketing communication activities. Both these activities were rated as fourth most important of all marketing communication activities (see figure 6.2 (f)).

- The cinema and the Internet, as marketing communication mediums, are rated amongst the least important marketing communication tools. Although limited, the manufacturing and transport and communication services industries use the cinema more frequently as marketing communication medium than other industries. Similarly, the retail and community, social and personal services industries more frequently use the Internet to market their products and services compared to other industries. The main reason for this may be the growth in e-commerce/e-tailing that opens new advertising avenues for retailers especially.
One major drawback of the index method is its inability to reflect the outcome of the responses in numeric and percentage terms. Information based on these results provides an opportunity for additional analyses. Consequently, table 6.6 reflects the percentage of respondents in terms of their most preferred marketing communication activity (rating 1). It should be noted that the table only reflects the outcome of the first rated activity as respondents were instructed to at least rate one activity. The response rate for the second, third, fourth and fifth rating dropped to 96.4 %, 85.2 %, 70.4 % and 48.4 % respectively.

**TABLE 6.6**

**PERCENTAGE OF RESPONDENTS BY HIGHEST RANKED MARKETING COMMUNICATION ACTIVITY**

<table>
<thead>
<tr>
<th>Marketing communication activity</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above-the-line advertising</td>
<td></td>
</tr>
<tr>
<td>• Television</td>
<td>43.2</td>
</tr>
<tr>
<td>• Press</td>
<td>24.0</td>
</tr>
<tr>
<td>• Radio</td>
<td>9.6</td>
</tr>
<tr>
<td>• Outdoor</td>
<td>2.0</td>
</tr>
<tr>
<td>• Cinema</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>79.6</td>
</tr>
<tr>
<td>Below-the-line promotions</td>
<td></td>
</tr>
<tr>
<td>• Direct marketing</td>
<td>6.8</td>
</tr>
<tr>
<td>• Public relations</td>
<td>6.8</td>
</tr>
<tr>
<td>• Sales promotions</td>
<td>5.2</td>
</tr>
<tr>
<td>• Sponsorship</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>19.6</td>
</tr>
<tr>
<td>Stand-alone items</td>
<td></td>
</tr>
<tr>
<td>• Internet</td>
<td>0.4</td>
</tr>
<tr>
<td>• Personal selling</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td>100.0</td>
</tr>
</tbody>
</table>
It is clear from table 6.6 that almost 80% of the respondents ranked above-the-line advertising as most important. Most prominent amongst the above-the-line advertising activities are television (43,2%) and press (24,0%). Of those respondents who ranked below-the-line promotions as highest priority, 6,8% showed preference for either direct marketing or public relations activities. A very low percentage (0,8%) of respondents ranked stand-alone items, such as the Internet and personal selling, as their most important marketing communication tool.

6.3.4 Integrated marketing communication strategies

Although above-the-line marketing communication activities, such as television, press and radio, top the list in terms of preferred marketing communication mediums, it does not mean that only these activities are used to market products and services. In fact, above-the-line advertising tools are often combined, either with one another or with any below-the-line promotional activity, in order to ensure the most effective reach of the marketing communication message. Table 6.7 reflects the top five integrated (or across-the-line) marketing communication strategies of the brand-owned companies by sector.

**TABLE 6.7**

**TOP FIVE MARKETING COMMUNICATION STRATEGIES OF BRAND-OWNED COMPANIES BY ECONOMIC SECTOR**

<table>
<thead>
<tr>
<th>Sector</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail sector (N=73)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrated marketing communication strategy:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Radio &amp; consumer promotions</td>
<td>34</td>
<td>46,6</td>
</tr>
<tr>
<td>2) Television &amp; consumer promotions</td>
<td>32</td>
<td>43,8</td>
</tr>
<tr>
<td>3) Press &amp; consumer promotions</td>
<td>32</td>
<td>43,8</td>
</tr>
<tr>
<td>4) Press &amp; direct marketing</td>
<td>32</td>
<td>43,8</td>
</tr>
<tr>
<td>5) Radio &amp; direct marketing</td>
<td>16</td>
<td>21,9</td>
</tr>
<tr>
<td><strong>Manufacturing sector (N=97)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrated marketing communication strategy:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Television &amp; consumer promotions</td>
<td>47</td>
<td>48,5</td>
</tr>
<tr>
<td>2) Press &amp; consumer promotions</td>
<td>40</td>
<td>41,2</td>
</tr>
<tr>
<td>3) Radio &amp; consumer promotions</td>
<td>38</td>
<td>37,2</td>
</tr>
<tr>
<td>4) Television &amp; direct marketing</td>
<td>29</td>
<td>30,0</td>
</tr>
<tr>
<td>5) Press &amp; direct marketing</td>
<td>29</td>
<td>30,0</td>
</tr>
</tbody>
</table>
It is clear from table 6.7 that most respondents combine press, radio and television mainly with consumer promotions. Of all respondents, 46.4% integrate press and consumer promotions, while more than a third of the respondents combine either radio or television with consumer promotions. Whereas radio in combination with consumer promotions is regarded as best marketing communication mix amongst brand-owned companies in the retail industry (46.6%), television in combination with consumer promotions is regarded as best mix by brand-owned companies in the manufacturing industry (48.5%). More than half of the brand-owned companies in the financial and business services sector prefer to mix either the press or radio with direct marketing. Two-thirds of the brand-owned companies marketing products and services in the community, social and personal services industries combine press with consumer promotions. The same integration strategy is followed by a slightly lower percentage (57.1%) of brand-owned companies who market products and services in the transport and communication services industries.
6.3.5 Composition of marketing communication budgets

As has been explained in chapter one and at the start of chapter five, only crude calculations and speculations currently exist on the amount of money being spent on above-the-line advertising in comparison with what is devoted to below-the-line promotions. The secondary data collected for the study transcends uncertainties of the relationship between above-the-line advertising and below-the-line promotional activities. The composition of above-the-line advertising and below-the-line promotional expenditure, as evident from the outcome of the brand company survey (see questions 6(b) and 7(b) of the brand company questionnaire attached as Annexure B), is shown in figure 6.3 for each sector.

Figure 6.3 shows that, except for the financial and business services sector, more than 50% of marketing communication budgets is devoted to above-the-line advertising activities. Up to 64.5% of the total marketing communication expenditure of brand-owned companies who market products and services in the retail industry is on above-the-line advertising.
Important to notice is that the outcome of the survey findings show slightly higher expenditure figures on above-the-line advertising than what has been speculated. Most secondary sources speculate a 50/50 split in the composition of above-the-line advertising and below-the-line promotional expenditure. The outcome of the survey findings as reflected in figure 6.3, shows that these speculations (that marketing communication money being equally divided between above-the-line advertising and below-the-line promotional activities) are slightly misplaced.

6.3.6 Size of marketing communication budget in terms of company turnover

Tables 6.8(a) and 6.8(b) show the size of above- and below-the-line marketing communication expenditure as percentage of company turnover by economic sector (see questions 6(a) and 7(a) of the brand company questionnaire attached as Annexure B).

<table>
<thead>
<tr>
<th>Sector</th>
<th>% of turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>2.91</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.86</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>0.92</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>1.30</td>
</tr>
<tr>
<td>Transport and communication services</td>
<td>1.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1.93</strong></td>
</tr>
</tbody>
</table>

The difference between the results reflected in tables 6.8(a) and 6.8(b) is due to the recording of responses in percentage terms rather than monetary terms.
TABLE 6.8(b)

SIZE OF BELOW-THE-LINE PROMOTIONAL EXPENDITURE AS PERCENTAGE OF COMPANY TURNOVER BY ECONOMIC SECTOR, 2001

<table>
<thead>
<tr>
<th>Sector</th>
<th>% of turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>2.85</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.20</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>1.00</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>0.67</td>
</tr>
<tr>
<td>Transport and communication services</td>
<td>0.71</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1.50</strong></td>
</tr>
</tbody>
</table>

Tables 6.8(a) and 6.8(b) show that the impact of above-the-line advertising expenditure on company turnover is the highest for the brand-owned companies that market products and services in the retail industry (2.91%). Overall, above-the-line advertising expenditure represents just below 2.0% of company turnover. This percentage is slightly higher than the 1.5% of company turnover that is allocated to below-the-line promotional expenditure.

6.3.7 **Size of marketing research expenditure**

The size of expenditure on marketing research (which includes market research) in support of above- and below-the-line marketing communication campaigns, was measured in terms of company turnover (see question 8 of brand company questionnaire - Annexure B). The outcome of this result is illustrated in figure 6.4.
Figure 6.4 shows the size of market and/or marketing research expenditure in support of marketing communication campaigns (above-the-line advertising and below-the-line promotions) in terms of company turnover. It is clear from the figure that, compared to other industries, the transport and communication services and manufacturing industries spend a larger portion of their company turnover on market and/or marketing research in support of marketing communication efforts.

6.3.8 Structural changes in marketing communication strategies

From the discussions in chapter 1 it was clear that the amount of the total marketing communication budget devoted to below-the-line promotions gradually increased over time (see section 1.1). To verify this notable structural change, respondents were asked to specify any changes experienced in the composition of their marketing communication budget over the past three or more years (see question 8.1 of the brand company questionnaire attached as Annexure B). Table 6.9 illustrates the outcome of the structural changes experienced across economic sector.
### TABLE 6.9

NUMBER AND PERCENTAGE OF RESPONDENTS EXPERIENCING SIGNIFICANT CHANGES IN THE COMPOSITION OF MARKETING COMMUNICATION BUDGETS

<table>
<thead>
<tr>
<th>Sector</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail (N=73)</td>
<td>32</td>
<td>43,8</td>
</tr>
<tr>
<td>Manufacturing (N=97)</td>
<td>49</td>
<td>50,2</td>
</tr>
<tr>
<td>Financial and business services (N=26)</td>
<td>15</td>
<td>57,7</td>
</tr>
<tr>
<td>Community, social and personal services (N=33)</td>
<td>21</td>
<td>63,6</td>
</tr>
<tr>
<td>Transport and communication services (N=21)</td>
<td>11</td>
<td>52,4</td>
</tr>
<tr>
<td><strong>Total (N=250)</strong></td>
<td>128</td>
<td>51,2</td>
</tr>
</tbody>
</table>

Table 6.9 shows the number and percentage of respondents (n) who experienced changes in the composition of their marketing communication budgets over the past three or more years. It is clear that most of the respondents (i.e. 51,2 %) experienced changes in their budget composition. Compared across industry, changes in budget composition were most evident amongst brand-owned companies that market products and services in the community, social and personal services industry. Here, 63,6 % of the respondents experienced budget changes over time, whereas only 43,8 % of brand-owned companies that market products and services in the retail industry experienced budget changes over time. Figure 6.5 is used to show the direction of change in the composition of the marketing communication budgets across industry.
Figure 6.5 shows the percentage of respondents experiencing changes in the composition of their marketing communication budgets, either in favour of above-the-line advertising or below-the-line promotions, during the past three or more years. The figure is only applicable to the number of respondents who indicated that they have experienced a change in the composition of their marketing communication budget over time (128 respondents - see table 6.9). It is clear from figure 6.5 that most brand-owned companies (64.1%) experienced structural changes in the composition of their marketing communication budgets in favour of below-the-line promotions. This trend correlates with previous discussions about the move towards below-the-line promotions (see section 1.1). This move implies that money is taken away from long-term brand building activities such as above-the-line advertising and diverted to short-term below-the-line promotional activities. The focus on short-term results probably emanated from pressure placed on brand managers to boost sales and profits on a short-term basis.
Compared across industry, brand-owned companies in the transport and communication services industry show the most severe changes towards below-the-line promotions. Of those brand-owned companies in the transport and communication services industry that experienced changes in the marketing communication budget composition (11 or 52.4% of the 21 respondents), just more than 80% experienced budget changes towards below-the-line promotion expenditure. The main reasons for the changes in the composition of marketing communication budgets over time are explained in the next section.

### 6.3.8.1 Reasons for structural marketing communication changes

Respondents who experienced changes in the composition of their marketing communication budget over time (128 or 51.2% of the total sample - see table 6.9) were also asked to provide the reason(s) for such changes (see question 8.2 of brand company questionnaire attached as Annexure B). The outcome of this response is shown in tables 6.10(a) and 6.10(b).

**TABLE 6.10(a)**

**REASONS FOR STRUCTURAL CHANGES IN MARKETING COMMUNICATION BUDGETS IN FAVOUR OF ABOVE-THE-LINE ADVERTISING**

<table>
<thead>
<tr>
<th>Reason for changes towards above-the-line advertising</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low cost mass communication medium</td>
<td>2</td>
<td>4.4</td>
</tr>
<tr>
<td>Inform target markets</td>
<td>9</td>
<td>19.6</td>
</tr>
<tr>
<td>Results are measurable</td>
<td>3</td>
<td>6.5</td>
</tr>
<tr>
<td>‘Pull’ customers</td>
<td>2</td>
<td>4.4</td>
</tr>
<tr>
<td>Better target market reach</td>
<td>22</td>
<td>47.8</td>
</tr>
<tr>
<td>Following competitors approach</td>
<td>5</td>
<td>10.9</td>
</tr>
<tr>
<td>Sufficient above-the-line marketing communication skills</td>
<td>1</td>
<td>2.2</td>
</tr>
<tr>
<td>Announce a new product or service</td>
<td>2</td>
<td>4.4</td>
</tr>
<tr>
<td>Total</td>
<td>46</td>
<td>100.0</td>
</tr>
</tbody>
</table>
TABLE 6.10(b)

REASONS FOR STRUCTURAL CHANGES IN MARKETING COMMUNICATION BUDGETS IN FAVOUR OF BELOW-THE-LINE PROMOTIONS

<table>
<thead>
<tr>
<th>Reason for changes towards below-the-line promotions</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>More cost effective medium</td>
<td>32</td>
<td>39,0</td>
</tr>
<tr>
<td>Direct approach/more personal</td>
<td>27</td>
<td>32,9</td>
</tr>
<tr>
<td>Short-term results oriented</td>
<td>5</td>
<td>6,1</td>
</tr>
<tr>
<td>'Pull' customers</td>
<td>7</td>
<td>8,5</td>
</tr>
<tr>
<td>Secures better target market reach</td>
<td>7</td>
<td>8,5</td>
</tr>
<tr>
<td>Following structural changes in industry (competition)</td>
<td>2</td>
<td>2,4</td>
</tr>
<tr>
<td>Lacks above-the-line advertising skills</td>
<td>1</td>
<td>1,2</td>
</tr>
<tr>
<td>Government legislation (ban on cigarette advertising)</td>
<td>1</td>
<td>1,2</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Tables 6.10(a) and 6.10(b) show that:

- The main reason for changing the marketing communication budget to include more above-than below-the-line marketing communication activities is because above-the-line advertising enables brand-owned companies to deliver a message to a large number of potential customers at the lowest possible cost. Through delivery of frequent and economical messages the advertiser is able to communicate with thousands of consumers in a matter of a few days or even a few hours. This considerably reduces cost per consumer. An additional reason for showing preference towards above-the-line advertising in the marketing of products and services, is that above-the-line advertising acts as catalyst to inform people of products and services. Almost 20% of the respondents who changed towards above-the-line advertising confirmed this informative role of advertising.

- The cost effectiveness of below-the-line promotional activities tipped the scale in favour of below-the-line promotional activities (see table 6.10 (b)). Of the 82 respondents who experienced changes in the composition of the marketing
indicated that below-the-line promotional activities are cheaper compared to advertising. Almost a third (32.9%) of the respondents indicated that they prefer below-the-line promotions due to the personal nature of this communication medium. For example, below-the-line promotions (especially sales promotions), can be a very direct way of encouraging purchases by, for example, temporarily improving the value of the brand and generating extra sales.

6.3.8.2 Impact of structural changes on company sales/profits

Besides providing reasons for the change in marketing communication budget approaches, respondents who experienced such change (51.2% of the total sample population), were also asked to record the specific impact of such changes on company sales/profits (see question 8.4 of the brand company questionnaire attached in Annexure B).

The outcome of these responses is reflected in figures 6.6(a) and 6.6(b). These figures present the average increase and/or decrease in company sales/profits resulting from changes in the composition of the marketing communication activities.

**FIGURE 6.6(a)**

IMPACT OF SHIFT TOWARDS ABOVE-THE-LINE ADVERTISING ON COMPANY SALES/PROFITS (PERCENTAGE)
Prior to making any conclusions about the information reflected in figures 6.6(a) and 6.6(b), some thoughts are shared in terms of the response obtained from question 8.4 of the brand company questionnaire. As has been indicated in table 6.9, just more than half (128 or 51.2%) of the total sample population experienced a change in the composition of their marketing communication budgets. Of these, 46 or 35.9% and 82 or 64.1% of the respondents respectively experienced that the composition of their marketing communication activities changed in favour of either above- or below-the-line marketing communications. Of those who experienced changes towards above-the-line advertising (see figure 6.6(a)), approximately a fifth (21.7%) reported that such changes had no impact on company sales/profits, while 6.5% of the respondents confirmed that the impact of such change resulted in a decrease in company sales/profits. The negative effect of a shift towards above-the-line advertising was only notable in the manufacturing industry. The average decrease in sales/profits for manufacturing companies experiencing a negative effect from their shift towards above-the-line advertising, was 10.0% (see figure 6.6(a)). However, for almost three quarters (71.7%) of the respondents who shifted towards above-the-line advertising, the impact of such change was positive in terms of higher company sales/profits. The highest impact on sales/profits was recorded for the
transport and communication services industry. On average, this shift towards above-the-line advertising increased company sales/profits by 15,0%. Overall, the average increase in company sales/profits due to shifts towards above-the-line advertising was 12,1%.

Of those brand-owned companies that experienced changes towards **below-the-line promotions** (see figure 6.6(b)), just more than a third (36,8%) of the respondents reported that such changes had no impact on company sales/profits. Six of the brand-owned companies experiencing a shift towards below-the-line promotions did not supply information on the size of the impact of such changes in terms of company sales/profits. Consequently, an item non-response rate (see section 6.3.1) of 7,3% occurred due to confidentiality. Only 2,6% of those experiencing changes towards below-the-line promotions, confirmed that the impact of such change resulted in a decrease in company sales/profits. Once again, such effect was only notable in the manufacturing industry and the transport and communication services industry. The average decrease in sales/profits for manufacturing companies shifting towards below-the-line promotions, was 10,0% (see figure 6.6(b)). A full 60,5% of the respondents shifting towards below-the-line promotions experienced a positive impact on company sales/profits. The highest impact on sales/profits was recorded for the transport and communication services industry. On average, this shift towards below-the-line promotions increased company sales/profits by 15,6%. Overall, the average increase in company sales/profits due to shifts towards below-the-line promotions was 12,5%.
When analysing the impact of the shifts in marketing communication activities, the following comments are worth mentioning:

- Across all industries, the average increase in company sales/profits was higher for shifts towards below-the-line promotions than shifts towards above-the-line advertising in three of the five sectors (retail, manufacturing and transport and communication services).

- No proof was found that a shift towards above-the-line advertising would guarantee higher sales/profits than shifts towards below-the-line promotions. Shifts towards either above-the-line advertising or below-the-line promotions showed definite favourable results in terms of increased sales/profits ranging somewhere between 10% and 15%. Although not measured in the study, through-the-line marketing, whereby above- and below-the-line marketing communication activities are combined, will probably lead to an even more favourable impact on company sales/profits.

6.3.9 Marketing communication systems

Question 9 of the brand company questionnaire (see Annexure B) provides four types of marketing communication systems from which respondents had to choose. The question also catered for responses other than those listed. The outcome of the responses is reflected in figure 6.7.
It is clear from figure 6.7 that almost half (49.2%) of all respondents contract private or specialised advertising agencies to handle their above-the-line advertising and below-the-line promotion activities. When analysed across industry, the type of marketing communication system used to handle marketing communication activities differ somewhat. The contracting of private or specialised advertising agencies seem especially commonplace amongst brand-owned companies marketing products and services in the retail and financial and business services industries. As high as 73.1% of brand-owned companies in the financial and business services sector and 56.2% of the brand-owned companies in the retail sector use this kind of marketing
communication system. In contrast, almost half (48.5%) of brand-owned companies who market products and services in the community, social and personal services industry, use a centralised marketing communication system where all advertising and promotion activities are handled through their own advertising departments.

It is also notable from figure 6.7 that as few as 12.4% of all respondents have their own in-house agencies that handle advertising and promotion activities. This trend is especially notable in the manufacturing (7.2%), financial and business services (7.7%) and transport and communication services industries (9.5%).

6.3.10 Approaches to marketing communication budgets

Question 10 of the brand company questionnaire (see Annexure B) addressed the different approaches to marketing communication budgets followed by brand-owned companies. Because of the way the question was structured, it was possible to collect measurable information on marketing communication budget approaches in terms of

(i) integration strategies (separate or integrated budgeting approach) and

(ii) decision-making strategies (top-down, bottom-up or both approaches).

The outcomes of the findings on these issues are explained separately below.

6.3.10.1 Integrated marketing communication budgeting strategies

An integrated budgeting approach denotes the combination of advertising and promotional activities in a single budget while a separate budgeting approach denotes a separate budget for advertising and promotions.

