LESSON SEVEN

Operational Marketing 4: Promotion Policy

Objective: Once an MFI has determined their product, price and distribution policies, they need to turn their attention to promotion, the last of the marketing-mix elements necessary to reach their target market and achieve their marketing goals. This lesson examines the five main promotional methods - personal sales, advertising, sales promotion, publicity and sponsoring.

1 COMMUNICATION

Promotion is an attempt to influence the buying behavior of the target market. It is the element of the marketing mix that serves to inform, persuade and remind the market of specific products and/or the organization selling them, in the hope of influencing their feelings, beliefs or behavior.¹

In order to design an appropriate and effective promotion policy, an MFI must fully understand the communication process and its implications. Communication is the verbal or nonverbal transmission of information from someone wishing to express an idea to the intended recipient. Because promotion is a form of communication, much can be learned about structuring effective promotion by examining the communication process.

Communication requires four fundamental elements:

- A source;
- A message;
- A communication channel;
- A recipient.

The communication process for marketing a product offered by an MFI takes place in the following stages:

a. The information that the MFI wants to communicate must be presented in a transmittable form by translating an idea into words, pictures or another form. For example, the idea “Our MFI must find a way to personalize its image” can be verbally presented as “The friendly bank next-door.”

b. Once the message has been transmitted, the recipient interprets the message. The interpreted message may match what the MFI intended (“A friendly bank means caring employees”) or something else (“I wonder if the MFI is substituting friendliness for professionalism”), depending on the recipient's knowledge and experience.

c. If the message has been transmitted successfully, a change takes place in the recipient's knowledge, beliefs or feelings. As a result of this change, the recipient formulates a response. The response could be non-verbal (smiling when passing by the MFI premises), verbal (telling a friend to try the services of the MFI) or behavioral (opening a savings account and depositing a large sum of money).
d. The response chosen serves as feedback, informing the MFI whether the message was received and how it was perceived by the recipient. Feedback allows the MFI to determine whether their message was successful and how to improve future communication.

All stages of the above process can be affected by noise; any external factor that interferes with successful communication. For MFIs, the advertisements of their competitors are noise.

2 PROMOTIONAL METHODS

There are five promotional methods:

i. Personal sales;
ii. Advertising;
iii. Sales promotion;
iv. Public relations/publicity;
v. Sponsoring.

Each promotional method is distinct. The following sections describe each method in detail.

i. Personal Sales

“Everybody lives by selling something.”

(Confucius)

The above statement is just as true today as it was when written over 100 years ago. In fact, personal sales can be defined as the personal communication of information to persuade somebody to buy something. Personal sales involve the direct presentation of a product to a prospective customer by a representative of the organization selling it and usually take place face to face. Effective personal sales adjust to customer reactions and build good customer relations.

Personal sales are the largest single operating expense for many companies, often equaling 8-15% of the overall sales budget. This figure can rise to 40-50% for service and financial institutions. In contrast, advertising expenses normally average 1-4% of the overall sales budgets.

Personal sales are an expensive form of promotion because it entails intensive management of a strategic sales force. However, personal selling is also one of the most effective forms. Even if all other promotional efforts are perfectly executed, one encounter with an unfriendly staff member can destroy the fragile trust relationship between a client and an institution. MFIs should therefore put strong emphasis on training their personal sales force.

There are several requirements to ensure effective personal sales.

- The sales-force must be carefully recruited and selected.
- Personnel must undergo a process of assimilation in regards to company objectives.
- Personnel must receive adequate training and appropriate motivation, compensation, supervision and performance evaluation.
These requirements necessitate substantial financial investment on the part of the MFI before employees are able to represent them effectively.

Several of the MFIs surveyed for this study guide rely on sales campaigns to market their products.

- As part of their promotional activities, the sales force of Sonapost in Burkina Faso carries out sales campaigns directly at a number of workplaces and government agencies, such as water utility plants, schools, health care centers, sugar production facilities, flour mills, breweries and agricultural cooperatives. Employees and workers are able to open accounts directly with sales personnel at their places of work during these campaigns.

