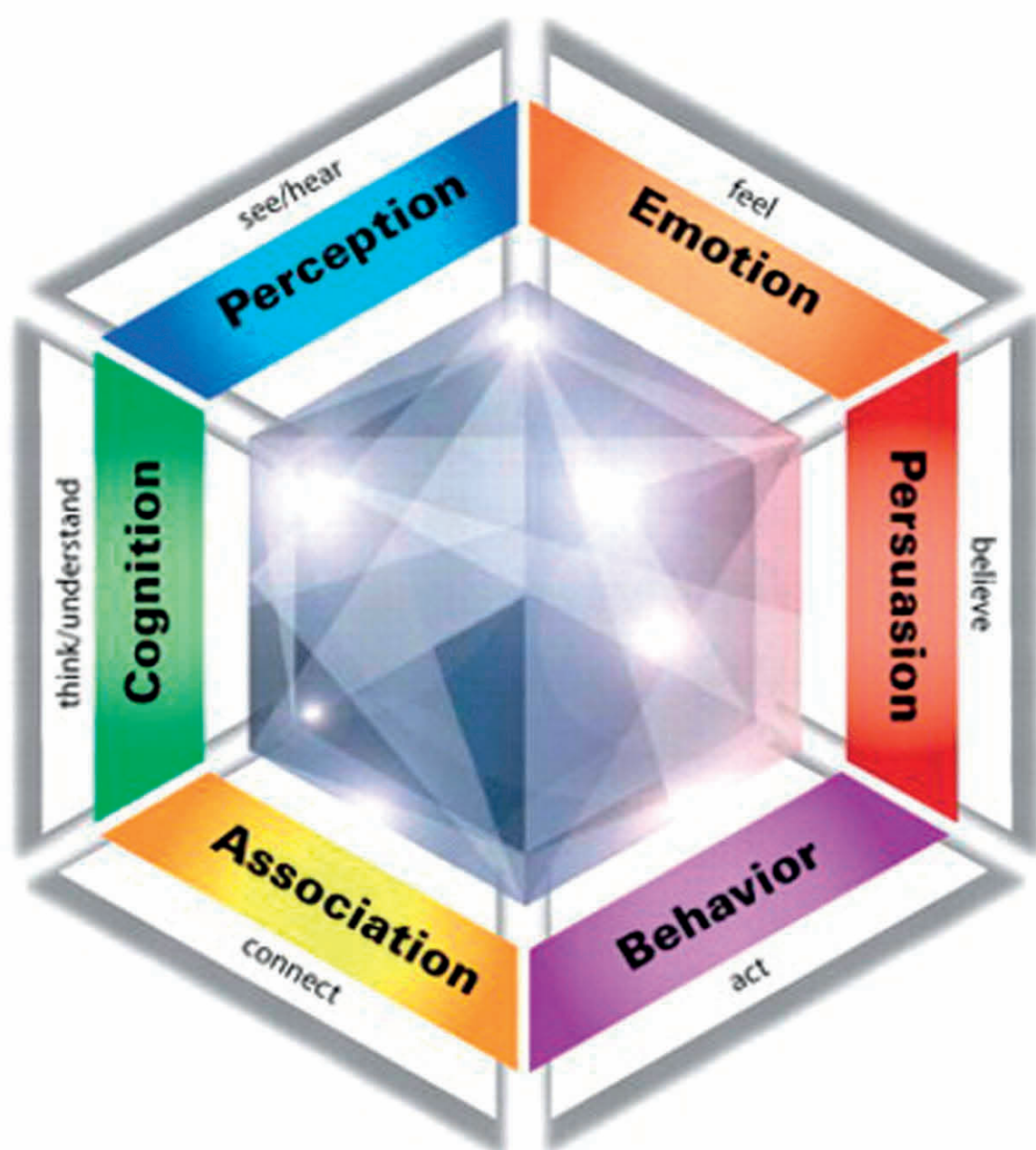


TENTH EDITION

Advertising & IMC

PRINCIPLES AND PRACTICE

Moriarty ♦ Mitchell ♦ Wells



Advertising & IMC

Principles & Practice

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Advertising & IMC

Principles & Practice

Tenth Edition

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The Tenth Edition is dedicated to all the students who have inspired us with their questions and ideas and all the colleagues who have challenged us with new thoughts and new findings. Most of all we dedicate this book to all our many contributors—the students, graduates, professors, and professionals who have contributed their thoughts, creative work, and professional experience to this edition.