Table 6.11 shows the numbers and percentages of respondents who follow either an integrated or separate marketing communication budgeting approach.
### TABLE 6.11

RESPONDENTS WHO FOLLOW INTEGRATED OR SEPARATE MARKETING COMMUNICATION BUDGETING APPROACHES BY SECTOR (PERCENTAGE)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Budget approach</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Separate</td>
<td>Integrated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>24</td>
<td>33,3</td>
<td>48</td>
<td>66,7</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>25</td>
<td>36,5</td>
<td>61</td>
<td>63,5</td>
<td></td>
</tr>
<tr>
<td>Financial and business services</td>
<td>6</td>
<td>23,1</td>
<td>20</td>
<td>76,9</td>
<td></td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>12</td>
<td>42,9</td>
<td>16</td>
<td>57,1</td>
<td></td>
</tr>
<tr>
<td>Transport and communication services</td>
<td>7</td>
<td>33,3</td>
<td>14</td>
<td>66,7</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84</strong></td>
<td><strong>34,6</strong></td>
<td><strong>159</strong></td>
<td><strong>65,4</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Item non-response = 7*

It is notable from Table 6.11 that 65.4% of the respondents follow an integrated marketing communication budgeting approach. As high as 76.9% and 66.7% of the brand-owned companies in the financial and business services and retail industries respectively follow an integrated budget approach. Compared to other industries a much higher percentage (42.9%) of the brand-owned companies in the community, social and personal services industry compile separate advertising and promotional budgets.

6.3.10.2 *Decision-making strategies for marketing communication budgets*

Besides allowing for an analysis of different budgeting approaches followed by brand-owned companies (integrated and/or separate budget approaches), question 10 of the brand-owned company questionnaire (see Annexure B) also allowed for some analyses on the decision-making strategies which guide these approaches. These include a top-down budgeting approach where managers establish an overall expenditure figure for the marketing communication mix and then allocate funds to
the components of the marketing communication mix. In essence, top management decide on a budget figure and a spending limit. Usually, the budget must stay within this limit.

In contrast to the latter, a bottom-up approach first requires developing separate budgets for above-the-line advertising and below-the-line promotion disciplines. In principle, marketing communication objectives are set, activities necessary for achieving the objectives are planned, the cost of planned activities is budgeted and then finally approved by top-management. Figures 6.8(a) to 6.8(e) show the outcome of the study results in terms of the percentage of respondents who follow a top-down, bottom-up or a combination of both when planning annual marketing communication budgets. These figures also reflect the outcome of the research results in terms of brand-owned companies following an integrated or separate marketing communication budgeting approach.

(i) An integrated marketing communication budgeting approach. Figure 6.8(a) shows the decision-making strategies (top-down/bottom-up) followed by brand-owned companies who combine above-the-line advertising and below-the-line promotional activities in a single budget.

(ii) A separate marketing communication budgeting approach. The decision-making strategies (top-down/bottom-up) followed by brand-owned companies who compile separate advertising budgets and separate promotional budgets are reflected in figures 6.8(b) and 6.8(c) respectively. Figure 6.8(d) provides a holistic overview for the decision-making strategies of brand-owned companies that compile separate advertising or promotional budgets (combination of figures 6.8(b) and 6.8(c)).

(iii) A top-down or bottom-up budgeting approach. Figure 6.8(e) reflects the overall decision-making strategies of brand-owned companies who participated in the survey regardless of whether they follow an integrated or separate marketing communication budget approach.
FIGURE 6.8(a)

TOP-DOWN AND/OR BOTTOM-UP DECISION-MAKING STRATEGIES OF BRAND-OWNED COMPANIES FOLLOWING AN INTEGRATED MARKETING COMMUNICATION BUDGETING APPROACH BY ECONOMIC SECTOR

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>Top-down</th>
<th>Bottom-up</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>43.4</td>
<td>18.9</td>
<td>37.7</td>
</tr>
<tr>
<td>Transport and communication services</td>
<td>60.0</td>
<td>21.4</td>
<td>18.6</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>68.8</td>
<td>12.5</td>
<td>18.8</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>40.0</td>
<td>10.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>32.8</td>
<td>14.8</td>
<td>52.5</td>
</tr>
<tr>
<td>Retail</td>
<td>50.0</td>
<td>29.2</td>
<td>20.8</td>
</tr>
</tbody>
</table>

Percentage
FIGURE 6.8(b)

TOP-DOWN AND/OR BOTTOM-UP DECISION-MAKING STRATEGIES OF BRAND-OWNED COMPANIES FOLLOWING A SEPARATE ADVERTISING BUDGETING APPROACH BY ECONOMIC SECTOR

Transport and communication services

Community, social and personal services

Financial and business services

Manufacturing

Retail

Percentage

Total

Top-down

Bottom-up

Both

16.7

16.7

16.7

14.3

25.0

33.3

23.8

50.0

16.7

34.3

41.7

42.9

33.3

42.9

33.3

66.7

51.4

33.3
FIGURE 6.8(c)

TOP-DOWN AND/OR BOTTOM-UP DECISION-MAKING STRATEGIES OF BRAND-OWNED COMPANIES FOLLOWING A SEPARATE PROMOTIONAL BUDGETING APPROACH BY ECONOMIC SECTOR

![Bar chart showing top-down and bottom-up decision-making strategies by economic sector.](chart_url)
FIGURE 6.8(d)

TOP-DOWN AND/OR BOTTOM-UP DECISION-MAKING STRATEGIES OF BRAND-OWNED COMPANIES FOLLOWING A SEPARATE MARKETING COMMUNICATION BUDGETING APPROACH BY ECONOMIC SECTOR

Financial and business services

Transport and communication services

Community, social and personal services

Financial and business services

Manufacturing

Retail

Percentage

Top-down
Bottom-up
Both
FIGURE 6.8(e)

TOP-DOWN AND/OR BOTTOM-UP DECISION-MAKING STRATEGIES OF BRAND-OWNED COMPANIES BY ECONOMIC SECTOR

Figures 6.8(a) to 6.8(e) reveal the following:

- Of brand-owned companies following an integrated budget approach, a full 43.4% establish their overall marketing communication expenditure prior to allocating funds to separate components of the marketing communication mix. This application of a top-down approach when constructing marketing communication budgets is particularly evident amongst brand-owned companies that market products and services in the retail industry (50.0%), the community, social and personal services industry (68.8%) and the transport and communication services industry (50.0%). Compared to this, most brand-owned companies in the manufacturing industry (52.5%) and in the financial
and business services industry (50.0 %) that follow an integrated budget approach, use more of a balanced decision-making approach by combining the top-down and bottom-up approaches prior to deciding on final budget appropriations.

- A full 42.9 % of brand-owned companies following a separate advertising budget approach, use a combination of top-down and bottom-up budget approaches (see figure 6.8(b)). This trend is visible in all sectors besides the retail industry and the community, social and personal services industry. A full 41.7 % of the respondents in the retail industry use a bottom-up decision-making strategy and 50.0 % of the respondents in the the community, social and personal services industry follow a top-down decision-making strategy when compiling annual advertising budgets separate from promotional budgets.

- Compared to brand-owned companies with separate advertising budgets, a slightly higher percentage of respondents (45.2 %) combine top-down and bottom-up approaches when compiling below-the-line promotional budgets separate from above-the-line advertising budgets (see figure 6.8(c)). Compared across industry, brand-owned companies in three of the five sectors rather apply a combination of top-down and bottom-up decision-making strategies when compiling separate below-the-line promotional budgets. On the other hand, brand-owned companies in the retail industry and in the community, social and personal services industry rather follow a bottom-up approach (37.5 % for retail) or top-down approach (50.0 % for community, social and personal services) when compiling annual below-the-line promotional budgets separate from above-the-line advertising budgets.

- It is notable from the information provided in figures 6.8(a) to 6.8(d) that an integrated budgeting approach is closely associated with a top-down decision-making strategy. Compared to this, separate above-the-line advertising and below-the-line promotional budgeting approaches are closely associated with a combination of bottom-up and top-down decision-making strategies.
When evaluated holistically (see figure 6.8(e)), the survey results did not expose a definite trend in terms of the most preferred decision-making strategy applied by brand-owned companies when following either an integrated or separate marketing communication budgeting approach. Whereas 39.9% of the respondents use a top-down decision-making strategy when compiling annual budgets (regardless whether budgets are integrated or handled separately), a further 39.5% apply a combination of top-down and bottom-up decision-making strategies.

However, comparisons across industry show that most brand-owned companies in the manufacturing industry (52.1%) and in the financial and business services industry (53.9%) combine top-down and bottom-up decision-making strategies when compiling annual marketing communication budgets. More brand-owned companies in the retail (42.4%), transport and communication services (40.5%) and community, social and personal services (60.7%) industries apply a top-down decision-making strategy compared to those who apply a separate bottom-up or a combined top-down and bottom-up strategy within the same industries.

6.3.11 Marketing communication budgeting methods

The last part of the descriptive analysis section relates to the preferred methods of budgeting for marketing communication activities as applied by the survey population (see question 11 of the brand-owned company questionnaire attached as Annexure B). The outcome of these findings is presented in table 6.12 according to brand-owned companies following an integrated or separate budgeting approach. To allow for cross-sectoral analyses, the findings are recorded by economic sector.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Budgeting approach</th>
<th></th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Integrated approach</td>
<td>Separate approach</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Advertising budget</td>
<td>Promotional budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Fixed guidelines</td>
<td>54,2</td>
<td>29,2</td>
<td>29,2</td>
<td>29,2</td>
<td>45,8</td>
<td></td>
</tr>
<tr>
<td>• Arbitrary</td>
<td>2,0</td>
<td>12,5</td>
<td>12,5</td>
<td>12,5</td>
<td>5,6</td>
<td></td>
</tr>
<tr>
<td>• Objective-and-task</td>
<td>25,0</td>
<td>33,3</td>
<td>33,3</td>
<td>33,3</td>
<td>27,8</td>
<td></td>
</tr>
<tr>
<td>• Mathematical/theoretical</td>
<td>18,8</td>
<td>20,8</td>
<td>20,8</td>
<td>20,8</td>
<td>19,4</td>
<td></td>
</tr>
<tr>
<td>• Empirical modelling</td>
<td>0,0</td>
<td>4,2</td>
<td>4,2</td>
<td>4,2</td>
<td>1,4</td>
<td></td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>• Fixed guidelines</td>
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<td>31,4</td>
<td>31,4</td>
<td>31,4</td>
<td>39,6</td>
<td></td>
</tr>
<tr>
<td>• Arbitrary</td>
<td>6,6</td>
<td>5,7</td>
<td>8,6</td>
<td>7,1</td>
<td>6,8</td>
<td></td>
</tr>
<tr>
<td>• Objective-and-task</td>
<td>26,2</td>
<td>48,6</td>
<td>45,7</td>
<td>47,1</td>
<td>33,9</td>
<td></td>
</tr>
<tr>
<td>• Mathematical/theoretical</td>
<td>8,2</td>
<td>5,7</td>
<td>5,7</td>
<td>5,7</td>
<td>7,3</td>
<td></td>
</tr>
<tr>
<td>• Empirical modelling</td>
<td>8,2</td>
<td>8,6</td>
<td>8,6</td>
<td>8,6</td>
<td>8,3</td>
<td></td>
</tr>
<tr>
<td>• All of above</td>
<td>6,6</td>
<td>0,0</td>
<td>0,0</td>
<td>0,0</td>
<td>4,2</td>
<td></td>
</tr>
<tr>
<td><strong>Financial and business services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Fixed guidelines</td>
<td>35,0</td>
<td>50,0</td>
<td>50,0</td>
<td>50,0</td>
<td>38,5</td>
<td></td>
</tr>
<tr>
<td>• Arbitrary</td>
<td>0,0</td>
<td>16,7</td>
<td>16,7</td>
<td>16,7</td>
<td>3,9</td>
<td></td>
</tr>
<tr>
<td>• Objective-and-task</td>
<td>35,0</td>
<td>16,7</td>
<td>16,7</td>
<td>16,7</td>
<td>30,8</td>
<td></td>
</tr>
<tr>
<td>• Mathematical/theoretical</td>
<td>15,0</td>
<td>16,7</td>
<td>16,7</td>
<td>16,7</td>
<td>15,4</td>
<td></td>
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<tr>
<td>• Empirical modelling</td>
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<td>0,0</td>
<td>0,0</td>
<td>0,0</td>
<td>11,5</td>
<td></td>
</tr>
<tr>
<td><strong>Community, social and personal services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Fixed guidelines</td>
<td>25,0</td>
<td>41,7</td>
<td>41,7</td>
<td>41,7</td>
<td>32,1</td>
<td></td>
</tr>
<tr>
<td>• Arbitrary</td>
<td>18,8</td>
<td>0,0</td>
<td>0,0</td>
<td>0,0</td>
<td>10,7</td>
<td></td>
</tr>
<tr>
<td>• Objective-and-task</td>
<td>37,5</td>
<td>25,0</td>
<td>25,0</td>
<td>25,0</td>
<td>32,1</td>
<td></td>
</tr>
<tr>
<td>• Mathematical/theoretical</td>
<td>12,5</td>
<td>16,7</td>
<td>16,7</td>
<td>16,7</td>
<td>14,3</td>
<td></td>
</tr>
<tr>
<td>• Empirical modelling</td>
<td>6,3</td>
<td>16,7</td>
<td>16,7</td>
<td>16,7</td>
<td>10,7</td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td>Budgeting approach</td>
<td>Integrated approach</td>
<td>Separate approach</td>
<td>Total separate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------</td>
<td>--------------------</td>
<td>---------------------</td>
<td>-------------------</td>
<td>---------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Advertising</td>
<td>Promotion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>budget</td>
<td>al budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport and communication</td>
<td></td>
<td>Fixed guidelines</td>
<td>50,0</td>
<td>14,3</td>
<td>14,3</td>
<td>38,1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Arbitrary</td>
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<td>28,6</td>
<td>28,6</td>
<td>9,5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Objective-and-task</td>
<td>35,7</td>
<td>0,0</td>
<td>0,0</td>
<td>23,8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mathematical/theoretical</td>
<td>7,1</td>
<td>42,9</td>
<td>42,9</td>
<td>14,3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Empirical modelling</td>
<td>0,0</td>
<td>14,3</td>
<td>14,3</td>
<td>9,5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All of above</td>
<td>7,1</td>
<td>0,0</td>
<td>0,0</td>
<td>4,8</td>
</tr>
<tr>
<td>Total: all sectors</td>
<td></td>
<td>Fixed guidelines</td>
<td>45,3</td>
<td>32,1</td>
<td>32,1</td>
<td>40,7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Arbitrary</td>
<td>5,0</td>
<td>9,5</td>
<td>10,7</td>
<td>6,8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Objective-and-task</td>
<td>28,3</td>
<td>34,5</td>
<td>33,3</td>
<td>30,3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mathematical/theoretical</td>
<td>12,6</td>
<td>15,5</td>
<td>13,1</td>
<td>14,3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Empirical modelling</td>
<td>5,7</td>
<td>8,3</td>
<td>10,7</td>
<td>7,0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All of above</td>
<td>3,1</td>
<td>0,0</td>
<td>0,0</td>
<td>2,1</td>
</tr>
</tbody>
</table>

*Due to rounding not all figures add up to 100%*

The following is notable from table 6.12:

- More brand-owned companies (40.7%) use fixed guidelines (for example, percentage of sales) when compiling annual marketing communication budgets compared to those who use other marketing communication budgeting methods. This trend is notable across all industries except for the community, social and personal services industry where an equal percentage of brand-owned companies (32.1% each) use the fixed guidelines and objective-and-task methods when compiling annual marketing communication budgets. Compared to other industries a higher percentage of brand-owned companies in the retail sector (45.8%) use the fixed guideline method for compiling annual budgets.
• The objective-and-task method is the second most popular budgeting method. Almost a third (30.3%) of all respondents use this type of budgeting method when compiling annual marketing communication budgets. Compared across industry, more brand-owned companies in the manufacturing industry (33.8%) use the objective-and-task budget method to compile annual marketing communication budgets.

• Least popular amongst the budgeting methods is the arbitrary method for compiling annual budgets. This method implies that the rule of thumb is used to compile annual budgets. An average of 6.8% of all respondents follows this approach. The arbitrary method of compiling annual marketing communication budgets is most popular amongst brand-owned companies marketing products and services in the community, social and personal services industry and the transport and communication services industry. A full 10.7% and 9.5% of the brand-owned companies in these two industries respectively use the rule of thumb (arbitrary) to compile annual budgets.

• Budgeting approaches differ for brand-owned companies who follow an integrated rather than separate marketing communication budgeting approach. Whereas brand-owned companies tend to follow the fixed guideline method for compiling integrated budgets, the objective-and-task method seems to be more popular when compiling separate above-the-line advertising and below-the-line promotional budgets. On average, 45.3% of brand-owned companies who follow an integrated budgeting approach use the fixed guideline method to compile annual budgets, while a further 28.3% use the objective-and-task method. Compared to this, brand-owned companies that follow a separate budgeting approach choose to use the objective-and-task method (33.9%) rather than the fixed guidelines method (32.1%). This trend is especially notable in the retail and manufacturing industries.
6.4 INFERENTIAL ANALYSIS

In the previous section different statistical techniques were used to describe, display and summarise the outcome for the brand company survey data. Important to note from the discussions in the previous section is that the focus of analyses was purely descriptive. Building on this, the next section makes some inferences about the population on the basis of what was observed from the sample (descriptive analysis). This inferential analysis involves estimations of a particular sample statistic (e.g. mean, standard deviation, proportion) in order to estimate the corresponding population parameter. Prior to engaging in estimating a selection of different population variables for the brand company survey, it should be noted that the inferential analysis was only possible under probabilistic sampling conditions. As explained in section 5.3.3.1, such conditions only applied for the brand-owned company survey. Consequently, sampling of this nature allowed for a statistical evaluation (sample error calculation).

It is also worth mentioning that, with a fairly large sample (as in the case of the brand company survey), the sampling distribution of the sample statistic approximates a normal distribution similar to the population distribution. Ultimately, this allows for estimations of, for example, the population mean and proportions (population parameters) under normal distribution circumstances. In the sections to follow, estimations are made for the population means (μ) and population proportions (π) of a selection of variables studied in the brand company survey. But first the methodology of estimating population averages and population proportions is explained in table 6.13. This methodology entails:

(i) calculating a standard error (k) for the population parameter(s) under study and

(ii) stating a confidence interval which ultimately entails the calculation of the critical values (number of standard errors needed to create the desired confidence interval) corresponding to the confidence coefficient (1-α). This involves a decision on how often one wants to be correct about the confidence
interval containing the population parameter in question. For example, if the standard error \((k)\) is set so that 90% of all possible intervals under repeated sampling would contain the population parameter \((\mu \text{ or } \pi)\), then one has a 0.90 probability of selecting one of the samples that will produce the interval containing the population parameter \((\mu \text{ or } \pi)\).

**TABLE 6.13**

**METHODOLOGY APPLIED IN ESTIMATING POPULATION PARAMETERS**

<table>
<thead>
<tr>
<th>Population parameter</th>
<th>Proportions (percentages)</th>
<th>Mean (averages)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard error</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(s_p = \sqrt{\frac{P(1-P)}{n}})</td>
<td></td>
<td>(s_x = \frac{s}{\sqrt{n}})</td>
</tr>
<tr>
<td>where:  (s_p = ) standard error of the proportion (P = ) sample proportion (percentage) (n = ) sample size</td>
<td>where:  (s_x = ) standard error of the mean (s = ) sample standard deviation (n = ) sample size</td>
<td></td>
</tr>
</tbody>
</table>

**Confidence interval and critical value**

<table>
<thead>
<tr>
<th>Confidence interval format</th>
<th>Confidence interval format</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample statistic - (k_s s \leq ) sample statistic + (k_s s )</td>
<td>Sample statistic - (k_s s \leq \mu \leq ) sample statistic + (k_s s )</td>
</tr>
<tr>
<td>Selected confidence interval = 90.0%</td>
<td>Selected confidence interval = 90.0%</td>
</tr>
<tr>
<td>(k_s = ) critical value</td>
<td>(k_s = ) critical value</td>
</tr>
<tr>
<td>(k_s ) is determined by standard normal distribution tables (z-scores)</td>
<td>(k_s ) is determined by standard normal distribution tables (z-scores)</td>
</tr>
<tr>
<td>(z = 1.64 ) (at 90% confidence interval)</td>
<td>(z = 1.64 ) (at 90% confidence interval)</td>
</tr>
</tbody>
</table>
Table 6.13 reflects the methodology (interval estimation) used for estimating population parameters based on the sample statistics of the brand-owned company survey. With the current perspective, a sample statistic is any quantity or summary measure calculated from the sample data that was collected from the brand-owned company survey. Such a sample statistic could be, for example, a sample average ($\bar{x}$) or a sample proportion ($P$).

By simply using sample statistics (outcome of the survey results in terms of averages/percentages) to estimate the relevant population parameter, the estimate would reflect not only the relevant population parameter but also sampling error (see section 5.3.6). Consequently, interval estimation was applied to establish a range for the selected estimates by taking into account the variation in sampling error. This is exactly what the purpose of interval estimation was, namely to predict that the population parameter in question is somewhere within a given interval either side of a point estimate (survey result).

For inferential analysis purposes, the steps followed to conduct population estimates were:

(i) To specify a selection of marketing communication variables for the brand company survey for which population estimates were required.