In large government agencies, businesses and production facilities, Sonapost carries out sales campaigns at least once a year. Sonapost reports that these campaigns directly increase their number and volume of deposits, especially in their retirement savings plan. Sonapost notes that the consistent follow-up of their sales force with individuals who express interest results in success.

- KPOSB in Kenya also holds sales campaigns to attract bulk customers in schools, businesses, army barracks and police stations.

- Rural Bank of Talisayan in the Philippines relies on their field officers and sales force to promote their savings products during their regular course of business as well as during special sales campaigns.

- People’s Bank in Sri Lanka carries out sales campaigns in locations with large groups of people, such as schools, kindergartens, temples and tea estates. In addition to providing promotional information during these campaigns, People’s Bank offers interested clients the immediate possibility of opening an account.

- Union Bank in Jamaica engages in personal sales at factories, companies, markets, churches, schools and at community expositions to target large groups of potential customers. Sales representatives also conduct sales walks in local communities and open accounts on the spot for customer convenience.

ii. Advertising

Advertising is impersonal mass communication designed and paid for by an MFI. The most familiar forms of advertising are broadcasting (TV and radio) and print (newspapers and magazines). However, there are numerous other alternatives, ranging from direct mail to billboards.

Advertising is used by most organizations. The significance of advertising is indicated by the amount of money that businesses around the world spend on it. The more products there are in the market, the more MFIs normally advertise to make their products known. Ithala in South Africa makes marketing a priority, having budgeted over $1 million a year for the past three years. Their marketing department employs 23 people.

The microfinance sector in Bangladesh is one of the most competitive in the world, which should imply heavy advertising. ASA reported, however, that they do not advertise, but rather rely on their sales staff and word of mouth to promote their products and services to current and prospective customers. BURO, Tangail does advertise, though they concentrate on keeping promotional costs low in order to remain competitive. BT passes out brochures and circulars and uses public address systems in market places to broadcast
They also erect billboards in strategic locations and promote savings through a campaign for one week each year to motivate current clients to increase their deposits and attract new customers.

CERUDEB in Uganda places a strong emphasis on marketing. However, their CEO reported that CERUDEB is careful not to advertise too much in order to avoid the impression that their bank is not stable or that their bank is in need of new deposits. One of the banks closed by the Ugandan Central Bank in 1999 ran an extensive advertising campaign emphasizing deposits shortly before it was closed down due to fraud. This example shows that advertising decisions must be based on the overall environment in which an MFI operates.

Advertising instruments all share the following four features:

- A verbal and/or visual message;
- An identified sponsor;
- Delivery through one or more media;
- Payment by the sponsor to the media carrying the message.

Types of Advertising

How advertising is used depends on:

a. The target audience;
b. What is being advertised (a product versus an institution); and
c. The objective sought.

- **Customer and Business-to-Business advertising**: one of the major differences between customer and business-to-business advertising is the language and media utilized. In customer advertising, the message must be short and clear and connected to a picture that enhances the message. In business-to-business advertising, companies provide more detailed information.

  For MFIs, business-to-business advertising may also include information about their relations with and for other financial institutions, such as refinancing organizations. For example, ASA in Bangladesh does not advertise to customers, but does maintain an excellent web page, which provides detailed information about their products and services. Given the income level and computer access of their target markets, it is clear that the web page is geared toward the business and international communities.

- **Product advertising** focuses on a particular product or brand and is subdivided into two types of advertising:
  
  - *Direct-action advertising* seeks a quick response. For example, a magazine ad may urge the reader to send back a coupon or call back immediately. Responses to the advertisement provide information about prospective customers and indicate the effectiveness of the advertisement.
  
  - *Indirect-action advertising* is designed to stimulate demand over a longer period of time. It is intended to inform or remind customers that the product exists and to point out the benefits of the product.