(ii) To specify the sample statistics which were largely determined by the way in which the selected sample variables were measured in the survey questionnaire (brand company survey). It is clear from the brand company questionnaire (see Annexure B) that the questions/responses were structured according to different measurement scales (see section 5.5.2.3). For example, questions 5, 8.1 and 8.2 generated nominal data. In section 6.3 the responses obtained form these questions were analysed in terms of percentages/proportions (see, for example, section 6.3.8). On the other hand, some questions/responses generated ratio data which allowed for analyses in terms of averages (see questions 6(a), 6(b), 7(a) and 7(b) of the brand company questionnaire attached as Annexure B and section 6.3.5).
(iii) To record the outcome of the research results obtained from the brand company survey (see section 6.3) for each of the selected marketing communication variables for which a population estimate was required. The results obtained from the sample data largely served as point estimates for the corresponding population values but unfortunately also contained sampling error.

The build-up process for estimating corresponding population parameters for each of the selected sample variables is shown in table 6.14.

**TABLE 6.14**

SELECTED MARKETING COMMUNICATION VARIABLES AND RESULTANT SAMPLE STATISTICS AND POINT ESTIMATES USED AS BASIS FOR CALCULATING POPULATION ESTIMATES

<table>
<thead>
<tr>
<th>Marketing communication variable</th>
<th>Question numbera</th>
<th>Sample statistic</th>
<th>Point estimate (Survey result)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget composition</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Above-the-line advertising</td>
<td>Q6(b)</td>
<td>✓</td>
<td>59 %</td>
</tr>
<tr>
<td>• Below-the-line promotions</td>
<td>Q7(b)</td>
<td>✓</td>
<td>41 %</td>
</tr>
<tr>
<td><strong>Size of budget in terms of company turnover</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Above-the-line advertising</td>
<td>Q5(a)</td>
<td>✓</td>
<td>1,93 %</td>
</tr>
<tr>
<td>• Below-the-line promotions</td>
<td>Q6(b)</td>
<td>✓</td>
<td>1,50 %</td>
</tr>
<tr>
<td><strong>Structural changes in budget composition</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Above-the-line advertising</td>
<td>Q8.1</td>
<td>✓</td>
<td>35,9 %</td>
</tr>
<tr>
<td>• Below-the-line promotions</td>
<td>Q8.1</td>
<td>✓</td>
<td>64,1 %</td>
</tr>
<tr>
<td><strong>Budget methods used</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Fixed guidelines</td>
<td>Q11</td>
<td>✓</td>
<td>40,7 %</td>
</tr>
<tr>
<td><strong>Budget approaches</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Integrated budget approach (combined advertising and promotional budget)</td>
<td>Q10 &amp; 11</td>
<td>✓</td>
<td>34,6 %</td>
</tr>
<tr>
<td>• Separate budget approach (separate advertising and promotional budgets)</td>
<td>Q10 &amp; 11</td>
<td>✓</td>
<td>65,4 %</td>
</tr>
</tbody>
</table>

*aQuestion number in brand company questionnaire (see Annexure B).*
The selection of the marketing communication variables reflected in table 6.14 was owned to their importance in terms of the stated study objectives (see section 1.3). The table shows the question number in the brand company questionnaire (see Annexure B) corresponding to each of the selected variables, as well as the type of sample statistic (proportions/averages) generated from the responses obtained from the questions under investigation. The survey findings or point estimates for each selected variable are shown in the last column of table 6.14.

Table 6.14 includes all information required to proceed with the inferential analyses. If limited to a point estimate to approximate the population parameters, such estimates would have included sampling error. Some interval estimates were therefore calculated for each of the population parameters under consideration. These estimates aim to predict that the population parameter in question would be somewhere within a given interval either side of the point estimate. The interval estimates for the selected population parameters are shown in table 6.15. It should be noted that the methodology explained in table 6.13 was used to calculate the interval estimates for each of the selected marketing communication variables listed in table 6.15.

**TABLE 6.15**

**INTERVAL ESTIMATES FOR SELECTED POPULATION PARAMETERS**

<table>
<thead>
<tr>
<th>Population</th>
<th>Interval estimates*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget composition</strong></td>
<td></td>
</tr>
<tr>
<td>• Above-the-line advertising</td>
<td>56,6 % ≤ μ ≤ 61,6 %</td>
</tr>
<tr>
<td>• Below-the-line promotions</td>
<td>38,3 % ≤ μ ≤ 43,7 %</td>
</tr>
<tr>
<td><strong>Size of budget in terms of company turnover</strong></td>
<td></td>
</tr>
<tr>
<td>• Above-the-line advertising</td>
<td>1,59 % ≤ μ ≤ 2,27 %</td>
</tr>
<tr>
<td>• Below-the-line promotions</td>
<td>0,97 % ≤ μ ≤ 2,02 %</td>
</tr>
<tr>
<td><strong>Structural changes in budget composition</strong></td>
<td></td>
</tr>
<tr>
<td>• Above-the-line advertising</td>
<td>34,2 % ≤ π ≤ 37,6 %</td>
</tr>
<tr>
<td>• Below-the-line promotions</td>
<td>63,1 % ≤ π ≤ 65,1 %</td>
</tr>
<tr>
<td>Population</td>
<td>Interval estimates*</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td><strong>Effect of structural changes on company profits</strong></td>
<td></td>
</tr>
<tr>
<td>• Below-the-line promotions</td>
<td>10,9 % ≤ μ ≤ 16,1 %</td>
</tr>
<tr>
<td><strong>Budgeting methods used</strong></td>
<td></td>
</tr>
<tr>
<td>• Fixed guidelines</td>
<td>39,9 % ≤ π ≤ 41,5 %</td>
</tr>
<tr>
<td><strong>Budgeting approaches</strong></td>
<td></td>
</tr>
<tr>
<td>• Integrated budget approach (combined advertising and promotional budget)</td>
<td>33,7 % ≤ π ≤ 35,5 %</td>
</tr>
<tr>
<td>• Separate budget approach (separate advertising and promotional budgets)</td>
<td>64,9 % ≤ π ≤ 65,9 %</td>
</tr>
</tbody>
</table>

* 90 % confidence.

From table 6.15 it can be concluded with a 90 % confidence that:

- No less than 56,6 % and no more than 61,6 % of the total marketing communication expenditure of brand-owned companies that market products and services in South Africa are devoted to above-the-line advertising.

- Marketing communication expenditure of South African brand-owned companies represents no more than 2,27 % of company turnover.

- Brand-owned companies in South Africa spend at least 38,3 % of their marketing communication budget on below-the-line promotions.

- Over the past three years or more, up to 65,1 % of brand-owned companies in South Africa have changed their marketing communication strategy towards below-the-line promotions.

- The long-term impact of structural changes towards below-the-line promotions could lead to increases in company sales/profits of at least 10,9 %.
• Fixed guidelines are used by just over two-fifths (41.5%) of South African brand-owned companies as their most popular marketing communication budgeting method.

• Almost two-thirds (65.9%) of brand-owned companies in South Africa compile separate advertising and promotional budgets.

It is clear from the above discussion that structural changes towards below-the-line promotions are commonplace in South Africa, although the amount of expenditure devoted to marketing communication is still largely directed towards above-the-line advertising. This may be attributed to the higher cost of mediums for above-the-line advertising compared to much cheaper mediums for below-the-line promotion.

Before making some final conclusions on the outcome of the sample data (see section 6.3) and the population estimates (section 6.4), one outstanding analysis objective still remains to be attained. This is, as stated in section 1.1 of chapter one, to determine how widespread the pattern of change in marketing communication strategies towards below-the-line promotions is across economic sector. To determine this, a complementary approach, i.e. hypothesis testing, was used in order to make inferences about the population. The way in which this analytical tool was used to conduct significance tests to determine whether certain conditions concerning the population are likely to be true or not, is explained in the next section.

6.5 HYPOTHESIS TESTING

Whereas interval estimates make some ‘informed guesses’ about the value of population parameters based on the sample data and a relevant sampling distribution (see section 6.4), hypothesis testing aims to examine whether a particular proportion concerning the population is likely to be true or not. As in the case of interval estimates (see section 6.4) sampling errors were also considered when the hypothesis test was conducted.
In short, a hypothesis is a statement regarding a population that may or may not hold true (Martins et al 1996:322). Although not presented in an exact hypothesis format, the research question stated in section 1.1 (see chapter one) portrayed a specific statement (hypothesis) about the survey population. To recapture, the research question under investigation tried to determine ‘how widespread the pattern of change in marketing communication strategies towards below-the-line promotions across economic sector is’. By simply reformatting the latter research question in terms of hypothesis requirements, which states that any hypothesis should contain a statement of equality (for example, =, ≤ or ≥), the following assumptions (hypotheses) were accepted as correct unless rejected as a result of the testing procedure:

- No significant differences exist across economic sector in the percentage of brand-owned companies that changed their marketing communication strategy towards below-the-line promotions.

- No significant differences exist in the composition of the marketing communication expenditure patterns across economic sector.

Whereas the first hypothesis is concerned with comparing more than two sample/population proportions, the second relates to comparing more than two sample/population averages. Based on this, the null hypotheses formulated for each case are shown in table 6.16. It should be noted that these hypotheses emanated from the research question stated in section 1.1 (see chapter one). Accordingly, the stated hypotheses were formulated prior to conducting the brand company survey.
TABLE 6.16
FORMULATED NULL HYPOTHESES

<table>
<thead>
<tr>
<th>Hypothesised issue</th>
<th>Stated null hypothesis</th>
<th>Explaining hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectoral differences in the percentage of brand-owned companies who changed marketing communication strategies towards below-the-line promotions</td>
<td>$H_0: P_1 = P_2 = P_3 = P_4 = P_5$</td>
<td>The null hypothesis states that there exists no difference between the percentage of brand-owned companies marketing products and services in the retail ($P_1$), manufacturing ($P_2$), financial and business services ($P_3$), community, social and personal services ($P_4$) and transport and communication services ($P_5$) industries, who changed their marketing communication strategy towards below-the-line promotions.</td>
</tr>
<tr>
<td>Sectoral differences in the composition of marketing communication expenditure patterns</td>
<td>$H_0: \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5$</td>
<td>The null hypothesis states that the composition of marketing communication expenditure patterns in the retail ($\mu_1$), manufacturing ($\mu_2$), financial and business services ($\mu_3$), community, social and personal services ($\mu_4$) and transport and communication services ($\mu_5$) industries are similar.</td>
</tr>
</tbody>
</table>

The analytical techniques required to test the hypotheses stated above are:

- the chi-square technique which is used to test the differences between more than two proportions (sectoral differences) and
- the Z-test for comparing differences in the sample means across economic sectors.

The hypotheses tested by using the said techniques are explained separately below.
6.5.1 Chi-square technique

The chi-square technique was used to test for differences between sectors in terms of the percentage/proportion of brand-owned companies that changed their marketing communication strategy towards below-the-line promotions. To illustrate how the chi-square technique was used in order to either accept or reject the stated null hypotheses (see section 6.5), the number (frequency) of brand-owned companies that changed their brand strategy towards either above-the-line advertising or below-the-line promotions (see question 8.2 of the brand company questionnaire attached as Annexure B) is shown by economic sector in table 6.17. Marketing communication strategy changes towards either above-the-line advertising or below-the-line promotions are both investigated due to the inter-connectivity between these budget items. The percentage of marketing communication expenditure not devoted to above-the-line advertising is simply allocated to below-the-line promotions.

| TABLE 6.17 |
| NUMBER OF BRAND-OWNED COMPANIES CHANGING MARKETING COMMUNICATION STRATEGIES BY ECONOMIC SECTOR (OBSERVED FREQUENCIES) |

<table>
<thead>
<tr>
<th>Sector</th>
<th>Changing to above-the-line advertising</th>
<th>Changing to below-the-line promotions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>12</td>
<td>20</td>
<td>32</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>19</td>
<td>30</td>
<td>49</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>4</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>9</td>
<td>12</td>
<td>21</td>
</tr>
<tr>
<td>Transport and communication services</td>
<td>2</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46</strong></td>
<td><strong>82</strong></td>
<td><strong>128</strong></td>
</tr>
</tbody>
</table>
Applying the information indicated in table 6.17, the chi-square technique was used to run a hypothesis test. The steps followed are discussed below.

**Step 1: Formulate a null hypothesis**

\[ H_0 : P_1 = P_2 = P_3 = P_4 = P_5 \] (see table 6.16)

**Step 2: Select the level of significance**

A 0.10 level of significance was selected at \( \alpha = 0.10 \). As the sample was bigger than 30, the Z-test was used. With the help of standardised tables the Z-value was calculated as \( Z = 1.64 \).

**Step 3: Determine the observed and hypothesised values of the test statistic**

The observed values of the test statistic are shown in table 6.17. Running a chi-square test also required the construction of a hypothesised table with the assumption that there are no variations between sectors changing marketing communication strategies towards below-the-line promotions. This implied that the percentage of brand-owned companies that changed their marketing communication strategies (either to above- or below-the-line) are the same across economic sector. The hypothesised table revealing such theoretical frequencies is shown in table 6.18.
TABLE 6.18

NUMBER OF BRAND-OWNED COMPANIES CHANGING MARKETING COMMUNICATION STRATEGIES BY ECONOMIC SECTOR (THEORETICAL FREQUENCIES)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Changing to above-the-line advertising</th>
<th>Changing to below-the-line promotions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>n</td>
<td>n</td>
<td>n</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>11</td>
<td>21</td>
<td>32</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>18</td>
<td>31</td>
<td>49</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>5</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Transport and communication services</td>
<td>8</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>46</td>
<td>82</td>
<td>128</td>
</tr>
</tbody>
</table>

The hypothesised table (table 6.18) shows that the row and column variables are the same as those given in table 6.17. It is clear from the observed values shown in table 6.17 that 46 of the 128 (or 35.9%) brand-owned companies changed their marketing communication strategy towards above-the-line advertising. Similarly, 82 of the 128 (or 64.1%) brand-owned companies changed their marketing communication strategy towards below-the-line promotions. In the hypothesised table (table 6.18) the percentage of brand-owned companies changing marketing communication strategies was calculated to be 35.9% for those changing towards above-the-line advertising and 64.1% for those changing towards below-the-line promotions for each economic sector. This was done under the hypothesis that the percentage of brand-owned companies that changed their marketing communication strategies (regardless of the direction of change) was equal across economic sector. For example, 32 brand-owned companies that market products and services in the retail industry, changed their marketing communication strategy either towards above-the-line advertising or below-the-line promotions. If the percentage of brand-owned companies that changed their marketing communication strategies was equal across
the different economic sectors (hypothesis) this would mean that 35.9% (or 11) of
the 32 companies that market products and services in the retail industry would have
changed towards above-the-line advertising, while 64.1% (or 21) would have
canceled to below-the-line promotions (see table 6.18).

Besides stating the observed and hypothesised values for the test statistic, this step
also involved calculating the chi-square statistic. The answer to whether or not the
null hypothesis can be rejected or not, will depend on the degree of the variations
between the observed values (table 6.17) and the hypothesised values (table 6.18).
A measure of discrepancy between the two values was obtained by calculating the
$\chi^2$ statistic as follows:

$$\chi^2 = \sum_{i=1}^{r} \sum_{j=1}^{c} \frac{O_{ij} - E_{ij}}{E_{ij}}$$

where
- $O_{ij}$ = actual frequency in the $i$-th row, $j$-th column
- $E_{ij}$ = expected frequency in the $i$-th row, $j$-th column
- $r$ = number of rows and
- $c$ = number of columns.

Applying the information reflected in tables 6.17 and 6.18, the $\chi^2$ statistic was
calculated as $= 2.60$

**Step 4: Determine the critical value of the test statistic**

Based on the $\chi^2$-distribution, a 0.10 level of significance, and three degrees of
freedom, the critical value was determined as 6.25. It should be noted that the chi-
square test returns the probability for a $\chi^2$-statistic and degrees of freedom, df, where
df = (r - 1)(c - 1).
Step 5: Compare the observed value with the critical value

The critical value (6.25) clearly exceeds the calculated $\chi^2$-value of 2.60. Consequently, the hypothesis was accepted as correct. This showed that the percentage of brand-owned companies changing marketing communication strategies across economic sectors does not differ significantly. There will be a chance of just less than 10 in 100 that the population proportions would differ significantly across economic sectors.

6.5.2 Z-test

The Z-test allowed for comparing the means (averages) generated from the sample survey across economic sectors. This test followed the same approach as discussed in section 6.5.1. To start with, the null hypothesis was expressed as

$$H_0 : \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5$$

(see table 6.16).

The hypothesis states that the population means (average percentage of marketing communication expenditure devoted to below-the-line promotions) are equal across different economic sectors. For simplicity the percentage of marketing communication expenditure devoted to below-the-line promotions is used. This was allowed with the assumption that below-the-line promotions are linked with above-the-line advertising expenditure. The percentage of marketing communication expenditure not allocated to below-the-line promotions is simply allocated to above-the-line advertising.

Once again, the desired level of significance was set at $\alpha = 0.10$. Therefore, $Z=1.64$. 
The observed value of the test statistic was defined as the average difference in the percentage of marketing communication expenditure allocated to below-the-line promotions across economic sectors. The average difference in the percentage of the marketing communication budget spent on below-the-line promotions across different sectors was calculated at 5.44% (observed value).

As next step of hypothesis testing, the standard error of the difference between the samples across economic sectors was determined as

$$\sigma (\bar{x}_1 : \bar{x}_2) = \sqrt{\frac{\sigma_1}{n_1} + \frac{\sigma_2}{n_2} + \frac{\sigma_3}{n_3} + \frac{\sigma_4}{n_4} + \frac{\sigma_5}{n_5}}$$

$$= 9.37 \%.$$  

Building on this, the critical values were calculated as

$$0 \pm Z [\sigma (\bar{x}_1 : \bar{x}_2)] = 0 \pm 1.64 \times 9.37 \%$$

$$= 0 \pm 15.38 \%.$$  

The critical values of -15.38% and +15.38% represent the biggest differences that can occur in the percentage of marketing communication expenditure allocated to below-the-line promotions across economic sectors. Consequently, the critical values reflect the biggest differences that can occur by chance in 90% of all possible samples of the particular size drawn from the different sectors.

When comparing the observed value (5.44%) with the critical value (±15.38%) the null-hypothesis of relative equal percentages of marketing communication expenditure allocated to below-the-line promotions across economic sectors is accepted on a 0.10 level of significance. Consequently, it can be stated with a 90%
confidence that no significant differences exist between the percentages of marketing communication expenditure devoted to below-the-line promotions across economic sectors. Seeing that the percentages of expenditure on above-the-line advertising and below-the-line promotions closely correlate, it can finally be concluded that the percentage of marketing communication expenditure devoted to above-the-line advertising does not vary significantly across economic sectors.

6.6 CONCLUDING REMARKS

This chapter provided an analysis of the outcome of the research findings obtained from the brand company survey. The analyses were based on the responses obtained from 250 brand-owned companies who market products and services in the retail, manufacturing, financial and business services, community, social and personal services and transport and communication industries. At first, a descriptive analysis was provided for the survey data across economic sectors. From the research findings it was evident that television, press and radio top the list of above-the-line advertising mediums. The most commonly used below-the-line promotional activities included direct marketing and sales promotions. More than a third of the brand-owned companies combine consumer promotions with either the press, radio or television. This finding reflects that integrated or seamless marketing (through-the-line marketing) is commonplace in South Africa.

Also notable from the survey findings was the ongoing shift in marketing communication budgets away from above-the-line advertising to below-the-line promotions. This finding closely correlates with international findings obtained from both trade literature and academic research (Bowman 1990: 20-21 and Low & Mohr 1992:2-3). The most important reasons provided by South African brand-owned companies for directing more of their marketing communication rand towards below-the-line promotions, was that the latter is a cost-effective medium and has a direct, more personal approach when compared to above-the-line advertising. The long-term impact of changing to below-the-line promotions was also measured in the brand company survey. Almost a third of the respondents experienced changes
towards below-the-line promotions. Of those brand-owned companies who experienced changes towards below-the-line promotions, approximately 60,0% (or 18,4% of the total sample population) indicated that these changes increased company sales/profits by an average of 12,5%.

Probably one of the most important findings of the survey results showed that the composition of marketing communication budgets is still positively skewed towards above-the-line advertising expenditure. A full 59% of the total marketing communication expenditure is allocated to above-the-line advertising activities. In terms of building long-term brand equity this finding is extremely positive. Fears of marketing practitioners that South African brand-owned companies are buying short-term sales or current market shares at the expense of long-term brand equity is largely adulated by this finding. However, for how long this situation will remain will largely depend on marketing, brand or product managers’ attempts to maximise the productivity of each rand spent on marketing communication activities. Of those brand-owned companies who experienced changes towards above-the-line advertising, approximately 71,7% (or 13,2% of the total sample population) indicated that these changes increased company sales/profits by an average of 12,1%.

The brand company survey also measured the size of expenditure on above-the-line advertising and below-the-line promotion in terms of company turnover. From the findings it was evident that expenditure on above-the-line advertising and below-the-line promotional represent at most 2,3% and 2,0% respectively of company turnover. This finding shows that, when compared to companies abroad, South African companies tend to spend less on advertising and promotions in terms of company turnover (see section 1.2.3). Approximately 1,5% of company turnover is spent on market and marketing research in support of above-the-line advertising and below-the-line promotion campaigns.
Further survey findings revealed that 65.4% of the respondents combine above-the-line advertising and below-the-line promotional activities in the same budget. A full 43.4% of brand-owned companies that follow an integrated budgeting approach first determine the overall marketing communication expenditure prior to allocating funds to the individual components of the marketing communication mix (top-down budgeting approach). For brand-owned companies that prefer to compile separate above-the-line advertising and below-the-line promotional budgets (44.1% of the total sample population), no specific decision-making structure was notable. Here, a combination of top-down and bottom-up decision-making strategies is used when deciding on final marketing communication budget appropriations. The fixed guideline technique is the most popular budget approach used by 40.7% of brand-owned companies while almost half (49.2%) of the respondents indicated that they use private/specialised advertising agencies to handle their above-the-line advertising and below-the-line promotional campaigns.