- **Institutional advertising** presents information about the MFI's product lines or tries to create a favorable impression about the organization by building goodwill.
Primary-Demand and Selective-Demand Advertising: Primary-demand advertising is designed to stimulate demand for a generic category of a product, such as savings accounts for children, fixed deposit accounts for 6 months or housing loans. In contrast, selective-demand advertising is intended to stimulate demand for individual brands such as a specific savings plan at a particular MFI.

Primary-demand advertising is used in two types of situations:

- The first is when a product is in the introductory stage of its life cycle. This is called pioneering advertising. A firm may run an advertisement about its new product, explaining the product’s benefits, but not emphasizing the brand name. The objective of pioneering advertising is to inform, not to persuade, the target market.
- Primary-demand advertising is also used at other stages of the product life cycle. In later stages, it is considered demand-sustaining advertising.

Selective-demand advertising is essentially competitive advertising. It pits one brand against the rest of the market. This type of advertising is employed when a product is beyond the introductory life cycle stage, is reasonably well known, and is competing for market share with several other brands. The objective of selective-demand advertising is to increase the demand for a brand by emphasizing its special features and benefits; its differential advantage.

Advertising Campaign Development

An advertising campaign includes all of the tasks necessary to transform an idea into a coordinated advertising program intended to accomplish specific target goals for a product or brand. Advertising campaigns are planned within the context of the overall strategic marketing plan and the promotional program. Before designing an advertising campaign, management must decide on the following:

- Target markets;
- Promotional goals;
- The promotional budget; and
- The overall promotional theme.

Once these are known, the MFI can begin formulating an advertising campaign. Five steps are necessary to develop an advertising campaign:

a. Defining Objectives: The purpose of advertising is to sell something: a good, service, idea or place, either now or in the future. This purpose can be achieved by defining specific objectives that can be expressed in advertisements. The advertisements are then incorporated into an advertising campaign.

Typical objectives of an advertising campaign include:
- Supporting personal sales;
- Informing customers about a new product, product line extensions, or brand names;
- Expanding the use of a product to new markets; and
- Counteracting substitution. Advertising reinforces the decision of existing customers and reduces the likelihood that they will switch over to competitors.

b. Establishing a Budget: Once a promotional budget has been established, funds must be allocated to the various activities of the overall promotional program.
Some companies use **cooperative advertising** to stretch their budgets. Cooperative advertising promotes the products of two or more businesses, which share the cost of the advertising. The products must be complimentary rather than in competition with one another. For example, an MFI can advertise savings accounts for school children with a school bookstore. In this way, two complementary businesses share the cost of reaching the same target group.

c. **Creating A Message:** Whatever the objective of an advertising campaign, individual ads must accomplish two things:

- Get and hold the attention of the intended audience; and
- Influence that audience in the desired way.

It is important to remember that the ultimate purpose of advertising is to sell something and that the advertisements themselves are sales messages.

Getting people's attention through a sales message can be achieved in many ways. The most common way is to present the message in an unexpected manner. Each form of media can be selected for its unique advantages.

- Television allows the possibility of special effects;
- Radio targets the imagination of the listeners, creating numerous mental images that would be impossible to produce visually or in print.

Surprising, shocking, amusing and arousing curiosity are all common techniques used to gain the attention of target markets. Thus a printed advertisement might contain a majority of white space while a TV advertisement might picture a product in an unusual setting.

To strengthen the impact of advertising, MFIs should create an overall impression that corresponds to their corporate image. **CERUDEB** in Uganda, for example, bases all of their advertisements on the bank slogan: "The Bank for all Ugandans."

It is important to pay attention to details in advertising. For example, the colors used in advertising may convey a positive image to the recipient, so MFIs targeting rural markets may want to use green colors in rural settings. Such issues, however, are highly sensitive to regional and cultural differences.