The overall findings of the brand company survey provided valuable information for marketing, brand and product managers in terms of previous unanswered questions concerning the relationship of above-the-line advertising and below-the-line promotional expenditure. The survey collected information which could assist marketing, brand and product managers to be more productive in the allocation of their annual marketing communication budget for above-the-line advertising and below-the-line promotional activities. Building on this, the next chapter further investigates, amongst others, the factors governing the marketing communication budget appropriations as well as the long-term effects of increases in brand promotion (below-the-line) spending relative to advertising (above-the-line).
CHAPTER 7

DATA ANALYSIS: BRAND SURVEY

7.1 INTRODUCTION

Whereas the previous chapter provided a holistic overview of the marketing communication strategies applied by South African brand-owned companies, the focus of this chapter is largely confined to an analysis of the single brand strategies of the 30 brand/product managers who participated in the brand survey. The qualitative nature of the data generated from the brand survey and the non-probabilistic sampling methodology applied in selecting the sample elements (brand/product managers), only allowed for a descriptive analysis of the survey data.

As with the brand company analysis, the analysis objectives set for the brand survey closely correlate with the research objectives of the study (see section 1.3). The only difference, of course, is that the brand analyses were largely confined to meeting the secondary study objectives. Consequently, the aim of the brand analysis was to provide additional information that could substantiate the findings of the brand company survey. To recapture, the contents of the analysis objectives for the brand survey were:

- The identification of product/market/organisational/managerial factors governing the marketing communication budget appropriations of brands.

- Accessing above-the-line advertising/below-the-line promotional tradeoffs based on the outcome of the identified factors impacting on marketing communication budget appropriations.

- Identifying changes and reasons for changes in marketing communication strategies.
• Determining the type and nature of market and marketing research in support of above-the-line advertising and below-the-line promotional campaigns respectively.

• Uncovering 'ideal' long-term brand communication strategies.

• Quantifying figures of marketing communication expenditure over time.

With the objectives of the analyses known, the focus is now turned to the actual analyses.

7.2 DESCRIPTIVE ANALYSIS

The purpose of the descriptive analysis was to analyse the outcome of the qualitative data collected for the brand survey conducted amongst 30 brand/product managers. The outcome of the research results of each marketing communication issue listed in section 7.1, is discussed below. Because the brand company and brand surveys closely correlate (see section 5.3.2.1), the findings obtained from the brand survey will be discussed in tandem with some findings obtained from the brand company survey outlined in chapter six.

7.2.1 Changes in marketing communication budget composition

From the discussion in section 6.3.10.1 it was clear that 65,4 % of brand-owned companies follow an integrated marketing communication (IMC) budgeting approach. The trend of integrating above-the-line advertising with below-the-line promotional elements was also confirmed by the brand/product managers participating in the brand survey (see question 10 and 11 of the brand survey questionnaire attached as Annexure C).
From the brand company survey, the most common marketing communication elements (see section 6.3.4) used to market products and services were either press, radio and television (above-the-line advertising elements). The brand/product managers participating in the brand survey also confirmed that these above-the-line advertising elements are often combined with consumer promotions (below-the-line promotional element). These findings resulted from the responses obtained from questions 8, 9 and 16.1 of the brand survey questionnaire (see Annexure C). Further findings from the brand survey revealed that, since 1990, there has been an increased drive to integrate marketing communication elements (see question 16.3 of the brand survey questionnaire attached as Annexure C). The brand/product managers participating in the brand survey listed the following reasons for the move towards IMC strategies (see question 16.2 and 16.4 of the brand survey questionnaire attached as Annexure C). These are listed in order of priority.

- Marketing communication elements are used in an integrated way to create synergy.

- IMC increases brand awareness.

- IMC transmits a stronger, single and focussed message to inform and influence end-users of products and services.

- IMC combats competition.

- IMC maximises marketing communication spending and positively influences company sales/profits.

- Technological developments such as computers and the Internet inspire the use of IMC.
With a better understanding of the reasons for combining above-the-line advertising and below-the-line promotional elements, the factors that govern marketing communication budget allocations are investigated next. The reason for identifying and classifying these factors is to further uncover factors that affect decisions regarding marketing communication budget allocations (above-the-line advertising and/or below-the-line promotional spending).

### 7.2.2 Factors governing marketing communication budget appropriations

One of the aims of the brand survey was to identify product/market and organisational/managerial factors that determine marketing communication budget appropriations (see questions 15.1 and 15.2 of the brand survey questionnaire attached as Annexure C). Once identified, brand/product managers were asked to evaluate these factors in terms of preference of above-the-line advertising relative to below-the-line promotions (see question 20 of the brand survey questionnaire attached as Annexure C).

The factors that govern marketing communication budget appropriations according to the categories outlined above are listed in table 7.1 in order of priority (index format).

**TABLE 7.1**

FACTORS GOVERNING MARKETING COMMUNICATION BUDGET APPROPRIATIONS

<table>
<thead>
<tr>
<th>Factor category</th>
<th>Factors</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/market factors</td>
<td>• Competitive intensity</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>• Stage of brand’s Product Life Cycle (PLC)</td>
<td>85</td>
</tr>
<tr>
<td></td>
<td>• High market growth rate</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>• Brand differentiation</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>• Contribution margin of brand is high relative to other brands</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>• Market share</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>• Seasonality of brand sales</td>
<td>40</td>
</tr>
</tbody>
</table>
It is clear from table 7.1 that competitive intensity (index = 100) is the most serious market factor governing marketing communication appropriations. According to the brand/product managers who participated in the brand survey, intense competition between brand-owned companies is quite commonplace in South Africa. Consequently, when competition is intense, more of the marketing communication rand of brand-owned companies should be allocated towards above-the-line advertising relative to below-the-line promotions (see question 20 of the brand survey questionnaire attached as Annexure C). This finding is in contradiction with the outcome of similar international studies conducted by Low and Mohr (1998:7). Studies by Low and Mohr showed that intense competition in a product category can lead to sales promotion wars (also see section 4.3.1), provoking managers to decrease the relative allocation to above-the-line advertising (also compare Strang 1980 and Quelch et al 1984).

Besides competitive intensity, brand/product managers listed the stage of the brand’s Product Life Cycle (PLC) and high market growth rates (indices of 85 and 80 respectively in table 7.1) as the second and third most important market/product factors that influence marketing communication budget appropriations (see table 7.1 and section 4.3.1). From the information collected via the brand survey questionnaire and additional follow-up telephonic conversations with brand/product managers, it was further detected that the earlier stages of a brand’s PLC (introduction phase) as compared to the later stages of the PLC (maturity) and high market growth rates tend to attract more resources to above-the-line advertising.
relative to below-the-line promotions. These findings are in line with similar international studies conducted by Farris (1978), Farris & Buzzell (1979) and Strang (1980).

Table 7.1 also reveals that management experience (index = 100) is regarded as the most important organisational/managerial factor influencing marketing communication budget appropriations (also see section 4.3.2). While managers often rely on a large amount of information and sophisticated models to guide their marketing communication budget decisions, they also rely on insights obtained from personal experience and intuition (Bazerman 1994, Blattberg et al 1990, Fraser et al 1988 & Keen 1996). International studies by Danaher et al (1994) show that experienced managers are likely to allocate relatively more of the marketing communication budget to above-the-line advertising activities than less-experienced managers. This finding closely correlates with the outcome of the brand survey findings which revealed that more of the marketing communication budget will be allocated to above-the-line advertising relative to below-the-line promotions if done by experienced brand/product managers.

According to brand/product managers, decision formality (allocated an index of 74 in table 7.1) is the second-to-most important factor governing marketing communication budget allocations (also see section 4.3.2). Decision formality refers to the extent to which the procedures that are used to make a decision are well defined and structured. Formalised decisions are those for which a consistent, predictable process is used (Perkins et al 1990). A formalised process may have the tendency to give less easily qualified marketing communication elements more of an advantage. By explicitly considering the advantages and disadvantages of above-the-line advertising spending, managers may be more comfortable allocating budgets towards elements with long-term benefits. On the other hand, less formalised procedures may have to emphasise easily quantifiable elements, such as below-the-line promotions. When the decision process is more ad-hoc, managers may have a tendency to revert to below-the-line promotional spending (Low et al 1998:10). The qualitative data collected from the brand survey confirmed the findings of Low and Mohr.
It should be noted that brand/product managers' views that the sales force has a strong influence on budget allocations (organisational factor), is negatively related to above-the-line advertising relative to below-the-line promotions. This finding correlates with that of Low et al (1992) whose anecdotal evidence was that when the sales force exerts influence in the budget allocation process, the resulting allocation tends to be skewed towards below-the-line promotions and away from above-the-line advertising (also see Robinson et al 1964). Ultimately, when the sales force exerts influence, probably in an informal manner, the vested interest of the sales force in promotions may result in heavier below-the-line promotional spending.

7.2.3 Impact of advertising/promotional trade-off on company sales/profits

It was notable from the analyses done on the brand company survey data, that marketing communication budget appropriations are positively skewed towards above-the-line advertising (see section 6.3.5). From the discussion presented in section 6.3.5 it was evident that above-the-line advertising expenditure, on average, represented approximately 59.0% of the total marketing communication expenditure. However, this does not imply that below-the-line promotions are less important than above-the-line advertising. In fact, when compared to the past, brand-owned companies across economic sectors are using more below-the-line promotional tools relative to above-the-line advertising tools (see section 6.3.8). This finding was confirmed by the brand/product managers who participated in the brand survey.

The reasons for the stated structural changes in marketing communication directed towards below-the-line promotions were listed in table 6.10(b) (see section 6.3.8.1). After accessing the reason(s) of such change with the brand/product managers who participated in the brand survey, no additional reasons than those listed in table 6.10(b) were recorded. Consequently, no further analysis is presented on the reasons directing change in the marketing communication strategies towards below-the-line promotions. The impact of such a shift in terms of company sales/profits, as discussed in section 6.3.8.2, also requires no further report back as the result obtained from the brand survey closely correlated with the one acquired from the brand.
Closely related to the aim of defining the reasons and impact of the shift, a further aim of the brand survey was to ascertain a benchmark for the ideal ratio of above-the-line advertising/below-the-line promotional expenditure that may secure higher company sales/profits over the long-term (see question 17.4 of the brand survey questionnaire attached as Annexure C).

Based on the brand/product managers' response, it has become clear that a ratio of 60:40 for above-the-line advertising/below-the-line promotional expenditure is the ideal to secure potential increases in company sales/profits over the long-term. Should the above-the-line advertising/below-the-line promotional expenditure ratio drop to approximately 35:65, the brand/product managers who participated in the brand survey anticipated that company sales/profits would drop. It is consequently expected that this could lead to the buying of short-term sales or market shares at the expense of long-term brand equity. Here, brand equity refers to the building of brands so that they represent assets in the overall worth of the company. It also refers to a management tool that can be used to measure marketing effort and to set long-term brand development strategies (also see Sinclair 1997:14).

Based on the outcome of the brand company survey, the recorded average ratio of 59:41 for above-the-line advertising/below-the-line promotional expenditure (see section 6.3.5) is quite close to the ideal. However, noting the progressive change of brand communication strategies towards below-the-line promotions (see section 6.3.8), marketing, brand and product managers are cautioned about the long-term effects on company sales or profits when spending too much on below-the-line promotions.

7.2.4 Research support for above-the-line advertising and below-the-line promotional campaigns

From the brand company survey (see section 6.3.7) it was ascertained that an average of 1.46% of company turnover is devoted to market and/or marketing research in support of marketing communication efforts. It was difficult to confirm the size of market and/or marketing research expenditure in terms of company turnover from the
brand survey results as most brand/product managers who participated in the survey regarded the provision of this type of information as confidential. However, the brand survey revealed important findings in terms of the specific type of research support devoted to above-the-line advertising and below-the-line promotional campaigns (see questions 21.1 to 23 of the brand survey questionnaire attached as Annexure C). These findings revealed that:

- Most brand-owned companies only conduct research on above-the-line advertising.
- Limited research is used to support below-the-line promotional campaigns.
- Research on above-the-line advertising is mostly used when evaluating advertising campaigns (post-testing of advertisements).
- Mainly private research companies, advertising or specialist agencies conduct above-the-line advertising research on behalf of the brand-owned company.
- Focus group discussion is the most popular technique used when conducting above-the-line advertising research.
- The research budget, in support of marketing communication efforts, is handled as part of the marketing communication budget.

7.2.5 Long-term brand-building strategies

On the basis of their past experience, brand/product managers who participated in the brand survey were requested to identify the marketing communication disciplines/modes which they favour for creating end-user acceptance and for building long-term brand success (see question 24 of the brand survey questionnaire attached as Annexure C). The marketing communication modes identified by the brand/product managers are reflected and classified in table 7.2.
 TABLE 7.2
MARKETING COMMUNICATION MODES SUPPORTING LONG-TERM BRAND-BUILDING

<table>
<thead>
<tr>
<th>Mode classification</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer franchise building (CFB)*</td>
<td>Above-the-line advertising</td>
</tr>
<tr>
<td></td>
<td>• Television</td>
</tr>
<tr>
<td></td>
<td>• Radio</td>
</tr>
<tr>
<td></td>
<td>• Press (consumer magazines)</td>
</tr>
<tr>
<td></td>
<td>Below-the-line promotions</td>
</tr>
<tr>
<td></td>
<td>• Direct mail to consumers</td>
</tr>
<tr>
<td></td>
<td>• Reduced revenue (price-off) consumer packs</td>
</tr>
<tr>
<td></td>
<td>• Consumer samples</td>
</tr>
<tr>
<td></td>
<td>• Consumer demonstrations (clubs)</td>
</tr>
<tr>
<td></td>
<td>• Consumer educational material</td>
</tr>
<tr>
<td>Trade franchise building (TFB)*</td>
<td>Above-the-line advertising</td>
</tr>
<tr>
<td></td>
<td>• Press (trade magazines)</td>
</tr>
<tr>
<td></td>
<td>Below-the-line promotions</td>
</tr>
<tr>
<td></td>
<td>• Cooperative advertising</td>
</tr>
<tr>
<td></td>
<td>• Direct mail to trade</td>
</tr>
<tr>
<td></td>
<td>• Trade allowances</td>
</tr>
<tr>
<td></td>
<td>• Internal sales promotions</td>
</tr>
</tbody>
</table>

*See section 1.4 for a discussion on CFB and TFB.

It is clear from table 7.2 that brand/product managers who participated in the brand survey regarded television, radio and the press as the most promising above-the-line CFB modes that have the potential to create favourable long-term brand acceptance by the end-user. Of the more promising below-the-line CFB modes, direct marketing tops the list. Sales promotion types with long-term brand-building potential included price-offs, samples (via direct mail or in shops by product demonstrators), consumer demonstrations (clubs) and education material (cook books, recipe or service material).

The most promising above-the-line TFB mode identified by the brand/product managers was the press. In turn, sales promotions such as cooperative advertising and trade allowances (trade deals in the form of free goods or price reductions), as well as internal sales promotions (rewards/prizes to sales force) were regarded as the most promising below-the-line TFB marketing communication modes.
A crude calculation made by brand/product managers participating in the brand survey showed that approximately 60% of marketing communication expenses are devoted to CFB and TFB marketing communication modes (see questions 25 and 26 of the brand survey questionnaire attached as Annexure C).

7.2.6 Quantitative marketing communication budgeting method

Section 1.4 stated that one of the secondary aims of the study is to design a quantitative marketing communication budgeting method which could guide marketing, brand and product managers in their annual marketing communication budget planning. Building on the method, the various forecasting techniques discussed in table 4.3 of section 4.4 could further be utilised to estimate future marketing communication expenditure. The build-up to the proposed quantitative marketing communication budgeting approach is explained below.

Question 26 of the brand survey questionnaire (see Annexure C) instructed respondents to provide marketing communication expenditure figures for the past 10 years. The aim of this question was to measure the relationships (or associations) between above-the-line advertising/below-the-line promotions and sales, market share and CFB/TFB expenditure over a period of time. Based on the very low response rate obtained form the respondents due to the sensitive nature of the information, this analysis objective seemed to be somewhat ambitious, as was already anticipated during the pilot test phase of the questionnaire. Consequently the sensitive nature of the question secured its position at the end of the questionnaire. Although the limited expenditure information supplied by the respondents out-ruled the possibility of conducting a time series correlation analysis of expenditure on all brands, it at least served in some cases to verify the size of marketing communication, research and CFB/TFB expenditure figures. For some brands enough information was obtained to allow for time series and correlation analyses. The outcomes of these analyses are discussed below.
The only usable time series data on expenditure for above-the-line advertising, below-the-line promotions and company sales was the data provided by a group marketing executive of a brand-owned company operating in the information technology retail industry. Without revealing the brand company and brand name of the brand-owned company, the information provided by the group executive is captured in figure 7.1. The information reflected in the figure is used to illustrate the type of analysis made possible with accessible data. Ultimately, figure 7.1 serves as basis for the proposed quantitative marketing communication budgeting method.

**FIGURE 7.1**

**ADVERTISING, PROMOTIONAL AND BRAND COMPANY SALES FIGURES FOR BRAND X, 1995 - 2000**
Figure 7.1 reflects the figures for above-the-line advertising and below-the-line promotional expenditure and for brand company sales of brand X from 1995 to 2000. Notable from figure 7.1 is that from 1995 to 1997 the marketing communication spending was positively skewed towards below-the-line promotional activities. During this period, the sales of the brand-owned company exponentially decreased. Although the marketing communication ratio still favoured below-the-line promotional expenditure in 1998, a higher proportion of the marketing communication expenditure was spent on above-the-line advertising in 1998 (35 %) relative to the previous three years (above-the-line expenditure averaged 20 % of the marketing communication expenditure in 1995, 1996 and 1997). The relatively higher expenditure on above-the-line advertising in 1998 (or relatively lower expenditure on below-the-line promotions) compared to the previous three years showed in 1998 already some positive spin-offs in terms of the higher company sales of that year. In the years to follow (1999-2000) higher company sales figures were even more notable when the marketing communication strategy of the brand changed towards higher above-the-line advertising expenditure relative to below-the-line promotion expenditure. For 1999 and 2000, the above-the-line advertising/below-the-line promotion expenditure ratio for the brand was set at 90:10 respectively. The above-the-line advertising/below-the-line promotion expenditure ratio remained constant during that two-year period although the rand expenditure amount slightly decreased from 1999 to 2000. Regardless of the lower marketing communication expenditure figures in 2000 compared to those of 1999, the positive impact of more of the marketing communication rand being channelled towards above-the-line advertising, is even more visible in the company sales of 2000. Based on this outcome, it can be concluded that higher company sales were positively correlated with higher above-the-line advertising expenditure relative to below-the-line promotional expenditure for the brand under consideration.
A more sophisticated way of measuring relationships (or associations) is by means of the most widely used Pearson correlation coefficient. Pearson returns the product moment correlation coefficient, \( r \), to a dimensionless index that ranges from -1.0 to 1.0 and reflects the extent of a linear relationship between two data sets. For analytical purposes, the \( r \)-value of the regression line was determined by the following formula:

\[
r = \frac{n(\sum XY) - (\sum X)(\sum Y)}{\sqrt{n\sum X^2 - (\sum X)^2}[n\sum Y^2 - (\sum Y)^2]}
\]

The Pearson correlation coefficients for above-the-line advertising (dependant variable)/sales (independent variable) and below-the-line promotions (dependant variable)/sales (independent variable) are shown in table 7.3.

**TABLE 7.3**

**PEARSON CORRELATION COEFFICIENT FOR ABOVE-THE-LINE ADVERTISING/SALES AND BELOW-THE-LINE PROMOTION/SALES RATIOS**

<table>
<thead>
<tr>
<th>Relationship tested</th>
<th>Pearson correlation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising/sales</td>
<td>( r = 0.84 )</td>
</tr>
<tr>
<td>Promotion/sales</td>
<td>( r = -0.43 )</td>
</tr>
</tbody>
</table>

It is notable from table 7.3 that a Pearson coefficient of 0.84 suggests a 'moderate to strong' association between above-the-line advertising and sales. This reflects a positive linear relationship between above-the-line advertising and sales for the brand under consideration. On the other hand the relationship between below-the-line promotions and sales are considered to be weak. Based on the results reflected in table 7.3 a negative linear relationship exists between below-the-line promotions and sales.
A further step following this somewhat imprecise description, is to calculate the proportion of variation in sales that is 'explained' by the amount of above-the-line advertising or below-the-line promotional spending. This is achieved by simply squaring the correlation coefficient. Based on this result $r^2 = 0.71$ for above-the-line advertising and $r^2 = 0.19$ for below-the-line promotional expenditure. This indicates that $71\%$ and $19\%$ of the variation in company sales can be explained by the variation in above-the-line advertising and below-the-line promotional expenditure. Both $r$ and $r^2$ measure the strength of a linear association between two ratio variables.

The above-mentioned discussion purely served to illustrate possible time-series and correlation analyses between above-the-line advertising, below-the-line promotions and company sales. They could, however, be broadened to detect correlations between these and other time series such as the size of a brand’s market share or CFB/TFB expenditure magnitudes. It is unfortunate that no time series for these variables were made available by participating brand/product managers. Noting the possibility of additional multivariate correlation analyses, ambitious brand/product managers, who have free access to the specified time series, can follow a similar approach when planning or evaluating their annual brand communication budget strategies. Such analyses would enable brand/product managers to timeously detect potential changes in company sales as a result of an unbalanced marketing communication budgeting strategy. Ultimately, an evaluation of the long-term brand-building capacity of a brand is made possible via such time series and correlation analyses. As mentioned earlier, the forecasting techniques discussed in section 4.4 (see table 4.3) could further be used as an extension of the quantitative budget model explained above.
CONCLUDING REMARKS

The findings resulting from the brand survey largely served to substantiate some of the main findings of the brand company survey discussed in chapter six. More specifically, the brand survey served to capture the impact of various internal and external (marketplace) factors on marketing communication budget appropriations. From the survey findings it was evident that in general lower levels of below-the-line promotions relative to above-the-line advertising are associated with brands that: (i) have a strong competitive differentiation, (ii) have a large market share, and/or (iii) are at the introductory stage of their life cycle. In addition, the survey findings showed that internal factors such as experienced marketing/brand/product managers and formalised internal decision making structures would influence above-the-line advertising to grow more rapidly relative to below-the-line promotions.

The outcome of the brand survey also revealed that decisions relating to marketing communication budget allocations could have a huge impact on company sales/profits. Based on the past experience of the brand/product managers who participated in the brand survey, it could be said that brand-owned companies could face decreases in company sales/profits if too much of the marketing communication budget is devoted to promotions relative to advertising. The ideal above-the-line advertising/below-the-line promotional expenditure ratio that could secure increased sales/profits was estimated to be 60/40. A gradual drop of this ‘ideal’ ratio to a ‘critical’ level of around 40/60, could mean a drop of sales/profits over the long-term. Brand/product managers identified television, radio and press as the most important above-the-line advertising elements conducive to consumer acceptance that would create long-term brand success. Most popular amongst the identified below-the-line consumer franchise building activities were direct mail and sales promotions (for example price-offs, sampling, and demonstrations). In turn, the identified above-the-line advertising and below-the-line promotional activities aimed at creating favourable reseller acceptance conducive to long-term brand success included the press (an above-the-line advertising element), cooperative advertising, direct mail to trade, trade allowances and internal sales promotions (all below-the-line promotional elements).
Noting the consensus of brand/product managers that competition in the market is rife, the outcome of the brand survey findings should be extremely valuable in terms of measuring own marketing communication performances relative to those of competitors. Furthermore, seeing that some of the findings of the brand survey closely correlate with the results obtained from previous international studies, any marketing, brand or product manager would be naive to ignore the findings reflected in this study. Taking note of the findings discussed in this chapter would undoubtfully contribute to more productive allocations of marketing communication funds in today’s competitive business environment.
CHAPTER 8

CONCLUSIONS AND RECOMMENDATIONS

8.1 INTRODUCTION

It was noted from the secondary research that marketing, brand and product managers in South Africa face a considerable challenge when allocating above-the-line advertising and below-the-line promotional budgets in order to improve sales, market share, profits and the attitudes of consumers and resellers. Nowadays, final budget decisions are frequently made without considering the combined effects of and synergy between advertising and promotions. However, the acknowledgement of the effects of and synergy between advertising and promotions is particularly important in light of today’s trend of flat budgets where an increase in allocations to one marketing communication tool is typically at the expense of the other.

In the section to follow, the research findings are evaluated in terms of the stated study objectives (see section 1.3). Part of this discussion is devoted to a long-term brand-building model for South Africa, which is presented as a summary measure in order to capture the combined outcomes of the brand company and brand surveys. Finally, future research needs are identified. The chapter concludes with some recommendations based on the outcome of the brand company and brand surveys.

8.2 EVALUATING THE STUDY OBJECTIVES

In the section to follow, the primary and secondary objectives of the study are evaluated against the outcome of the research findings. To structure the discussion, each objective (see section 1.3) of the study is firstly stated after which the outcome of the research results is discussed, i.e. whether the stated study objectives have been met.
The study presented valuable information on the relationship between above-the-line advertising and below-the-line promotional spending in South Africa. More specifically the study provides information on a cross-sectoral basis by economic activity. Furthermore, whereas most secondary research sources only measure above-the-line advertising expenditure, the study generated additional information on the size of below-the-line promotional activities. From the survey findings it was evident that a 59/41 ratio currently exists between above-the-line advertising and below-the-line promotional expenditure. This finding differs from previous estimates of a 50/50 ratio between above-the-line advertising and below-the-line promotions (AdFocus 2000:30). Fears of marketing practitioners that South African brand-owned companies are buying short-term sales or market shares at the expense of long-term brand equity is largely allayed by the study’s finding that the above-the-line advertising/below-the-line promotion ratio is actually slightly higher in practice than had been anticipated. With a fairly accurate above-the-line advertising/below-the-line promotion ratio of 59/41, the total figure for marketing communication expenditure in South Africa as a whole could be estimated with more precision. With above-the-line advertising measured at approximately R10 billion in 2001 (AdEx 2002), the total marketing communication expenditure (above- and below-the-line) in South Africa is valued at R16.9 billion. This represents approximately 1.0% of the GDP (see section 1.2.1).
The study also provides valuable information that allows for international comparisons. Compared to the USA, for example, the composition of South Africa’s marketing communication expenditure clearly favours higher above-the-line advertising expenditure. The ratio of above-the-line advertising/below-the-line promotions in the USA in 2001 was 46/54 (Advertising Age 2001:S12). Estimates of above-the-line advertising and below-the-line promotions for preceding years reflect a share of below 40% for above-the-line advertising in the USA in 1997 (AdFocus 1997:39). From this information it is evident that the initial massive shift from above-the-line advertising to below-the-line promotions has been arrested since 1997, largely due to the recognition that the management practice of what has become termed ‘short terism’ (below-the-line) is receding and is being replaced by new faith in brand-building (above-the-line) and brand management (AdFocus 1997:74). Based on this finding, as well as on an indication from the surveys that brand-owned companies are increasingly spending more on below-the-line promotions, marketing practitioners are warned to carefully manage their marketing communication budget to avoid the ‘short terism’ trap when spending too much on below-the-line promotions. As benchmark, the study proposed a 60/40 ratio for above-the-line advertising/below-the-line promotions. However, a 35/65 ratio is regarded as the critical point at which company sales/profits may deteriorate because of too high below-the-line promotional spending. Consequently, such an approach could lead to buying short-term sales or market shares at the expense of long-term brand equity. It should be noted that the ratios specified above only provide broad guidelines as these may change according to the nature of the product or service, the extent of competitive activity and the frequency of purchase, amongst many other salient factors.
SECONDARY OBJECTIVE
To analyse the level of integration of above-the-line advertising and below-the-line promotional activities of South African brand-owned companies.

The survey findings revealed that 65.4% of the respondents combine above-the-line advertising and below-the-line promotional activities in the same budget. This implies that integrated marketing communication (IMC) strategies are commonplace in South Africa. It is clear from the surveys that most brand-owned companies combine press, radio and television mainly with consumer promotions. Of all respondents, 46.4% integrate press and consumer promotions, while more than a third of the respondents combine either radio or television with consumer promotions. The main reasons provided for the move towards IMC strategies are indicated below.

- Marketing communication elements are used in an integrated way to create synergy.

- IMC increases brand awareness.

- IMC transmits a stronger, single and focussed message to inform and influence end-users of products and services.

- IMC combats competition.

- IMC maximises marketing communication spending and positively influences company sales/profits.

- Technological developments such as computers and the Internet inspired the use of IMC.
SECONDARY OBJECTIVE
To describe marketing communication budgeting procedures in South Africa and to detect the underlying factors impacting on marketing communication budget decisions.

From the study it is evident that most brand-owned companies in South Africa combine above-the-line advertising and below-the-line promotional activities in the same budget. A full 43.4% of brand-owned companies that follow an integrated budgeting approach first determine the overall marketing communication expenditure prior to allocating funds to the individual components of the marketing communication mix (top-down budget approach). For brand-owned companies that prefer to compile separate above-the-line advertising and below-the-line promotional budgets (34.6% of the total sample population), no specific decision-making structure was notable. Here, a combination of top-down and bottom-up decision-making strategies is used when deciding on final marketing communication budget appropriations. The fixed guideline technique is the most popular budgeting approach used by 40.7% of brand-owned companies, while almost half (49.2%) of the respondents indicated that they use private/specialised advertising agencies to handle their above-the-line advertising and below-the-line promotional campaigns.

The study also captures the impact of various internal and external (marketplace) factors on marketing communication budget appropriations. From the survey findings it was evident that lower levels of below-the-line promotions relative to above-the-line advertising are associated with brands that (i) have a strong competitive differentiation, (ii) have a large market share, and/or (iii) are at the introductory stage of their life cycle. In addition, the survey findings showed that internal factors such as experienced marketing, brand or product managers and formalised internal decision making structures would influence above-the-line advertising to grow more rapidly than below-the-line promotions.
SECONDARY OBJECTIVE
To identifying the direction of above-the-line advertising and below-the-line promotional spending in South Africa and to detect the underlying forces affecting spending patterns on a market-wide basis.

Also notable from the survey findings was the ongoing shift in marketing communication budgets away from above-the-line advertising to below-the-line promotions. This finding closely correlates with international findings from both trade literature and academic research (Bowman 1990: 20-21 and Low et al 1992:2-3). The most important reasons provided by South African brand-owned companies for directing more of their marketing communication rand towards below-the-line promotions, was that the latter are a cost-effective medium and has a direct, more personal approach when compared to above-the-line advertising. Almost a third of the respondents experienced changes towards below-the-line promotions. Interesting to note from the survey results is that a ratio of 55/45 for above-the-line advertising/below-the-line promotion expenditure suggests that above-the-line advertising is still more popular than below-the-line promotions for those brand-owned companies who indicated that they had changed towards spending more on below-the-line promotions over the past three years or more.

SECONDARY OBJECTIVE
To analyse the effect of different above-the-line advertising and below-the-line promotional strategies on the sales and profits of companies in South Africa.

The brand company survey measured the size of above-the-line advertising and below-the-line promotion expenditure in terms of company turnover. From the findings it was evident that above-the-line advertising and below-the-line promotional expenditure represent at most 2.3 % and 2.0 % respectively of company turnover. This finding shows that South African brand-owned companies tend to spend a smaller percentage of company turnover on advertising and promotions than companies abroad. For example, USA companies operating in the FMCG industry like Pepsico, Proctor & Gamble and Kellogg spent more than 5 % of their company revenue on above-the-line advertising alone in 2000 (Advertising Age 2001:514 and
The long-term impact of changes in the marketing communication strategies on company sales/profits was also measured in the brand company survey. Of those brand-owned companies experiencing changes towards below-the-line promotions, approximately 60.0% (or 18.4% of the total sample population) indicated that this change resulted in an increase in company sales/profits by an average of 12.5%. For those brand-owned companies experiencing changes towards above-the-line advertising, approximately 71.7% (or 13.2% of the total sample population) indicated that this change resulted in an increase in company sales/profits by an average of 12.1%.

SECONDARY OBJECTIVE
To measure the size of marketing research in support of above-the-line advertising and below-the-line promotions.

Approximately 1.5% of company turnover is spent on market and marketing research in South Africa in support of above-the-line advertising and below-the-line promotion campaigns. From the survey results it was clear that most brand-owned companies only conduct above-the-line advertising research while limited research is done on the effect of below-the-line promotional campaigns. Focus group discussions constitute the most popular technique when conducting above-the-line advertising research. Above-the-line advertising research is mostly used when evaluating advertising campaigns (post-testing of advertisements). Mainly private research companies, advertising or specialist agencies conduct above-the-line advertising research on the behalf of the brand-owned company. The research budget, in support of marketing communication efforts, is handled as part of the marketing communication budget.

SECONDARY OBJECTIVE
To construct a long-term brand-building model for South Africa.

Being aware of the challenges facing marketing, brand and product managers in South Africa, the brand company and brand surveys aimed to generate valuable information which could assist managers to be more productive when allocating
funds to above-the-line advertising and below-the-line promotional elements (see section 1.3). Based on the research findings of both surveys, a **long-term brand-building model** (see table 8.1) was finally constructed to guide marketing, brand and product managers in their planning and setting of annual marketing communication budgets. It should be noted, however, that the information reflected in the long-term brand-building model ought to be seen as valuable guidelines in constructing more productive marketing communication budgets and not as the ultimate success model.

Furthermore, the credibility of the long-term brand-building model should be evaluated against the following background:

(i) The model reflects information obtained from experienced and senior marketing, brand and product managers who are responsible for compiling annual marketing communication budgets for brand-owned companies that market products and services in the retail, manufacturing, financial and business services, community, social and personal services and transport and communication services industries of South Africa.

(ii) The findings obtained from the brand company survey and the brand survey closely correlate with the findings of earlier international studies (see, amongst others, Blattberg & Nelsin 1990: 463-.481 and Low et al 1992 & 1998).

In the light of contemporary and international trends regarding marketing communication budget planning, the long-term brand-building model at least represents some form of legitimacy. Based on this prerequisite, the long-term brand-building model was developed to guide marketing, brand and product managers in more productive annual marketing communication budget planning. The long-term brand-building model is shown in table 8.1.
### TABLE 8.1

**LONG-TERM BRAND-BUILDING MODEL FOR SOUTH AFRICAN ORGANISATIONS**

<table>
<thead>
<tr>
<th>Current ratio of advertising/promotions expenditure</th>
<th>59/41</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ideal ratio of advertising/promotions expenditure</td>
<td>60/40</td>
</tr>
<tr>
<td><strong>Advertising modes supporting long-term brand-building</strong></td>
<td><strong>Consumers franchise building modes</strong></td>
</tr>
<tr>
<td>Above-the-line</td>
<td>Above-the-line</td>
</tr>
<tr>
<td>• Television</td>
<td>• Press</td>
</tr>
<tr>
<td>• Radio</td>
<td></td>
</tr>
<tr>
<td>• Press</td>
<td></td>
</tr>
<tr>
<td>Below-the-line</td>
<td>Below-the-line</td>
</tr>
<tr>
<td>• Direct mail</td>
<td>• Cooperative advertising</td>
</tr>
<tr>
<td>• Sales promotions:</td>
<td>• Direct mail</td>
</tr>
<tr>
<td>- Price-offs</td>
<td>• Trade allowances</td>
</tr>
<tr>
<td>- Sampling</td>
<td>• Internal sales</td>
</tr>
<tr>
<td>- Demonstrations</td>
<td>• Internal sales</td>
</tr>
<tr>
<td></td>
<td>promotions</td>
</tr>
<tr>
<td><strong>Most ideal integrating marketing communication strategies</strong></td>
<td>• Press and consumer promotions</td>
</tr>
<tr>
<td></td>
<td>• Radio and consumer promotions</td>
</tr>
<tr>
<td></td>
<td>• Television and consumer promotions</td>
</tr>
<tr>
<td></td>
<td>• Press and direct marketing</td>
</tr>
<tr>
<td></td>
<td>• Radio and direct marketing</td>
</tr>
<tr>
<td><strong>Percentage of brand-owned companies following and integrating budgeting approach</strong></td>
<td>65,4 %</td>
</tr>
<tr>
<td><strong>Average percentage of company turnover devoted to advertising, promotions and market/marketing research.</strong></td>
<td>• Advertising: 1,93 %</td>
</tr>
<tr>
<td></td>
<td>• Promotions: 1,50 %</td>
</tr>
<tr>
<td></td>
<td>• Market/marketing research: 1,46 %</td>
</tr>
<tr>
<td><strong>Most ideal budgeting approach.</strong></td>
<td>Integrating advertising and promotional budgets</td>
</tr>
<tr>
<td><strong>Most ideal budgeting decision-making approach.</strong></td>
<td>Combining top-down and bottom-up budgeting approaches</td>
</tr>
<tr>
<td><strong>Most ideal budgeting method.</strong></td>
<td>* Fixed guidelines</td>
</tr>
<tr>
<td><strong>Factors contributing towards more advertising relative to promotion expenditure.</strong></td>
<td><strong>External factors</strong></td>
</tr>
<tr>
<td></td>
<td>• High competition</td>
</tr>
<tr>
<td></td>
<td>• High market growth rates</td>
</tr>
<tr>
<td></td>
<td>• Introduction phase of brand</td>
</tr>
</tbody>
</table>
The long-term brand-building model reflected in table 8.1 provides valuable budgeting guidelines. The model clearly reflects that above-the-line advertising and below-the-line promotions are complementary communication disciplines which could maximise the communications impact when combined to work synergistically in an optimum blend. While below-the-line promotions can be used to affect short-term sales or market shares, it rarely is used in its own right to create a brand franchise or to position a product. However, below-the-line promotions can strongly influence consumers’ actions to try a product or to become loyal to it, but it does not necessarily create ‘positive’ consumer attitudes. The long-term brand-building model (see table 8.1) shows that when using a balanced mix of above-the-line advertising and below-the-line promotional activities it ultimately increases the potential to expand a brand’s consumer (or trade) franchise. Ultimately brands with strong consumer or trade franchises (loyal consumers/intermediaries who demand the specific brand and who are not willing to substitute it) are less vulnerable to competitors’ promotional strategies.

It should once again be noted that the brand-building model only serves as a guideline for marketing communication budget planning. The reason for this is that the effect of integrated marketing communication on a brand’s consumer (or trade) franchises may depend on, for example, the type of product or service being marketed. For example, franchises of some products may be less vulnerable to below-the-line promotional activities (e.g. financial services) as consumers would most likely try to develop an objective evaluation of these products prior to finally buying the product. On the other hand, prestige products which are consumed in conspicuous ways are more likely to be poor candidates for below-the-line promotions. If, for example, a consumer buys a product for prestige and then finds out that it is heavily discounted, he/she may experience that the product has lost its image.
SECONDARY OBJECTIVE

To construct a long-term quantitative marketing communication budgeting method which would guide marketing, brand and product managers in compiling annual marketing communication budgets.

A further secondary objective of the study was to construct a quantitative marketing communication budgeting method. From the survey findings it was clear that more brand-owned companies (40.7%) use fixed guidelines (for example, percentage of sales) when compiling annual marketing communication budgets compared to those who use other marketing communication budgeting methods. Very few brand-owned companies use quantitative models to compile annual marketing communication budgets. Consequently, the study constructed a quantitative marketing communication budget based on historical time series of selected variables, such as above-the-line advertising expenditure, below-the-line promotion expenditure, company sales figures, brand market share figures, consumer franchise building expenditure figures and trade franchise building expenditure figures (see section 7.2.6). This quantitative budgeting model serves to guide budgeting practitioners in evaluating the long-term impact of marketing communication strategies. It furthermore proposed that the quantitative model be supplemented with some quantitative forecasting techniques, such as exponential smoothing or regression and correlation analyses, to determine future marketing communication budget appropriations.

SECONDARY OBJECTIVE

To provide additional insight into the allocation of marketing communication resources useful to South African brand-owned companies.

Noting the consensus of brand/product managers that competition in the South African market is rife, the outcome of the study findings should be extremely valuable in the sense that it opens up ways to measure own marketing communication performances relative to those of competitors. Furthermore, seeing
that some of the findings of the brand survey closely correlate with the results obtained from previous international studies, any marketing, brand or product manager would be naive to ignore the findings reflected in this study. The findings discussed in this study could undoubtfully contribute to more productive allocations of marketing communication funds in today’s competitive business environment.

With new information generated by this study, marketing, brand and product managers should be better positioned to broaden their understanding of spending on above-the-line advertising and below-the-line promotions and particularly of the relationship between above-the-line advertising and below-the-line promotions in the marketing of products and services in South Africa. More specifically, the long-term brand-building model based on the survey results (see table 8.1), could assist in addressing some key considerations which frequently confront marketing, brand and product managers. Amongst these considerations are:

- What percentage of the marketing communication budget should be spent on above-the-line advertising as opposed to below-the-line promotions?

- How much money (in rand amounts) should be spent on marketing communications this year?

- How should annual marketing communication budgets be determined?

- Additional budget setting guidelines. These guidelines relate to the internal and external factors reflected at the bottom-end of table 8.1. Although the external factors listed in table 8.1 are not controllable, senior marketing, brand and product managers are well-positioned to control the internal factors in order to adhere to their specific marketing communication needs.

- How to measure the relationship (correlation) between sales and advertising and between sales and promotions respectively?
SECONDARY OBJECTIVE
To stimulate further research and analysis

The antecedent findings from the long-term brand-building model point to many fruitful areas for further study. These are discussed below.

- This study represents an early example of research of the relationship between above-the-line advertising and below-the-line promotions in South Africa. It would be desirable to keep on exploring the issue of allocation of funds to above-the-line advertising versus below-the-line promotions, as well as the interaction threshold and saturation points. The main problem with research in this area is to collect relevant and reliable data, especially on below-the-line promotional spending. Companies could seriously review their record-keeping system and consider compiling data in a form which would allow such analyses in the future. This is important for improving their own efficiency as well as for general research.

- The study also revealed some examples of sector-wide studies of different strategies of above-the-line advertising and below-the-line promotions. It was suggested that, if not used cautiously, too much below-the-line promotion relative to above-the-line advertising shrinks the total market, reduces brand loyalty and lowers profits. All these issues are subject to further testing. Similar studies by product groups could further add to the information pool.