If an advertisement succeeds in getting the attention of the target market, the MFI only has a few seconds to communicate their message. A message is composed of two elements:

- **Appeal** in advertising is the reason why the recipient reacts in a certain manner. It focuses on the benefit that an individual will receive as a result of believing the message.
- **Execution** is promoting product features in a convincing way that relies on the appeal of the product.

Appeal can be demonstrated in various ways. For example, the benefits of a reliable home appliance could be demonstrated by presenting operating statistics, obtaining the endorsement of a respected person or organization, sharing the experiences of satisfied users or owners, or describing the manufacturing process.

d. **Selecting Media:** The advertising message and the appropriate media to convey the message are very dependent on one another. The two are normally selected simultaneously and determined by the product’s appeal and the target market.
MFIs need to make the following decisions when determining which advertising medium to use:

- Which medium will be used - newspaper, magazine, radio, television or direct mail; billboards, promotional brochures or the yellow pages?
- Which category of the selected medium will be used? Television may be state-owned or private, radio stations may be educational or news-oriented, magazines are for both general and special interests, newspapers can be local, national or international.
- Which specific choice will be selected? An MFI that decides to advertise through radio, and then decides on local stations, must still determine which stations to use in each location.

There are a number of general factors that influence media choice:

- **Advertising Objectives.** The purpose of a particular advertisement and the goals of the entire campaign influence which media will be selected. For example, if the objective is to increase general awareness, the MFI may rely on a TV spot. If the objective is to create immediate awareness in a particular rural town about the arrival of a mobile savings unit, loudspeakers on top of the mobile unit vehicle may be the best medium.

- **Target Market.** The market reached by the medium should match the geographic distribution of the product. Furthermore, the selected medium should reach the target market with a minimum of wasted coverage. Wasted coverage occurs when advertising reaches people who are not prospective customers for the product. Many media, even on the national level, can be targeted at small, specialized market segments. For example, some newspapers publish local editions with different advertising sections in each edition.

- **Message.** The medium selected should fit the message. For example, food products should be presented visually. If an MFI has a very brief message (often less than six words is recommended), billboards may be the best medium.

- **Time and Location.** The medium selected should reach prospective customers when and where they are about to make their buying decision. For example, advertising for a savings plan targeting farmers should reach them just before harvest time. Waiting areas in branch offices are excellent locations to advertise available products.

- **Cost.** The cost of each medium must be considered in relation to the funds available and the reach or circulation of the medium. For example, the cost of television advertisements exceeds the available funds of many MFIs.

MFIs often use a combination of media:

- **BRI** uses several advertising media. Brochures describing their savings and credit products are available at UDES outlets. Posters are handed out by UDES loan officers when they visit clients as well as at UDES offices. In addition, BRI advertises via local radio and television stations.

- In order to launch their Partner Savings Product in May 1994, **Union Bank** in Jamaica hired a popular local reggae artist to sing a catchy jingle, which played on both radio and television. Promotional materials and advertisements in the press used cartoon characters and Jamaican dialect to appeal to the low-income market segment. In three years, the bank amassed over $3 million in Partner savings deposits.
➢ **Ithala** utilizes a variety of advertising media to market their savings products including detailed product leaflets that are available at all branch offices and disseminated at marketing exhibitions. They also send out direct mail, advertise on local radio and TV stations and hold monthly marketing campaigns to promote savings products at all of their branches.

➢ **BAAC** uses a variety of advertising materials, including brochures, posters, banners and radio advertisements. In addition, BAAC has engaged in several advertising activities for individual savings products: employees promote products via a loud speaker at branch offices during peak hours, and with village speakers during religious ceremonies at temples and district sporting events. From April-June 2000, BAAC held an advertising campaign for their Increasing Wealth time deposit. The actual deposit certificate depicts rice producers during harvest. All customer halls were decorated with large banners depicting the same scene.

Field reports from April 2000 found that the "BAAC song" is also very popular among clients. Each mobile savings unit is equipped with powerful loudspeakers that carry a long distance and when the units arrive at a stop, they play a catchy advertising jingle to alert customers that they are open for business. Marketing staff in the mobile units also directly approach customers and invite them to open a BAAC savings account. These promotional efforts have proven very successful.

➢ **The Construction & Business Bank** in Ethiopia reported that they have found radio and television advertisements as the most effective means of reaching existing customers and potential clients. They also participate at least twice a year in trade fairs and exhibitions held in the capital and some regional cities.

➢ **FUCAC** in Uruguay utilizes leaflets to announce new products and to advertise the interest rates of their ongoing products. In addition, FUCAC reports that they have had excellent results when they advertised on local television during local news programs.

➢ **KPOSB** in Kenya uses various promotional materials, such as brochures, posters and banners, which they distribute during sales campaigns and display at sales points. In addition, KPOSB airs a weekly radio program.

e. **Evaluating Effectiveness:** A standard measure to evaluate the effectiveness of an advertising campaign is the cost per thousand persons reached (CPM; M for the Roman numeral for one thousand). This formula allows an MFI to compare costs across various media. The CPM is computed as follows:

\[
CPM = \frac{\text{Ad cost} \times 1,000}{\text{Circulation}}
\]

For example, if the advertising cost for a four-colored, one-page ad in a newspaper is $5,000 and the circulation of the newspaper is 65,000, the corresponding CPM would be:

\[
CPM = \frac{5,000 \times 1,000}{65,000} = \$76.92
\]

Often, however, evaluating the effectiveness of an advertising campaign is very difficult. Famous US car producer Henry Ford once said: "Fifty percent of advertising cost is useless. The problem is to know which half is not." Advertisements reach many people who are not interested in the products advertised. This is called the dispersion loss of advertising. To optimize spending on advertising means minimizing dispersion losses through focused action.
Advertising Management

There are three ways an MFI can manage its advertising:

- Develop an internal advertising department;
- Employ an outside advertising agency; or,
- Use both an internal advertising department and an outside advertising agency.

Regardless of which alternative is selected, the same specialized skills are necessary to advertise successfully. Creative people are needed to prepare the copy, generate illustrative material and design layout. Media experts are required to select the appropriate media, buy the advertisement time or space and arrange the timing of the advertisement. Managerial skills are essential to plan and administer the general advertising program. Some MFIs have advertising that is more management-oriented than customer-oriented, because their managers like to advertise according to their own taste. This can be a costly mistake.

iii. Sales Promotion

Sales promotion is one of the most loosely defined terms in marketing. It is defined as demand-stimulating devices designed to supplement advertising and facilitate personal sales. Sales promotion frequently involves a temporary incentive such as coupons, gifts, premiums, in-store displays, trade shows, samples, in-store demonstrations and contests, to encourage purchases. Sonapost in Burkina Faso offers their depositors a wide range of promotional gifts, including T-shirts, folders, calendars, key chains and hats. These gifts are popular among clients and have served to cement client loyalty to the bank. Likewise, CERUDEB in Uganda passes out calendars and bumper stickers to promote sales.

Sales promotion is distinct from advertising or personal sales, but these three forms of promotion are often used together in a coordinated fashion. For example, an in-store display can serve as an effective reminder at the point of sale and complement newspaper advertisements. Many sales promotions are directed toward customers while others are designed to encourage a company’s sales force to sell its products more aggressively. Some do both.

- **Banco Solidario** in Ecuador offers promotional incentives to both staff and clients. Every depositor that introduces a new client receives $2 cash and a food gift basket. In addition, when a client or staff member motivates a friend to deposit a minimum of US$5,000, they earn a commission ranging from 0.2% of the amount (for a period of 30-59 days) to 1.2% of the amount (for a period of more than 179 days.) The commission is deposited in the client or staff member’s savings account. Banco Solidario reports that these promotional incentives have been very successful.