- This study showed that traditional product/market factors such as growth and market shares are good predictors of above-the-line advertising and below-the-line promotional spending. However, an international study conducted by Ailawadi, Farris and Parry (1994:86-97) argues that these factors are not good predictors. Based on this conclusion, a number of organisational and managerial variables that also influence above-the-line advertising and below-the-line promotional allocations, such as reward systems, influence of retailers and the experience of decision makers (see Low et al 1998) need to be
investigated further. Future research could address these organisational decision-making realities in more depth to determine the conditions under which they are more or less likely to influence the allocations of marketing communication budgets.

- Simple main effect studies could be conducted in order to determine the correlation between spending on above-the-line advertising and below-the-line promotion in South Africa on the one hand and sales, profits and market shares on the other. Future studies of this nature need to investigate the sales effects of above-the-line advertising and below-the-line promotions. As point of departure such studies should acknowledge that managers ought to avoid measuring the impact of each marketing communication tool individually on sales, share and profits. Given the complex interplay between above-the-line advertising and below-the-line promotional elements, future studies should avoid drawing conclusions about one without considering the combined effects and synergy of both.

- The Internet as future marketing communication medium needs some further investigation. Quite surprisingly, the survey results showed that the Internet, in relation to other marketing communication mediums, is rather under-utilised and does not yet constitute a mass medium in South Africa. The reason for the slump in on-line advertising is possibly due to the collapse of the dot-com bubble. With an anticipated expanding of the on-line business-to-consumer and business-to-business markets, the positioning of this stand-alone item within the marketing communication mix is anticipated to broaden in the near future. When researched, the impact of the Internet as marketing tool should be studied in tandem with above-the-line advertising and below-the-line promotional activities in order to capture possible synergistic effects. Ultimately, e-mail advertising, banner advertising and text advertisements tagged to SMS's (cell phone short message services) could all form part of new research avenues to be explored within the overall marketing communication mix.
8.3 RECOMMENDATIONS

Based on the outcome of the study, the following recommendations are made:

- Brand-owned companies marketing products and services in South Africa need to design a budget model which is capable of measuring the long-term impact of changes in their marketing communication strategies.

- Marketing communication relationship budgeting needs to be encouraged in South Africa. This means that marketing, brand and product managers should avoid measuring the impact of each marketing communication element individually. When compiling annual marketing communication budgets, the combined effects and synergy between above-the-line advertising and below-the-line promotions should be considered in tandem. Building on this approach, above-the-line advertising and below-the-line promotional expenditure need to be measured in relation to other variables such as company sales, brand market share and consumer or trade franchise spending. To support this, brand-owned companies in South Africa have to update their record-keeping system.

- Marketing, brand and product managers should take note of the change in marketing communication budgeting towards below-the-line promotions. With most types of traditional advertising mediums (above-the-line) and their advantages better known to most marketing practitioners, knowledge of the various below-the-line promotional elements should further be broadened. For this, the development of below-the-line promotional skills needs urgent attention.

- Internet advertising needs to be explored more as an advertising medium.

- More market and marketing research in the field of above-the-line advertising and below-the-line promotions are recommended. This requires a greater awareness of internal factors (e.g. management experience and sales force influence) and external factors (e.g. competitors) governing above-the-line
Prospective students should base future studies on the outcome of this study as the development of integrated marketing communication budgeting in South Africa is expected to provide some interesting challenges in the years ahead.

8.4 CONCLUDING REMARKS

This study contributed to the marketing communication literature in several ways. First, the study shed new light on the process of marketing communication budget allocations across economic sectors. This would provide marketing practitioners with a depth of understanding that may allow them to better manage their budgeting process. The study further provided valuable results having considered the outcomes of above-the-line advertising and below-the-line promotional elements when applied simultaneously as opposed to each tool being applied separately. Thirdly, an overview of marketing communication budgets in terms of their composition (above-, below-, and through-the-line), long-term structural changes, integration practices, methodology and decision making strategies, all contributed to an ideal benchmark for reviewing current budgets and planning future annual marketing communication budgets. Fourthly, the research propositions reflected external and internal factors that influence the marketing communication budget allocations. If these factors are taken into consideration, productive budget allocations could further be streamlined. Fifthly, the study provided useful guidelines to allow for international comparisons. Finally, the findings of the study laid the foundation for future research into other important issues surrounding the allocation of marketing communication budgets.
8.5 ACKNOWLEDGEMENTS

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- me R Bührmann (proof-reader)
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- my spouse for encouragement and motivation and
- my Creator for providing wisdom, strength and knowledge.

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ANNEXURE A
GLOSSARY

Advertisement audience
The advertisement audience comprises all people who at some time have contact with the advertisement itself.

Advertising tracking
Advertising tracking measures the advertising wear-out over time and monitors advertisement placings in the media. Various methods of advertising tracking have been devised, depending on the purpose of the required information. These methods include (i) personal interviews with respondents, where respondents are required to recall advertisements (see definition on recall tests). Such information provides a measure of advertising wear-out over time, which has financial implications in that it helps the advertiser to schedule his advertisements effectively. For example, with too little exposure the advertising message is forgotten because of insufficient repetition; (ii) analysis of the viewing patterns of television programmes whereby the *peoplemeter* (small device used to measure when a television is on, to what channel it is tuned and who in the household is watching it) is applied to measure viewer profiles usually for 15 minute periods and (iii) analysis of the number of commercials flighted whereby an electronic metering system has been developed for measuring the use of television sets over much shorter periods.

Association tests
There are several tests of association. The best known are sponsor identification, masked identification, association of advertising themes with brands and uncontrolled brand associations. All these methods test the respondent's ability to associate various aspects of advertisements, such as their sponsors. For instance, radio listeners or television viewers are telephoned and asked to identify the company (or brand) which sponsors a programme they listened to or viewed at a particular time. Another example is the triple association test which measures ability to associate products, brands and advertising themes. A respondent may be asked: "Which television channel is advertised as follows: 'We won't stop the magic'?" If the respondent answers 'M-Net', the desired association has been made. These methods have the advantage of revealing the associations made with the advertisement.

Attitude studies
Attitude studies indicate the degree to which the promotion or competition has been influential, liked or accepted by, for example, the sales force when sales promotions are considered.
Brand image tests

Brand image reflects consumers' perceptions of the characteristics of a brand and can be gauged by the associations they hold in their memory. Popular brand image tests used to include: (i) projective techniques (see definition), which are used in in-depth or focus group interviews when consumers are unable or unwilling to express their feelings; (ii) qualitative techniques, such as free association (see definition of association test), are used to explore possible associations along with further investigation during group discussions and in-depth interviews (see definitions); (iii) ratings of evaluations and beliefs in order to capture consumers' views on key attributes and the strength of their associations with particular brands during personal interviewing; and (iv) comparisons of consumers' associations with different brands in order to identify the relative strengths and weaknesses of a specific brand, for example, 'Of the fruit juice brands that you have identified earlier, which one do you believe to be the best? Why is it better than other brands? What don't you like about it compared with other brands?' Obviously these questions are useful for the collection of information by either focus groups or in-depth interviews. Also see definitions for brand recall under 'recall tests' and brand recognition under 'recognition tests'.

Brand mapping studies

These are studies measuring the opinions of consumers about brands on a series of attributes. They are carried out in personal interviews with large, statistically reliable samples.

Cameras

Closed circuit television cameras, in particular, are used to monitor the behaviour of people when particular radio and television programmes are broadcast. The advantages of this technique is that it can indicate the presence or absence of individuals unambiguously and reveal valuable information about how people listen to or watch programmes. However, a major disadvantage is that the respondents' behaviour may be affected by the presence of the camera. This technique also does not indicate anything about the effect of the programmes on the listener or viewer. Also see definition under photographic methods.

Card concept test

Creative strategies are presented to respondents in the form of a headline followed by a paragraph of body copy on a plain white card. Each concept is on a separate card. Some concepts cannot be tested in card form, for example, those requiring a high degree of mood, such as concepts based on humour or love.

Coincidental interviews

See personal and telephone interviewing.
Communications audit

The essence of a communications audit is the assessment of the quality of a company’s internal and external communications. A variety of issues are measured, namely company tangibles (e.g. offices, vehicles, etc.), management issues, quality aspects (e.g. product and staff quality), profitability aspects (e.g. profit orientation, track record) and community issues (the sensitivity for and involvement in government projects). The communication audit measures the gap between a target group’s expectations on the one hand and its perceptions of what the company communicates on the other.

Concept

The combining of all elements (copy, headline and illustrations) of an advertisement into a single idea.

Concept testing

Concept testing is simply the evaluation of various creative strategies by the target audience. Concept testing attempts specifically to separate the viable ideas from the not so good ones, to indicate the varying degrees of acceptance and to pinpoint those factors motivating the acceptance or rejection of an approach. Concept testing includes card concept tests, poster tests and layout tests (see definitions).

Consumer audit

The consumer or home audit method implies that consumer panel (see definition) members are visited at regular intervals, say weekly, to carry out a visual inspection of the stocks of groceries and other household items by checking cupboards, pantries, fridges and so on, and to enter all items purchased since the previous week on a questionnaire.

Consumer jury

See definition of opinion and attitude ratings.

Consumer panels

Representative samples of individuals or households whose purchase and use of defined groups of products is recorded either contentiously or at regular intervals, usually for a considerable period of time.

Content analysis

In content analysis the advertisement, and not the respondent, is the sample unit. A distinction is made between a pure content analysis and a content analysis linked with some performance measure or other. A pure content analysis study may for instance aim to identify differentiation opportunities in advertising by tabulating the frequency of occurrence of various creative factors in a product group. On the other hand, a content analysis study linked with a performance measure may aim to identify the creative factors with the most impact on the performance of advertisements. For example, multiple regression analysis may single out colour and advertising appeal as the most significant predictors of recall.
Copland method

This method allows for comparison between the outdoor media audience of one town or area and the same type of audience in another town or area. This method involves the sampling of a representative sample of sites in each town or area. A tiny map is drawn of the immediate vicinity of each of the poster sites included in the sample. Hereafter a sample of respondents in each town is drawn and they are asked about their awareness of the site area, whether they have passed the site area and, if so, how many times the site has been passed. By linking the collected data in the above steps with the Copland formula, the population of the test town and the number of sites in the campaign, a fair estimate can be made of the audience size, the coverage and the frequency of exposure of a campaign in average sites.

Copy

The copy includes either: (i) the text of an advertisement, (ii) any material used in a publication or (iii) the original photograph, drawing, painting or transparency used for reproduction.

Corporate image studies

The evaluation of the corporate image entails three main procedures: (i) employees, members of the performance network and consumers are questioned regarding their perceptions of what the important attributes of the company are and the business they are in; (ii) each of the attributes are measured against the organisation’s performance; and (iii) the organisation’s performance relative to the main competitors across each attribute is evaluated.

Day-after-recall test

This test is used to measure the impact, communication feedback, product registration and reaction to an initial or early showing of a television commercial. The research method used is in-home or telephone interviews. Small samples of approximately 100 people in the target group who were viewing during the commercial break are taken. Also see definition for recall test.

Detectors

Detection devices are capable of registering from the outside of the house if a television set is on. They help interviewers to establish if refusals and non-contacts made during a coincidental survey (see personal and telephone interviews) are linked to whether television sets had been switched off. Some devices also operate inside the home. It is technologically possible to operate some kind of electronic counter in the television room which could either count or record numbers present and even identify individuals willing to carry some identifiable object.
Diaries are basically self-reports (see definition). Respondents have to record in a specifically designed diary their radio or television/cinema viewing or both. The assumptions are that panel members will co-operate by recording their listening and viewing at the time it occurs, and that they will do it accurately. A continuous panel operation can provide useful duplication data, not only between radio, television and cinema, but also between programmes and other media to which the individual was exposed. Meters (see definition of meter recording) are often used in conjunction with diaries, thus monitoring the diary technique.

Here an actual driving situation is simulated in which respondents see a moving scene while their eye movements are measured by an eye-movement recorder (see eye camera under mechanical testing). The system measures impact, viewer involvement and brand-name awareness.

See definition of mechanical testing.

Experimental methods are designed to test the relationship between cause and effect. These methods involve the manipulation of one or more variables by the experimenter in such a way that its effect on one or more variables can be measured. Consumer panels (see definition) are often used for experimentation. The characteristics of product use by panel members are recorded. Test products could also be distributed to panel members who complete questionnaires that measure their reaction to the products received. The main field for the use of experimental methods is test marketing (see definition).

Focus groups are group interviews. A moderator guides the interview while a small group discusses a research topic. Typically, there are six to eight participants who come from similar backgrounds, and the moderator is a well-trained professional who works with a predetermined set of discussion topics.

In a folder or portfolio test one group of respondents sees a folder of advertisements (print advertising only) containing the test advertisement, other advertisements and editorial matter. Another group of respondents sees the same portfolio without the test advertisement. This method is used to assess the attention value of the test advertisement.
Glue-spot technique
In the glue-spot technique facing pages of magazines are sealed with a thin layer of glue. To open the pages the readers must open the magazine far enough to see the advertisement(s) on these pages. The requirements of the test are that the layer of glue is thin enough to escape the attention of the reader, pages do not again adhere to each other once have been opened, the pages concerned are not interfered with, the pages do not become unstuck until they have been opened, the respondents will receive the copy in the normal way, and there is a check that the issue has been handled only by the respondents between placement and recall interviews.

Hidden offers
This technique involves offering some reward, such as discounts, samples, et cetera, to listeners or viewers during the course of a programme, usually at a relatively inconspicuous point (hence the term 'hidden'). It is important that the reward is 'hidden' in the programme in order to justify the assumption that most or all of the programme has been listened to, or watched, and also that the reward is substantially desirable to elicit an actual response.

Image test
See definitions for brand image tests and product image tests.

In-depth interviews
Interviews conducted on a one-on-one basis to collect qualitative data from respondents are called depth interviews.

Inquiry method
This method entails that the audience could, for example, be invited to ask for more information, a booklet or a free sample of the advertised product. This method is largely restricted to test the effectiveness of printed advertisements and radio, television and cinema commercials. In press advertisements, for example, the coupon or invitation to inquire may be clearly visible, but hidden so that the advertisement has to be read before the invitation is observed.

Issue audience
The issue audience of a newspaper or magazine is defined as the number and types of people that come into contact with either a specific issue of a given newspaper or magazine or the average issue. The issue audience may further be subdivided into the page audience and advertisement audience (see definition).

Issue readership
This is the number of different people who will have contact with the average issue of a specific newspaper or magazine.
| **Journal records** | This technique requires individuals to indicate, through interviews (personal interviews), questionnaires (telephone interviews) or travel diaries, their exact movements during a certain period, typically seven days prior to interviewing. These journeys are then compared with the location or routes of relevant outdoor advertising media. The main advantage of the journey record technique is that it allows the collection of information about all sites in a certain area, but it has the disadvantage that it relies on the respondents’ memories and is a time-consuming and expensive process. |
| **Key point recording** | This technique involves selecting a random sample of sites or routes, listing them in a formal questionnaire, and asking respondents to indicate if, during a certain period (typically seven days prior to questioning), they passed these sites or used these routes. The posters or billboards which appeared on these routes or sites are not mentioned at all. Questioning therefore pertains to routes and sites only. |
| **Layout tests** | A layout test involves showing a rough copy of a print advertisement (or storyboard of a television commercial with accompanying copy) to respondents. Layout tests are more finished than poster tests (see definition) in that they use all the copy and illustrations as they will appear in the finished advertisement. Where a card or poster test (see definitions) measures the appeal of the basic concept, the purpose of the layout test is to measure more subtle effects such as communication, understanding and confusion. |
| **Location cards** | Photographs or sketches of each site or vehicle and its advertisements are produced and presented to the respondent in the form of a number of location cards. The respondents have to indicate which of these they have seen during a specific period. |
| **Logo identification** | Logo identification entails the spontaneous identification of a company's logo by a sample of respondents by means of in-depth or focus group interviews. |
This methods entails the testing of audience reactions by means of mechanical devices. Typically sophisticated devices are:

(i) the *communiscope*, that consists of a slide projector and a shutter device which is fitted over the lens of the projector, permitting brief exposure on the screen. Slides that represent advertisements are projected onto the screen and the respondents are asked whether they recognise the advertisement in question

(ii) *modified lie-detectors*, which are used in a psycho-galvanic test. The test is conducted to reveal the emotional reactions of a person viewing a number of selected advertisements by measuring skin response on the person’s fingertips

(iii) a *polygraph*, which is used to register emotional reaction through a range of physiological measures, including galvanic skin response and pupil dilation and

(iv) an *eye camera*, which records the eye path of the observer and reveals the words or parts of the advertisement that interest the observer first, the most or very little.

These tests are used to determine the effectiveness of the advertisement. All memory tests measure two distinct audience reactions, namely how much attention was given to the advertisement and how well it was remembered by the respondent. Of the various kinds of memory tests, the most popular are recognition tests and recall and association tests (see definitions).

See definition of peoplemeter under advertising tracking.

In essence, noting is a measure of recall (see definition of recall tests). After the release of a new advertisement a sample of respondents is asked whether the advertisement has been observed. The spontaneous noting method merely requires that respondents be asked whether they have noted any new advertisements in the past two weeks, for example. In prompted noting a list of products, services or companies with new advertisements are read out aloud and respondents are required to say whether they have noted each of them. Respondents who claim to have noted the relevant advertisements (in spontaneous or prompted noting) are asked to mention the main features of the advertisement.

For non-coincidental or semi-coincidental interviews, see definition of personal and telephone interviews.
Non-verbal interviewing

In non-verbal interviewing respondents are given a set of photographs or cards or they listen to music and then link them to various concepts. Once the photographs and/or music are linked to the concepts, the researcher is able to determine which emotion is associated with which concept.

Observational methods

Observational studies are conducted by recruiting a member of the household, such as a student, to act as observer in the family context. Another possibility is to persuade the family to allow an interviewer to sit in while they are watching television. A third alternative is to install a closed-circuit television camera for observing the viewing patterns (see definition of camera).

Opinion and attitude ratings

Here the test advertisement is presented to the respondents for their opinion. The test advertisement must look and/or sound as much as it will look and/or sound in the media.

In direct opinion measurement respondents are approached individually and asked questions about a particular advertisement. If the sample is large enough it is generally known as a consumer jury. With an indirect opinion measurement the respondent is not asked for an opinion of the advertisement but the opinion is inferred from respondents' actions. For example, if changes in brand preferences are to be determined, audiences are exposed to films or simulated television or radio programmes in an auditorium, studio or cinema theatre hired for the purpose. Before the test commences the audience is invited to select particular brands of products on a shopping list. After the test, which contains one or more advertisements of the brands concerned, participants are required to complete a second shopping list. Changes in brand preference are evident from comparison of the two list.

OTH tests

OTH stands for 'opportunity to hear' a commercial or series of commercials on radio, especially with the objective to establish the cost efficiency of the medium, a particular station or a specific schedule of commercials or spots. The most common methods used to determine the size of the radio audience (see definition) who have had the 'opportunity to hear' and, ideally have actually heard the commercial, are recall tests, diaries and coincidental and non-coincidental interviews (see definitions).
OTS tests

OTS stands for 'opportunity to see' an advertisement, either in a magazine, on television, at a cinema or outdoor. In terms of OTS, the advertisement audience (see definition) is virtually equivalent to the page audience (see definition) of the page on which the advertisement is published. Ideally only those who have actually noticed the advertisement are counted in the OTS test. Recall and recognition tests (see definitions) are the most commonly used to measure the advertisement audience. The OTS method of evaluating advertising through, for example, sponsored events measures the amount of exposure received by area in terms of patronage and the numbers of viewers with the "opportunity to see" the sponsor's name.

Page audience

The page audience comprises the number of people whose perceptual field at some time encompassed a page in a specific newspaper or magazine.

Personal activity method

This method requires the respondents to describe in detail where they went the previous day and is applied in outdoor advertising research.

Personal interviewing

Personal interviews, also referred to as face-to-face interviews, involve asking questions to a sample of respondents. The interview usually take place at the respondent's home. With personal interviews both coincidental and non-coincidental interviews can be used. In the former instance people are visited, usually at home, and asked whether they are listening to the radio or watching television at the time of the interview. In the case of non-coincidental personal interviews, people are visited, usually at their homes, and interviewed personally about the particular programmes they listened to or watched during a specific period, or about which cinema they frequent.

Photographic methods

By mounting movie or intervalometer cameras on top of or behind sites, people have been photographed with their eyes turned in the direction of the hoarding and a fairly realistic estimate of the actual audience of the test site has been made.

Politz approach

Instead of asking where the respondent has been the day before, the American researcher Alfred Politz experimented with a camera mounted in the car. By taking a frame every five seconds while the car was in motion the camera recorded the actual route(s) followed by the car.