Sales promotion should be included in an MFI’s promotional plans, along with advertising and personal sales. MFIs therefore need to:

- a. Define sales promotion objectives and strategies;
- b. Allocate a sales promotion budget;
- c. Select appropriate sales promotion techniques; and
- d. Evaluate the effectiveness of sales promotion activities.

One problem that management faces in carrying out these steps is that sales promotions are often short-term. Coupons, premiums and contests, for example, are designed to produce immediate, but short-lived, responses. As a result, they tend to be used as stopgap measures to reverse unexpected sales declines rather than as integrated parts of a marketing program.
Some MFIs, however, have designed permanent, on-going lotteries as a feature of their savings products.

Research conducted by BRI revealed that games of chance were popular among rural Indonesians and that informal savings mechanisms often included drawings, which were important social events. BRI staff therefore decided to attach a semi-annual lottery to their SIMPEDES savings product. The lotteries have proven popular and effective promotional events. Both cash and in kind prizes are awarded in public ceremonies. BRI staff invites community leaders as well as depositors to the drawings and use the opportunity to inform the community about their services. A December 1996 study showed that 76% of BRI deposit volume was held in SIMPEDES accounts.

In order to promote sales and create publicity, KPOSB in Kenya holds regular lotteries with cash prizes for Premium Bond holders. Monthly draws are held in public in the customer hall of the central office and in each branch, with TV and radio coverage in the national language.

Rural Bank of Talisayan in the Philippines relies on regular raffle and lottery drawings with cash prizes to promote their savings products.

People’s Bank in Sri Lanka holds yearly lotteries for depositors in both normal savings accounts and in the Women’s Saving Plan. All account holders automatically receive one chance to win. Drawing parties are televised from the bank’s headquarters in Colombo. Prizes include jewelry, TV sets and a new car. The names of winners are published in daily newspapers in three languages. Award celebrations are special promotional events with food, traditional music and a festive setting.

Union Bank in Jamaica holds quarterly cash drawings for long-term depositors.

Each six months, BAAC branches in Thailand hold a drawing party for the Multiple Fortune lottery. Lottery prizes include cars, motorcycles, refrigerators, TVs, fans, and other items popular among small savers. Total prizes for 1999 were valued at $530,856. Increasing Wealth drawings take place each three months and cash prizes are awarded, with a first prize valued at $265,428. In addition to the televised drawing, these occasions include entertainment, food and dancing- all to promote BAAC and their products.

a. Defining Objectives and Strategies

There are normally three general objectives of sales promotion:
- Stimulating business or household demand for a product;
- Improving the marketing performance of the sales force; and
- Supplementing advertising and personal sales.

Sales promotion measures may satisfy more than one of these general objectives.

More specific objectives of sales promotion include the following:
- Creating awareness about a new or improved product;
- Changing existing buying habits;
- Attracting new customers;
- Encouraging greater use of a product by existing customers; or,
- Combating a competitor’s promotional activities.

b. Allocating a Budget

The sales promotion budget should be established as a separate line item in the overall promotional budget to foster the development of a separate sales promotion strategy. If sales promotion is included in the advertising or public relations budget, it may be overlooked or poorly integrated with the other components of promotion.
In order to develop an integrated promotional strategy, the amount budgeted for sales promotion should be determined by the specific tasks envisioned. Doing so forces management to elaborate sales promotion objectives and determine the sales promotion techniques that will be used to accomplish them.

c. **Selecting Appropriate Sales Promotion Techniques**

The choice of sales promotion techniques should be dictated by the objectives of the overall marketing program.

- If an MFI has decided to increase its depositor base by entering new geographic markets, an appropriate sales promotion strategy may include giving out a lottery coupon for each new savings account.

- If an MFI faces intense competition and intends to increase its deposit market share, the MFI could select a push strategy, which involves intense training of the sales force in customer relations and incentive bonuses for each new savings account opened.

Factors that influence the choice of promotional techniques include:

- **Target Market**: Is the target group loyal to a competing product? If so, a high-value coupon may be necessary to disrupt customer-purchasing patterns.