Poster tests

This is similar to a card test (see definition), except that small posters containing simplified illustrations and limited copy are used rather than plain cards without illustrations.
<table>
<thead>
<tr>
<th>Price perception test</th>
<th>See pricing research.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing research</td>
<td>This entails any kind of research on how the demand for a product or service will vary at various prices. During in-depth or focus group interviews a sample of consumers could, for example, be asked how much of a specific product a consumer is willing to buy at different price ranges or which price ranges suit some products better than others. Projective techniques and test marketing (see definitions) could both be used to determine consumers’ perceptions and reactions on prices.</td>
</tr>
<tr>
<td>Product image tests</td>
<td>Product image reflects consumers’ perceptions of the characteristics of a product and can be gauged by the associations they hold in their memory. The techniques used in product image tests are similar than those used in brand image tests (see definition).</td>
</tr>
<tr>
<td>Projective techniques</td>
<td>These techniques include: (i) sentence completion like 'When I buy a personal computer, I look for ...'; (ii) brand personality descriptors like 'The typical driver of a Ford Fiesta is ...'; and (iii) picture interpretation, for example, there may be a picture of a man driving his new BMW into a golf club’s car park and two golf players are looking on - what would they say to each other?</td>
</tr>
<tr>
<td>Readability tests</td>
<td>In readability analysis the reading level of the copy is established by analysing the content of the advertising copy. One of the methods of assessing the reading level involves an expert or team of experts who analyse interviewers’ verbal reports on the reaction of the respondent. In another method the respondent is required to guess the words which have been left out of a piece of copy. This test rests on the principle that the predictability of the advertising message supports the learning process. An extract is prepared from the advertisement in which, for example, each sixth word has been omitted. This is shown to the respondent who is required to supply the missing words.</td>
</tr>
<tr>
<td>Recall interviews</td>
<td>Recall interviews require that respondents rely on their memory in order to recall their viewing pattern. Personal home interviews (see definition) are preferable because recall can be aided, but telephone interviews (see definition) are also conducted in recall surveys. The most common technique is to question people about the previous day’s viewing. The researcher draws a sufficient number of observations from each day of the week and then calculates the average per programme or time of the day, making the necessary adjustments for programmes that vary from week to week. Respondents are prompted to varying degrees in recall interviews. At one extreme they are asked only what programmes or at what time they watched television the previous day without the benefits of aids to refresh their memories. On the other hand, recall aids can be provided whereby a full schedule of programmes may be shown in chronological order to the respondent.</td>
</tr>
</tbody>
</table>
Recall tests are typically used in the electronic media and measure the advertisement's impact in terms of the respondent's ability to recall and describe parts of it. Recall tests take a variety of forms, of which the most popular are: (i) unaided recall tests, where the respondent is not given any help and then asked to describe the advertisement which they have seen or heard recently; and (ii) aided recall tests, where the respondent is required to describe the commercial for a certain brand. For example, a respondent in an aided recall test for print media is given a list of advertisers or brands of products which are advertised in the test publication. As a control measure the list includes several names and brands which are not represented in the test publication. If a respondent who claim to recall an advertisement describes it accurately without consulting the publication, the advertisement is regarded as 'recalled'. Another most frequently used recall test is known as the 'Day-after-recall test' (see definition). In addition, brand recall refers to the consumer's ability to retrieve the brand from memory when given the product category as a cue, for example, 'What brand(s) of lager are you aware of?'

This method consists of showing photographs of a cross section of actual outdoor posters to a random sample of respondents and who are then asked whether they recognise the posters. Brand recognition, for example, refers to the consumer's ability to recall previous exposure to or experience with the brand. A question asked, for example, is: 'Have you seen this brand before, or not?'.

Recognition tests or Starch test (named after Daniel Starch who pioneered the service) are typically used in print media and is one of the best-known and most popular techniques used for post-testing advertising effectiveness. The purpose of these tests is to establish whether a particular advertisement is recognised and has therefore been seen or heard by the respondent. A simple recognition test, for example, involves a particular issue of a newspaper, magazine or a specific radio or television station. Representative samples are drawn and interviews call on respondents to answer whether they read the newspaper or magazine or turned in to the radio or television channel concerned. If not, they do not qualify for interviewing. Those who affirm their reading or viewing habits, are noted as respondents. The interviewer then pages through the newspaper/magazine or plays/shows the commercial and request the respondent to say which advertisements he or she recognises.

The physical counting of stock in the retail panel shops at the beginning and the end of the audit period (also see retail panel definition).
Retail panels

Representative samples of retail outlets whose acquisition, pricing, stocking and display of a defined group of products are recorded either contentiously or at regular intervals.

Sales tests

Sales or persuasion tests are used to measure the impact of a particular advertisement or advertisement campaign on sales. One way of measuring advertising effectiveness is to ask the consumer whether the advertisement persuaded him or her to buy the advertised brand, product or service. Other sales measuring techniques that measure advertising effectiveness are: (i) econometric modelling, which tries to isolate the influence of advertising on sales and in essence involves the use of mathematical formula for assessing a value to each of the marketing variables whereby variations in the dependant variable, that of sales, are best explained; (ii) experimentation or test marketing whereby the correlation between sales and exposure of advertisements is determined. In this method two identical consumer samples are constituted, the only difference being that the members of the first sample have either seen or heard the advertisement and the members of the second sample have not been exposed to it at all. The effectiveness of the advertisement is measured by correlating sales with the two samples during test marketing.

Scale estimates

This technique involves presenting respondents with some form of scale and requesting them to choose the scale position that best describes the degree of thorough or less thorough reading of the particular issue of a publication. The scale can either be numerical (for example, number of pages looked at on average) or verbal (for example, read ‘some’, ‘most’ or ‘all’ of an issue).

Self-reports

These involve the use of recall (aided and unaided) and recognition measures (see definitions) in order to define the page traffic as the proportion of the issue audience claiming to have read the particular page. In unaided recall, for example, a respondent is included as page traffic if he or she states that he or she looked at particular items on a particular page (see definition of recall tests). Also see definition of diaries.

Slogan research

Slogan research involves the collection of data by either in-depth or focus group interviews (see definitions) to establish whether the target market(s) can link the slogan with the company, remember the slogan and what the slogan intends to communicate and whether the target market(s) can determine the image created by the slogan. Most common techniques used include recall and image tests (see definitions).
Split-run technique

In this technique an identical publication is printed and distributed in two or more separate production runs and deliveries. This is done to facilitate the inception of different advertisements in each. This arrangement makes it easier to compare the measure of alternative pieces of advertising copy.

Subjective estimates

This involves a group of individuals who are asked to indicate, on either a numerical or a verbal scale, how often they read or buy a particular publication. On a numerical scale they indicate which of a number of illustrative percentages best describes their usual or typical behaviour, for example, 100%, 75% or 25% reading of all issues. On a verbal scale they indicate which of several phrases is the most accurate description, for example, ‘always’, ‘never’ or ‘occasionally’.

Telephone interviewing

In telephone interviewing the respondents are phoned, usually at home, and interviews are conducted with them. Two approaches can be used with this technique, viz the coincidental and the non-coincidental approach. Coincidental interviews involve telephoning people and simply asking them what television or radio programmes they are watching or listening to at the time of the telephone call. Non-coincidental interviews involve telephoning people and asking them what programmes they listened to or watched during a particular time.

Test marketing

Test marketing entails a controlled experiment carried out in one or more limited, but carefully selected, part(s) of a market area in order to predict and explore the consequences of one or more marketing actions (e.g. new or modified product introductions), or in order to estimate the payoffs and costs of changes in the marketing mix for existing products. The basic purpose of test marketing is to test the product itself in real market situations. Test marketing also allows to test the entire marketing programme of a product, namely its advertising, distribution, pricing, branding and packaging, et cetera. Test marketing is also used to learn how consumers and dealers will react to handling, using and repurchasing the product.

Theatre test

Electronic equipment enables respondents to indicate what they like and dislike as they view television commercials in a theatre setting.

Traffic count

This method simply consists of having either counters or meters counting the number of vehicles or pedestrians passing the test sites.
<table>
<thead>
<tr>
<th>Test Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trailer test</td>
<td>In this test form the respondents see television commercials in trailers at shopping centres and receive coupons for the advertised product. A matched sample of consumers only gets the coupons. Hereafter, the difference in coupon redemption is measured.</td>
</tr>
<tr>
<td>Usage and attitude studies</td>
<td>These are fairly complex, statistically reliable studies of particular markets carried out, perhaps every five years or so. They will typically provide a complete demographic picture of potential users and the products they prefer, attitudes towards products, frequency of purchase, intensity of use and the benefits sought. These studies also indicate points of satisfaction and dissatisfaction.</td>
</tr>
<tr>
<td>Value for money test</td>
<td>This entails a value analysis whereby the main components of a product are examined. The primary focus is on production methods and cost, but also requires consideration of how each component contributes towards the value of the product from the perspective of the consumer, and whether it could be eliminated or replaced by something better. Information on alternative production methods and cost could probably best be collected by means of experimentation or market testing (see definitions), while consumer judgements on the value could also be obtained by means of in-depth and focus group interviews.</td>
</tr>
</tbody>
</table>
ANNEXURE B

BRAND COMPANY QUESTIONNAIRE
1. How many brands does your company market

   Number

2. At which segment of the market are most of your company’s marketing communication efforts directed:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Consumer</td>
<td>5</td>
</tr>
<tr>
<td>(b) Industry</td>
<td>6</td>
</tr>
<tr>
<td>(c) Consumer &amp; Industry</td>
<td></td>
</tr>
</tbody>
</table>

3. At which economic sector are most of the brand’s marketing efforts directed: Rate 3 (1 = most important)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>8</td>
</tr>
<tr>
<td>Manufacturing of household consumables</td>
<td>10</td>
</tr>
<tr>
<td>Beverage</td>
<td>12</td>
</tr>
<tr>
<td>Automotive</td>
<td></td>
</tr>
<tr>
<td>Telecommunication</td>
<td></td>
</tr>
<tr>
<td>Financial services</td>
<td></td>
</tr>
<tr>
<td>Tobacco</td>
<td></td>
</tr>
<tr>
<td>Entertainment</td>
<td></td>
</tr>
<tr>
<td>Insurance &amp; assurance</td>
<td></td>
</tr>
<tr>
<td>Parastatal</td>
<td></td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
</tr>
</tbody>
</table>

4. Please rate the five most important marketing communication activities used to market your products or services during the past financial year (1999/2000) (1 = most important, 2 = second, 3 = third, 4 = fourth and 5 = fifth)

<table>
<thead>
<tr>
<th>Marketing Communication Activity</th>
<th>Office use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television</td>
<td>14</td>
</tr>
<tr>
<td>Direct marketing</td>
<td>16</td>
</tr>
<tr>
<td>Radio</td>
<td>18</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>18</td>
</tr>
<tr>
<td>Outdoor</td>
<td>20</td>
</tr>
<tr>
<td>Sales promotions</td>
<td>22</td>
</tr>
<tr>
<td>Press</td>
<td></td>
</tr>
<tr>
<td>Public relations</td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td></td>
</tr>
<tr>
<td>Cinema</td>
<td></td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
</tr>
</tbody>
</table>
5. Which, if any, of the following marketing communication (MC) disciplines are combined when marketing your brands [e.g. if block (ai) is ‘ticked’ this means that television and direct marketing activities are combined].

Tick as many as apply.

<table>
<thead>
<tr>
<th>MC discipline</th>
<th>(i) Direct Marketing</th>
<th>(ii) Sales force</th>
<th>(iii) Trade promotions</th>
<th>(iv) Consumer promotions</th>
<th>(v) Public Relations</th>
<th>(vi) Sponsorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Television</td>
<td>(ai)</td>
<td>(a(i))</td>
<td>(a(ii))</td>
<td>(a(iii))</td>
<td>(a(iv))</td>
<td>(a(v))</td>
</tr>
<tr>
<td>b) Radio</td>
<td>(bi)</td>
<td>(b(i))</td>
<td>(b(ii))</td>
<td>(b(iii))</td>
<td>(b(iv))</td>
<td>(b(v))</td>
</tr>
<tr>
<td>c) Press</td>
<td>(ci)</td>
<td>(c(i))</td>
<td>(c(ii))</td>
<td>(c(iii))</td>
<td>(c(iv))</td>
<td>(c(v))</td>
</tr>
<tr>
<td>d) Outdoor</td>
<td>(di)</td>
<td>(d(i))</td>
<td>(d(ii))</td>
<td>(d(iii))</td>
<td>(d(iv))</td>
<td>(d(v))</td>
</tr>
<tr>
<td>e) Cinema</td>
<td>(ei)</td>
<td>(e(i))</td>
<td>(e(ii))</td>
<td>(e(iii))</td>
<td>(e(iv))</td>
<td>(e(v))</td>
</tr>
</tbody>
</table>

OFFICE USE ONLY

23 28
29 34
35 40
41 46
47 52

6. What percentage of (a) company turnover and (b) total marketing communication expenditure was spent on above-the-line advertising (television, radio, press, outdoor and cinema) during the past financial year (1999/2000).

6(a) _____ % of turnover 55

6(b)* _____ % of total marketing communication expenditure 58

7. What percentage of (a) company turnover and (b) total marketing communication expenditure was spent on below-the-line promotions (direct marketing, sales promotions, public relations, Internet, other) during the past financial year (1999/2000).

7(a) _____ % of turnover 61

7(b)* _____ % of total marketing communication expenditure 64

* Questions 6(b) and 7(b) must add up to 100 %.

8. What percentage of company turnover was spent on market and marketing research activities to support your marketing communication efforts (research related to advertising development, pre- and post-testing of advertisements/promotions) during the past financial year (1999/2000).

Office use

8.1 Over the past three or more years, was there a significant shift in the composition of your marketing communication mix (above- and below-the-line marketing communication). Cross one.

Office 68

8.2 If Yes to question 8.1, please indicate the shift in marketing communication expenditure below.

Tick one

a) More of marketing communication spent was directed to above-the-line advertising 69

b) More of marketing communication spent was directed to below-the-line promotions 70
8.3 If YES to 8.1, what is the main reason(s) for the shift in marketing communication expenditure as reflected in either 8.2 (a) or 8.2(b)?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

8.4 If YES to 8.1, what impact did the shift in marketing communication have on your company sales/profits?

<table>
<thead>
<tr>
<th>Tick &amp; state %</th>
<th>Tick &amp; state %</th>
<th>Tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales/profits increased</td>
<td>Sales/profits decreased</td>
<td>Had no effect on sales/profits</td>
</tr>
<tr>
<td>%</td>
<td>%</td>
<td></td>
</tr>
</tbody>
</table>

8.5 Which marketing communication system best describes your company’s efforts to market brands:

Tick one

- Centralised marketing system (all advertising and promotion activities are channelled through the advertising department)
- Product management system (all advertising and promotion activities are the responsibility of the product/brand manager)
- Company has its own in-house agency which handles advertising and promotion activities
- Private or specialist advertising agencies are contracted to handle advertising and promotional activities
- Other, specify

9. Which budget approach best describes your company’s construction of your overall marketing communication budget (If a separate budget is used for advertising and promotion, please complete column A. If an integrated budget for advertising and promotion is used, please complete column B.)

<table>
<thead>
<tr>
<th>Column A Separate budget</th>
<th>Column B Integrated budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising budget</td>
<td>Promotion budget</td>
</tr>
<tr>
<td>Tick one</td>
<td>Tick one</td>
</tr>
</tbody>
</table>

Tick one
11. Which marketing communication budget method/s was/were used by your company when constructing your last annual marketing communication budget (1999/2000). (If separate budgets are used, please complete column A. If an integrated budget is used, please complete column B.)

<table>
<thead>
<tr>
<th>Column A Separate budget</th>
<th>Column B Integrated budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising budget</td>
<td>Promotional budget</td>
</tr>
<tr>
<td>Tick one</td>
<td>Tick one</td>
</tr>
</tbody>
</table>

- Fixed guidelines (some guidelines such as percentage of sales, are used to set-up the budget)
- Arbitrary (the rule of thumb is used to set the budget)
- Objective-and-task method (the budget is set so that marketing objectives could be attained)
- Mathematical/Theoretical models based on historical data
- Empirical models providing experimental feedback from the market place
- Other, specify:

**Company interviewed:**

**Respondent:**

**Position:**

**Date interviewed:**

**Name of interviewer:**

**THANK YOU FOR YOUR COOPERATION**
ANNEXURE C

BRAND QUESTIONNAIRE
BRAND QUESTIONNAIRE

MARKETING COMMUNICATION BUDGET STRATEGY SURVEY

Brand name: ________________________________

A. BRAND PROFILE

1. In which year did you start marketing this brand

19 __

2. State the current status of the brand’s Product Life Cycle (PLC)

Tick one

<table>
<thead>
<tr>
<th>a) Introduction phase</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>b) Growth phase</td>
<td></td>
</tr>
<tr>
<td>c) Mature phase</td>
<td></td>
</tr>
<tr>
<td>d) Decline phase</td>
<td></td>
</tr>
</tbody>
</table>

3. At which segment of the market are most of the brand’s marketing efforts directed:

Tick one

<table>
<thead>
<tr>
<th>(a) Consumer</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) Industry</td>
<td></td>
</tr>
<tr>
<td>(c) Consumer &amp; Industry</td>
<td></td>
</tr>
</tbody>
</table>

4. At which economic sector are most of the brand’s marketing efforts directed: Rate 3 (1 = most important)

<table>
<thead>
<tr>
<th>Retail</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing of household consumables</td>
<td></td>
</tr>
<tr>
<td>Beverage</td>
<td></td>
</tr>
<tr>
<td>Automotive</td>
<td></td>
</tr>
<tr>
<td>Telegraphic</td>
<td></td>
</tr>
<tr>
<td>Financial services</td>
<td></td>
</tr>
<tr>
<td>Tobacco</td>
<td></td>
</tr>
<tr>
<td>Entertainment</td>
<td></td>
</tr>
<tr>
<td>Insurance &amp; assurance</td>
<td></td>
</tr>
<tr>
<td>Parastatal</td>
<td></td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
</tr>
</tbody>
</table>

5. Besides this brand, how many other brands does your company market

   

6.1 What is the current market share of the brand in terms of your total brand portfolio

      %

6.2 What is the current share of the brand in terms of the national market

       %
B. MARKETING COMMUNICATION SYSTEM

7. Which marketing communication system best describes your company's efforts to market brands:

<table>
<thead>
<tr>
<th>Tick one or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Centralised marketing system (all advertising and promotion activities are channeled through the advertising department)</td>
</tr>
<tr>
<td>b) Product management system (all advertising and promotion activities are the responsibility of the product/brand manager)</td>
</tr>
<tr>
<td>c) Company has its own in-house agency which handles advertising and promotion activities</td>
</tr>
<tr>
<td>d) Private or specialist advertising agencies are contracted to handle advertising and promotional activities</td>
</tr>
<tr>
<td>Other, specify:</td>
</tr>
</tbody>
</table>

C. MARKETING COMMUNICATION BUDGETING

8. Which of the following forms of ADVERTISING were used to market this brand during the preceding financial year (1999/2000)

<table>
<thead>
<tr>
<th>Tick one or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Television</td>
</tr>
<tr>
<td>b) Radio</td>
</tr>
<tr>
<td>c) Press (eg newspaper, magazines)</td>
</tr>
<tr>
<td>d) Outdoor</td>
</tr>
<tr>
<td>e) Cinema</td>
</tr>
</tbody>
</table>

9. Which of the following PROMOTION activities were used to market this brand during the preceding financial year (1999/2000)

<table>
<thead>
<tr>
<th>Tick one or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Direct marketing</td>
</tr>
<tr>
<td>b) Internal sales promotions aimed at sales force</td>
</tr>
<tr>
<td>c) Sales promotions aimed at customers</td>
</tr>
<tr>
<td>d) Sales promotions aimed at trade</td>
</tr>
<tr>
<td>e) Public relations</td>
</tr>
<tr>
<td>f) Sponsorship</td>
</tr>
<tr>
<td>g) Internet</td>
</tr>
<tr>
<td>h) Other specify:</td>
</tr>
</tbody>
</table>

10. Does your company have an overall brand advertising and promotion strategy

| YES |
| NO |

11. Indicate whether your company has a separate or integrated/combined budget for advertising and promotion activities

<table>
<thead>
<tr>
<th>Tick one</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Our company has an integrated/combined budget for advertising and promotion</td>
</tr>
<tr>
<td>b) Our company has a separate budget for advertising and promotion</td>
</tr>
</tbody>
</table>
12. Which budget approach best describes your company’s construction of your overall marketing communication budget (If a separate budget is used for advertising and promotion please complete column A. If an integrated budget for advertising and promotion is used please complete column B.)

<table>
<thead>
<tr>
<th>Column A Separate budget</th>
<th>Column B Integrated budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising budget</td>
<td>Promotion budget</td>
</tr>
<tr>
<td>Tick one</td>
<td>Tick one</td>
</tr>
</tbody>
</table>

- a) Top-down approach (First establish overall expenditure for marketing communication and then allocate funds to separate components of the marketing communication mix)
- b) Bottom-up approach (Separate budget is constructed for each marketing discipline and then added together to constitute the overall budget)
- c) Top-down and bottom-up approach
- d) Don’t know

13. Who is mainly responsible for market communication budgeting in your company.
(Complete column A if a separate budget is used, otherwise complete column B.)

<table>
<thead>
<tr>
<th>Column A Separate budget</th>
<th>Column B Integrated budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>Promotion</td>
</tr>
<tr>
<td>Tick one</td>
<td>Tick one</td>
</tr>
</tbody>
</table>

- a) Sales force
- b) Promotion manager
- c) Product/brand manager
- d) Other, specify:

14.1 Which marketing communication budget method/s was/were used by your company when constructing your last annual marketing communication budget (1999/2000). (If separate budgets are used, please complete column A. If an integrated budget is used, please complete column B.)