- **Promotional Objectives**: Does a pull or push strategy best complement the promotional program?

- **Product**: Does the product lend itself to sampling, demonstration or multiple-item purchase?

- **Cost**: Sampling or giveaways to a large audience may be prohibitively expensive.

- **Current Economic Conditions**: Coupons, premiums and rebates are good options during periods of recession or inflation, when customers are particularly price conscious. For example, an MFI could give out a coupon to depositors who save over a minimum amount in a student savings plan for a price reduction at a bookstore.

d. **Evaluating effectiveness**

Evaluating the effectiveness of sales promotion is much easier, and the results more accurate, than evaluating the effectiveness of advertising. For example, responses to a premium offer or a coupon with a specified closing date can be counted and compared to a similar period when there were no premiums or coupons offered. Sales promotion is easier to measure because it has definite starting and ending dates and is designed to directly impact sales.

iv. **Public Relations and Publicity**

*Public relations* is a management tool designed to favorably influence attitudes toward an organization, its products and its policies. Unlike most advertising and personal sales, PR does not include a specific sales message.

*Publicity* is a special form of public relations that refers to news stories about an organization or its products.

a. **Public Relations**

Public relations as a form of promotion, is often overlooked. Most organizations relegate public relations far behind personal sales, advertising and sales promotion. There are several reasons for management's lack of attention to public relations:
• **Organizational Structure**
  In most companies, public relations is not the responsibility of the marketing department. If public relations is actively managed, a small public relations department that reports directly to executive management usually handles it. **CERUDEB** in Uganda places a strong emphasis on PR, which is managed by their CEO. In order to ensure professionalism, they use a PR agency.

• **Inadequate Definitions**
  Both businesses and the public use the term public relations loosely. There are no generally accepted definitions of the term. As a result, what actually constitutes an organized public relations effort is not clearly defined. To have successful public relations, a company must elaborate its own PR objectives and rules.

• **Unrecognized Benefits**
  Many organizations have only recently come to appreciate the value of good public relations. As the cost of promotion has increased, companies have realized that positive exposure through the media or as a result of community involvement can produce a high return on the investment of time and effort.

Public relations activities are typically designed to build or maintain a favorable image of an organization and a favorable relationship with its various publics - customers, prospective customers, stockholders, employees, labor unions, the local community and the government. However, unlike advertising, public relations need not use the media to communicate its message.

Good public relations can be achieved by supporting charitable projects through supplying volunteer labor or other resources, participating in community service events, sponsoring sport teams, funding events, producing an employee or customer newsletter and disseminating information through exhibits and displays.

- **Banco Solidario** in Ecuador relies on the services of a PR agency that came highly recommended by Board members. The agency, in coordination with the bank's top management, is responsible for radio and television advertisements as well as promotional campaigns in specific locations. Bank branches manage communication with the press. Banco Solidario reports that using the services of a PR agency has helped them contain costs and obtain better results.

**b. Publicity**

Publicity is any communication about an organization, its products or policies through the media that is not paid for by the organization. Publicity usually takes the form of a news story appearing in a mass medium. An endorsement provided by an individual, either informally, or in a speech or interview, is good publicity. For example, an MFI may present its personnel at the opening of a new branch in a community through a press conference.

There is also, of course, bad publicity - a negative story about a firm or its product appearing in the media. In a society that is increasingly sensitive to media stories and in which news media are quick to report mistakes, organizations tend to focus on the negative dimension of publicity. As a result, managers can be so concerned about avoiding bad publicity, that they overlook the potential of good publicity. Sometimes, if even one company in a line of business receives bad publicity, all firms in that line of business suffer. In the past, the bankruptcy of some banks has destroyed public trust in the whole banking industry.

There are three means for gaining good publicity:
• Preparing a news story and circulating it to the media. The intention of this PR measure is for the selected newspapers, television stations or other media to report the information as news.

• Communicating personally with a group. A press conference will draw media representatives if they feel that the subject or speaker has news value.

• One-on-one personal communication. Companies lobby legislators or other powerful people in an attempt to influence their opinions and subsequently their decisions.

Another way for an MFI to gain good publicity is to invite prominent people for a company tour or to present new products to prominent people with media representatives. The media representatives report the news about the MFI because the prominent person is interested in the organization. They may release a story about the prominent person that includes information about the MFI. For example, if the governor of the Central Bank visits the head office of an MFI, the press will publicize the visit and the products if a press information kit is made available well in advance.

Publicity can help accomplish any communication objective. It can be used to announce new products, publicize new policies, recognize employees, describe research breakthroughs or report financial performance - if the message, person, group or event is viewed by the media as newsworthy. This is what distinguishes publicity from advertising; publicity is not ‘forced’ on the audience. This is also the source of its primary benefit. The credibility of publicity is typically much higher than advertising. If an MFI reports that its own product is great, prospective customers may be skeptical. But if an independent, objective third party writes in the newspaper that an MFI's product is great, people are more likely to believe it.

Other benefits of publicity include:

• **Lower costs** than advertising or personal sales. Companies will incur some costs, such as purchasing beverages and snacks for journalists, but the costs are normally low.

• **Increased audience.** Many prospective customers are conditioned to ignore advertising or at least pay it little attention. Publicity is presented as editorial material or news, so the readership is greater.

• **More Information.** Because it is presented as editorial material, publicity often contains greater detail than advertising.

• **Timeliness.** A company can put out a news release very quickly when an unexpected event occurs.

But publicity also has limitations:

• **Loss of control** over the message. An organization has no guarantee that a news release will appear in the media. In fact, only a small proportion of all the news releases a firm prepares are ever used. This does not imply that an MFI should produce only a few news releases. On the contrary, the more news releases an MFI circulates, the better the chance that one will appear in the media.

• **Limited exposure.** The media will typically use publicity material to fill space when there is a lack of other news and only use the material once. If the target audience misses the message when it is presented, there is no second or third chance.

• **Cost.** As noted above, publicity is not free. Even though there are no media time and space costs, there are expenses in staffing a publicity department and in preparing and disseminating news releases.
Although few executives would argue that having a good image and staying in touch with an organization’s publics are unimportant, evaluating public relations and publicity is difficult. To justify expenditures, some organizations require publicity departments to provide specific public relations objectives and demonstrate measurable results. Because it is usually impossible to relate public relations and publicity directly to sales, other measures must be used. For example, behavioral research can demonstrate increased awareness of a product or brand name or changes in attitudes and beliefs about a company.

v. Sponsoring

Sponsoring is a mixture of advertising and publicity. In sponsoring, an MFI supports an event or program that is in the interest of the community at large. The event could be a sporting event, a concert, or a scholarship program. It is important for an MFI to select events or programs to sponsor that affect their target markets and that transmit the same image that the MFI would like to project.

Several of the MFIs surveyed sponsor various activities.

- **Rural Bank of Talisayan** in the Philippines sponsors an annual parade to commemorate their anniversary. Community members enjoy participating in the event.

- **People’s Bank** in Sri Lanka began sponsoring a scholarship program in schools throughout the country in 1992. Each year, the bank awards 43 two-year scholarships to student account holders with the best “O” level grades in order to pursue their “A” level education. Award lists are published in all of the big newspapers and the scholarships are presented in a public ceremony. Client interviews conducted in January 2000 demonstrated that PB’s sponsoring of bright young students has endeared the bank to local communities and greatly enhanced their reputation.

  People’s Bank also sponsors special promotional activities in their customer halls. For example, on January 1, 2000, some branches held parties with buffet dinners including local specialties and lighted traditional oil lamps.

- **Union Bank** in Jamaica has also sponsored scholarships and awarded books for school-age depositors, weekends for two at hotels and tickets for World Cup football.

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1 For an introduction into promotion policy see Hatton (2000: 201-206)