<table>
<thead>
<tr>
<th>Column A Separate budget</th>
<th>Column B Integrated budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising budget</td>
<td>Promotion budget</td>
</tr>
<tr>
<td>Tick one</td>
<td>Tick one</td>
</tr>
</tbody>
</table>

- a) Fixed guidelines (some guidelines such as percentage of sales, are used to set-up the budget)
- b) Arbitrary (the rule of thumb is used to set the budget)
- c) Objective-and-task method (the budget is set so that marketing objectives could be attained)
- d) Mathematical/Theoretical models based on historical data
- e) Empirical models providing experimental feedback from the market place
- e) Other, specify:
14.2 If the fixed guideline technique is used, (option ‘a’ of question 14.1), please state the guideline/criterion used by your company to determine the expenditure amount for marketing communication. (If separate budgets are used, complete column A, otherwise complete column B.)

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate budget</td>
<td>Integrated budget</td>
</tr>
<tr>
<td>Advertising budget</td>
<td>Promotion budget</td>
</tr>
<tr>
<td>Tick one</td>
<td>Tick one</td>
</tr>
</tbody>
</table>

- a) Percentage of sales
- b) Percentage of gross margins
- c) Residue after previous year’s profits
- d) Unit sales
- e) Per outlet
- f) Cost per capita
- g) Competitive expenditure
- h) Brand share
- i) Media inflation
- j) Other (specify):

15.1 Which of the listed product/market factors mainly determined your marketing communication budget appropriations during the preceding financial year (1999/2000). Rate 3 most important factors (1=most important). (If separate budgets are used complete column A, if not compete column B.)

<table>
<thead>
<tr>
<th>Product/Market factors</th>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Separate budget</td>
<td>Integrated budget</td>
</tr>
<tr>
<td></td>
<td>Advertising budget</td>
<td>Promotion budget</td>
</tr>
<tr>
<td>Rate 3</td>
<td>Rate 3</td>
<td>Rate 3</td>
</tr>
</tbody>
</table>

- a) Competitive intensity
- b) Seasonality of brand sales
- c) Market growth rate
- d) Market share
- e) Stage of brand’s PLC
- f) Contribution margin of brand relative to other brands
- g) Brand differentiation (unique position of brand)
- i) Other, specify:
15.2 Which of the following organisational/managerial factors mainly determined your marketing communication budget appropriations during the preceding financial year (1999/2000). Rate 3 most important (1=most important). (If separate budgets are used, complete column A, if not complete column B.)

<table>
<thead>
<tr>
<th>Organisational/managerial factors</th>
<th>Column A Separate budget</th>
<th>Column B Combined budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Advertising budget Rate 3</td>
<td>Promotion budget Rate 3</td>
</tr>
<tr>
<td>a) Sales force influence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Sales managers' perceptions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Reward system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Formal decision systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Retailer influence and trade relationships</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) Risk tolerance (degree to which top management prefer to play it safe)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g) Availability of more market information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h) Management experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Other, specify:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

16.1 If your company follows an integrated/combined marketing communication budget approach, please indicate which marketing communication disciplines are combined [e.g. if block (ai) is 'ticked', this means that television and direct marketing activities are combined to market the brand]. Tick as many as apply.

<table>
<thead>
<tr>
<th>Sales Promotions</th>
<th>Public Relations</th>
<th>Sponsorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Direct Marketing</td>
<td>(ii) Sales force</td>
<td>(iii) Trade promotions</td>
</tr>
<tr>
<td>a) Television</td>
<td>(ai)</td>
<td>(aii)</td>
</tr>
<tr>
<td>b) Radio</td>
<td>(bi)</td>
<td>(bii)</td>
</tr>
<tr>
<td>c) Press</td>
<td>(ci)</td>
<td>(cii)</td>
</tr>
<tr>
<td>d) Outdoor</td>
<td>(di)</td>
<td>(dii)</td>
</tr>
<tr>
<td>e) Cinema</td>
<td>(ei)</td>
<td>(eii)</td>
</tr>
</tbody>
</table>

16.2 What is the main reason for combining these marketing disciplines?

________________________________________________________________________

16.3 Since 1990, has there been an increased drive to integrate the marketing communication efforts of this brand

YES
NO

16.4 If YES, to question 16.3, what was the main reason for increasing combined marketing communication efforts

________________________________________________________________________
D. MARKETING COMMUNICATION EXPENDITURE

17.1 What percentage of your total marketing communication expenditure was devoted to advertising and promotional expenditure in 1990 and during the preceding financial year (1990/2000). (If you do not have exact figures, please provide estimates.)

<table>
<thead>
<tr>
<th></th>
<th>*1990</th>
<th>1999/2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Advertising expenditure (eg television, radio, press, outdoor, cinema)</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>b) Promotional expenditure (eg direct marketing, trade &amp; consumer promotion, public relations, sponsorship, etc.)</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>c) Total marketing communication expenditure</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

* If brand was introduced after 1990 for the first time, provide the percentage for the year of introduction of the brand.

17.2 If your advertising:promotion expenditure ratio has changed between 1990 (or thereafter) and your most recent budget (1999/2000), what was the main reason for change? List three most important reasons/factors contributing to change (1=most important)

(i) __________________________________________

(ii) __________________________________________

(iii) __________________________________________

17.3 If a change has occurred in the advertising:promotion ratio since 1990 or thereafter, indicate the estimated percentage change (decrease or increase) resulting in

(a) sales
(b) market share and
(c) profit of the brand

<table>
<thead>
<tr>
<th>Selected parameter</th>
<th>(i) Decrease</th>
<th>(ii) Increase</th>
<th>No effect (tick)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>%</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Market share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profits</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

17.4 If sales/market share or profits changed due to a change in the advertising:promotion ratio, state at which advertising:promotion ratio this trend initially emerged (eg a ratio of 40:60 means that the sales/market share/profit of the brand started to change when 40% of all expenditure was devoted to advertising and 60% to promotion)

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Advertising</th>
<th>Promotion</th>
</tr>
</thead>
</table>

18. What percentage does your total advertising and promotion expenditure represent of your company's

(a) sales
(b) profits.

(a) ___________ % of sales

(b) ___________ % of profits
19. Who handles your advertising and promotion accounts

(Tick one or more)

<table>
<thead>
<tr>
<th></th>
<th>Advertising</th>
<th>Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Own company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Advertising agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Specialist advertising agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Media independents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) Other, specify:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20. Has your company considered spending/is your company consider spending more on advertising than on promotion under any of the circumstances listed below

<table>
<thead>
<tr>
<th>CIRCUMSTANCE</th>
<th>YES</th>
<th>NO</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Intense competition in product category prevails</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Product category’s sales are seasonal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) High market growth rates prevail</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Large market share secured</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) Product is in its later stage of development (growth or maturity stage)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(f) Product is in its initial stage of development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(g) Product’s contribution margin is high</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(h) Strong brand differentiation prevails</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Sales force has strong influence on budget allocation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(j) Strong retailer influence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(k) Close trade relationships</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(l) Organisation is willing to tolerate risks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(m) Good market information is available</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n) Management is highly experienced</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(o) Good research information is available</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(p) Profit contribution rate of brand is above company average</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(q) High level of brand loyalty prevails</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(r) Brand has strong competitive differentiation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(s) Brand has a high degree of perceived risk associated with purchase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(t) Other (specify)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

E. RESEARCH SUPPORT FOR MARKETING COMMUNICATION

21.1 Does your company use any form of research to pre-test or post-test your advertising and/or promotion campaigns

<table>
<thead>
<tr>
<th></th>
<th>Advertising</th>
<th>Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NO</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

21.2 If YES to 21.1, at which stage of the marketing communication campaign is advertising and/or promotion research conducted

(Tick one or more)

<table>
<thead>
<tr>
<th></th>
<th>Advertising</th>
<th>Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Planning stage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Creative stage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Pre-testing of advertisement/promotion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) When evaluating the campaign afterwards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(post-testing)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
21.3 If YES to 21.1, who conducts the advertising and/or promotion research

<table>
<thead>
<tr>
<th></th>
<th>Advertising</th>
<th>Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Own company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Private research institute</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Public research institute</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Advertising agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) Specialist agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(f) Other, specify:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

21.4 If YES to 21.1, which of the following primary research methods are used by the institutions selected above

<table>
<thead>
<tr>
<th></th>
<th>Advertising</th>
<th>Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Focus groups</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Retail audits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Consumer panels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) In-depth interviews</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) Other, specify:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(f) No primary research is undertaken</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

22. What percentage does your total research budget represent of:
   (a) company sales
   (b) company profits and
   (c) marketing communication expenses

   (a) ________ % of sales
   (b) ________ % of profit
   (c) ________ % of marketing communication expenses

23. Is your research budget part of your marketing communication budget

<table>
<thead>
<tr>
<th>Tick one</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
</tbody>
</table>
24. On the basis of past experience, which of the following marketing communication disciplines or modes do you regard as favourable for creating end user acceptance that will build LONG-TERM (at least 3 years) brand success. [These marketing communication modes are also referred to as consumer franchise building (CFB) or trade franchise building (TFB) market communication modes].

<table>
<thead>
<tr>
<th>LONG TERM CFB AND TFB MODES</th>
<th>Tick all that apply</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Consumer media advertising through:</td>
<td></td>
</tr>
<tr>
<td>(i) television</td>
<td>[ ]</td>
</tr>
<tr>
<td>(ii) radio</td>
<td>[ ]</td>
</tr>
<tr>
<td>(iii) magazines</td>
<td>[ ]</td>
</tr>
<tr>
<td>(iv) comics</td>
<td>[ ]</td>
</tr>
<tr>
<td>(v) supplements</td>
<td>[ ]</td>
</tr>
<tr>
<td>(vi) newspapers</td>
<td>[ ]</td>
</tr>
<tr>
<td>(vii) outdoor</td>
<td>[ ]</td>
</tr>
<tr>
<td>(viii) transportation</td>
<td>[ ]</td>
</tr>
<tr>
<td>(ix) direct mail</td>
<td>[ ]</td>
</tr>
<tr>
<td>(b) Trade advertising</td>
<td></td>
</tr>
<tr>
<td>(i) Print media directed at wholesale/retail</td>
<td>[ ]</td>
</tr>
<tr>
<td>(ii) Direct mail to trade</td>
<td>[ ]</td>
</tr>
<tr>
<td>(c) Cooperative advertising</td>
<td></td>
</tr>
<tr>
<td>(d) Consumer sampling</td>
<td></td>
</tr>
<tr>
<td>(Samples and marketing message distributed via direct mail, in-store handouts and print media)</td>
<td>[ ]</td>
</tr>
<tr>
<td>(e) Reduced revenue (price-off) consumer packs</td>
<td></td>
</tr>
<tr>
<td>(f) Consumer premiums ['in-store, in-or on-pack, mail ('sendaway'), label savings plans offering premium or trading stamps]</td>
<td>[ ]</td>
</tr>
<tr>
<td>(g) Consumer contents/sweepstakes</td>
<td></td>
</tr>
<tr>
<td>(h) Manufacturer’s couponing (coupons placed by manufacturer)</td>
<td></td>
</tr>
<tr>
<td>(i) Consumer refund offers</td>
<td>[ ]</td>
</tr>
<tr>
<td>(j) Trade coupons (coupons placed by dealer)</td>
<td></td>
</tr>
<tr>
<td>(k) Trade allowances (credits, payments or extra merchandise given to dealers for buying, displaying or featuring the product)</td>
<td></td>
</tr>
<tr>
<td>(l) Consumer demonstrations (in-store, corporate sponsored, clubs, classes or schools)</td>
<td></td>
</tr>
<tr>
<td>(m) Consumer education material (cook books, teaching material, recipe or service material)</td>
<td></td>
</tr>
<tr>
<td>(n) Trade promotions</td>
<td></td>
</tr>
<tr>
<td>(i) Premiums</td>
<td></td>
</tr>
<tr>
<td>(ii) Prizes</td>
<td></td>
</tr>
<tr>
<td>(o) Other specify: ____________________________</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

25. What percentage (%) did expenditure on the CFB and TFB modes in question 24 represent of your total marketing communication expenses in 1999/2000. (If no exact figure is available, please provide estimates.)

__________________ %
### G. HISTORICAL INFORMATION ON MARKETING COMMUNICATION EXPENDITURE

26. For each of the financial years below, please provide information on this brand’s marketing communication expenditure

<table>
<thead>
<tr>
<th>YEAR</th>
<th>(i) Total advertising and promotion expenditure R’000</th>
<th>(ii) Advertising share as % of total marketing communication expenditure</th>
<th>(iii) Promotional activity share as % of total marketing communication budget</th>
<th>(iv) Sales R’000</th>
<th>(v) Market share R’000</th>
<th>(vi) CFB/TFB expenditure R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990/91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991/92</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992/93</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993/94</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994/95</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995/96</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>1996/97</td>
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<td></td>
<td></td>
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<tr>
<td>1997/98</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>1998/99</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1999/2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:**
- If brand was introduced after 1990, only complete for those years since introduction.
- (ii) & (iii) must add up to 100%.
- For CFB and TFB expenditure see question 24.
- This information will be used to construct time series and will be treated in the strictest confidence. Ultimately this information will be analysed on a sectoral basis.

THANK YOU VERY MUCH FOR YOUR COOPERATION
ANNEXURE D

E-MAIL ATTACHMENTS TO RESEARCH INSTRUMENTS

(i) Letter of introduction

(ii) Synopsis provided to respondents on objectives and background of study
Dear Respondent,

Over the past twelve months the Bureau of Market Research (BMR) at the University of South Africa (Unisa) has done extensive research in the Marketing Communication (MC) industry of South Africa. On the basis of some exploratory research findings on the international front and some local investigative research (which pointed to the relevance of findings to local conditions), it became clear that the construction of a unique and contemporary MC model for South Africa is inevitable. The constructed MC model is intended to reflect an ideal marketing communication mix that could support long-term brand building. Such a model would be particularly useful for local MC industry budgeting and strategising.

To support the BMR in its attempt to construct an MC model for South Africa we need information from brand-owned companies operating across the country. The BMR has randomly selected your company for inclusion in the study. We express our hope that you will participate. We guarantee that all information provided will be treated in the strictest confidence. For this purpose we have an exclusive research team managing the project. Furthermore, the MC model will divulge only the pooled research results of the 250 brand-owned companies participating in the survey. Under no circumstances will the names or individual responses of the participants be divulged.

Attached please find the questionnaires to be completed by your company. Please complete the brand company survey questionnaire prior to deciding on completion of the brand survey questionnaire. We would like to encourage collaboration with all interested parties in your organisation in order to provide us with accurate and as much information as possible. We are aware that the questionnaire will take some time to complete. We therefore judge it reasonable to allow respondents two weeks to complete the questionnaires before returning it to the BMR. You can either return the questionnaire electronically by e-mail (tustidh@unisa.ac.za) or fax (012-429 3156).

We highly value your participation in the project.

Regards

Deon Tustin
Senior Researcher and Project Manager
Bureau of Market Research (BMR)
University of South Africa (Unisa)
Tel: (012) 429 3156
MARKETING COMMUNICATION BUDGET STRATEGY SURVEY

Dear respondent,

During the past decade the advertising and promotion industry of South Africa has shown marked changes in terms of the composition of advertising and promotional budgets. This change from an advertising (above-the-line) to promotional (below-the-line) marketing communication budget strategy follows past trends in the USA marketing communication industry. Important lessons learnt from experience in the USA are that the composition of a marketing communication budget largely determines the life cycle of a brand. If the composition of the marketing communication budget favors more promotional than advertising expenditure there is a danger of building a brand over the short rather than long-term.

If we adopt the USA international experience as a baseline model for South Africa, the local challenge is to evaluate the contemporary status of the marketing communication industry. Such an evaluation could guide the marketing communication industry to avoid similar mistakes and to restructure marketing communication strategies simultaneously. At the forefront of such an initiative, the Bureau of Market Research (BMR) at the University of South Africa (Unisa) has decided to conduct a survey among South African based brand-owned companies. In total 250 brand-owned companies will be included in the study. By providing brand information participants will qualify for an executive summary of the research findings. Access to such information will be of the utmost importance in terms of planning and constructing annual marketing communication budget strategies, providing participants with a competitive advantage over rivals. It should be noted that all information provided by participants will be treated as strictly confidential. No information will be revealed on any company in isolation. Research findings will be published in terms of
average opinions, attitudes, preferences, motives and behavior of all participants.

A study of this nature is unique in that it represents the first of its kind in South Africa. Therefore the BMR would like to encourage your participation in the study. Entering into a partnership with the BMR in this pioneer study could not only benefit your organisation but also the future development of the marketing communication industry of South Africa.

The questionnaires constructed for the study and to be completed by you are attached. You are encouraged to complete the questionnaires within a two weeks of receipt. Timeous return of questionnaires will streamline the study in terms of a reasonable time frame set for completion and will obviate continuous solicitation from the BMR to return the questionnaires.

Your participation in the study is highly valued.

For any query on the study, please contact Mr DH Tustin (Senior Researcher and Project Manager) at 012 429-3156.

Regards

Prof JH Martins
Director
Bureau of Market Research
ANNEXURE E

ECONOMIC SECTORS INCLUDED IN THE BRAND COMPANY SURVEY

- DESCRIPTION OF INDUSTRIES -
Non-specialised retail trade in stores

Retail trade in non-specialised stores with food, beverages and tobacco dominating

This group included general retail stores engaged in a variety of goods of which food and beverages were dominant.

Other retail trade in non-specialised trade

This group included mainly departmental stores carrying a general line of merchandise including wearing appeal, furniture, appliances, hardware, cosmetics, jewellery, toys and sporting goods.

Retail trade in specialised stores

This group conducted retail trade in

- food
- beverages
- household furniture, appliances and equipment
- men’s and boy’s clothing
- textiles
- shoes
- jewellery, watches and clocks
- sports goods and entertainment
- hardware, paint, glass
- computers and
- flowers, plants, seeds and fertilizers.
Retail trade in second-hand goods

This group conducted retail trade in used goods in stores.

Sales of motor vehicles

This group represented the wholesale and retail traders of new and used passenger motor vehicles.

Maintenance and repair of motor vehicles

This group did maintenance and repair of motor vehicles, such as electrical repairs, panel beating and wheel balancing and alignment.

Selling of motor vehicle parts and accessories

This group did the wholesale and retail sale of all kinds of parts and accessories for motor vehicles, when not combined with sales of such vehicles themselves.

Hotels and restaurants

This group did the provision on a fee basis of short-term lodging and the preparation and selling of food and drink for immediate consumption on the premises (mainly restaurants).
SECTOR II: MANUFACTURING

Manufacturing of food products

This group manufactured

- dairy products
- grain mill products and breakfast foods
- bakery products
- chocolate and sugar confectionery
- macaroni and noodles or
- other: spices, condiments, potato chips.

Manufacturing of beverages

This group represented manufacturers of

- distilled alcoholic beverages and/or
- soft drinks.

Manufacturing of tobacco products

This group represented manufacturers of tobacco products, such as cigarettes.

Manufacturing of textiles and clothing products

This group represented manufacturers of:

- carpets, rugs and mats and/or
- wearing apparel.
Manufacturing of footwear

This group represented manufacturers of footwear for all purposes.

Publishing

This group represented publishing, whether or not connected with printing. More specifically, the group represented the

- publishing of books, musical books and other publications and/or
- publishing of newspapers, journals and periodicals.

Manufacturing of chemical products

This group represented the manufacturing of

- petroleum products
- paints
- pharmaceuticals and medicinal chemicals
- soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations and/or
- rubber products.

Manufacturing of non-metallic metal products

This group represented the manufacturing of

- cement, lime and plaster.
Manufacturing of basic metals, fabricated metal products, machinery and equipment and of office, accounting and computing machinery

This group represented the manufacturing of

- general hardware
- agriculture and forestry machinery
- household appliances and
- office, accounting and computing machinery.

Manufacturing of radio, television and communication equipment, watches and clocks

This group represented the manufacturing of:

- television and radio transmitters
- television and radio receivers and
- watches and clocks.

Manufacturing of transport equipment

This group represented the manufacturing of

- motor vehicles principally designed for the transport of persons and
- parts and accessories for motor vehicles and their engines.

Manufacturing of furniture

This group represented the manufacturing of

- mattresses
- jewellery and related articles and
- games and toys.
Monetary intermediation

This group represented

- the monetary intermediation of monetary institutions such as commercial
banks, merchant banks and general banks and
- insurance and pension funding.

Business services

This group represented

- real estate activities
- renting of machinery and equipment
- computer and related activities such as hardware and software consultancy
- legal activities and
- accounting, book-keeping and auditing activities.
SECTOR IV: COMMUNICATION, SOCIAL AND PERSONAL SERVICES

Public administration

This group represented general administration and regulation activities of the government.

Education

This group represented public education of all types provided by training institutions.

Health and social work

This group represented the activities of medical aid schemes.

Social work activities

This group represented the activities aimed at providing social assistance to children, the aged and special categories of persons.

Activities of membership organisations

This group represented the activities of business and employers’ organisations.

Recreational, cultural and sporting activities

This group represented motion picture projections, amusement parks, sporting activities and gambling.
SECTOR V : TRANSPORT AND COMMUNICATION

Land transport

This group represented land transport of passengers and freight.

Supporting transport activities

This group represented activities of travel agencies.

Air transport

This group represented the transport of passengers or freight by air.

Water transport

This group represented the transport of passengers or freight across water.

Post and telecommunications

This group represented

- post and courier services and
- telecommunications that include telephone and cell phone communications.