Sandra Moriarty and Nancy Mitchell

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Preface

The Power of Liking

You know what—and who—you like. And your likes ripple through your friendship circles as you influence and are influenced by people you know and respect. That’s what research in 2013 found about the practice of “liking” something on Facebook and other social media. A positive comment or action feeds on itself and sets off a cycle of friendly responses as it spins through a network of communication.

Why is that important to advertising and brand communication? It’s because these “likes” may echo and amplify thoughts and feelings about brands and organizations as well as people and events.

Commercial communication has changed radically in the 21st century, moving from marketer-driven and product-focused brand messages to social media strategies that aim to inspire positive comments about brands and the organizations behind them. In this new world, the snowball effect of liking may spread the word about a brand faster and farther than traditional advertising—and with greater impact.

But liking is just the social face of emotion. On a deeper level, savvy marketers would like customers to fall in love with their brands.

That’s the focus of a 2013 book called *Loveworks: How the World’s Top Marketers Make Emotional Connections to Win in the Marketplace* by Brian Sheehan, one of this book’s contributors. He’s also a Syracuse University professor who spent 25 years working for Saatchi & Saatchi and its agencies in Japan, Australia, and Los Angeles. Based on a previous book called *Lovemarks* by Saatchi’s CEO Kevin Roberts, Professor Sheehan’s *Loveworks* uses case studies to prove that brands that engage consumer’s deepest emotions are the ones that work—the brands that win in the marketplace.

For example, the idea that responses to communication are driven by emotion is demonstrated in the “Blood Relations” campaign by the Saatchi agency in Tel Aviv that showed Israelis and Palestinians giving blood together. The effort was sponsored by the Parents Circle Families Forum (both Israeli and Palestinian families whose relatives had been wounded or killed in the conflict) and the Peres Centre for Peace. The simplicity of the symbolism of “blood relations” and the imagery of blood donors sitting side by side was supported by the slogan “Could you hurt someone who has your blood running through their veins?” The “Blood Relations” videos led to an avalanche of coverage both in Israel and internationally on NBC, BBC, and Reuters, generating comments in blogs as well as other news publications and radio stations. The effort won the United Nations Gold Award and five Gold Lions at Cannes in 2012, but it also moved a few survivors and combatants to see each other in a more positive way.

That’s why this textbook, *Advertising & IMC: Principles & Practice*, is dedicated not only to explaining advertising and other areas of brand communication—such as public relations, direct marketing, and sales promotion—but also to make you think about what works in commercial communication.

We’ll look at the basic principles and best practices in an industry that is undergoing radical change—old media are shape-shifting, and new media are emerging and merging with old media. The practice of brand communication faces new and exciting challenges in an interactive age where consumers are more in charge—actively selecting and designing their own media worlds and engaging with their friends in new forms of social media.

This 10th edition reflects these changes as it challenges its readers to assume control not only of their media choices but also of their bigger role as consumers and creators of products, ideas, and media.

What's New in the 10th Edition

1. ***Liking, Loving, and Loyalty*** In recognition of the importance of brand liking, the 10th edition of *Advertising & IMC: Principles & Practice* focuses throughout on emotion-driven strategies that have relevance to consumers and that create feelings of liking for a brand or organization. It also focuses on brand relationship strategies that move consumers from targets to partners, moving away from one-way communication to interactive and experiential brand communication.
2. ***The New Media World*** The media world has changed so dramatically in the first decade of the 21st century that the old media categories we have used in the past, such as print or broadcast, are no longer valid. Media distinctions have blurred and expanded to include media other than advertising. Furthermore, consumers now exert more control over media selection as their role as consumers of media has expanded. This has driven the biggest change in the 10th edition, which is a total rewrite of the four chapters in Part 4.

The media industry has a new concept that describes this broader and more interactive media world—POE, which stands for Paid, Owned, and Earned. With the guidance of the media experts on our Advisory Board, we have restructured the four media chapters in Part 4 around these concepts. We've also included Interactive as a defining media concept. In other words, we are now approaching media not in terms of the form (print or broadcast) but rather as functions—particularly how media function in consumers' lives where they seek out entertainment, social connections, and information. This approach is discussed in Chapter 11 as part of the overview of the changes in the media marketplace. Here is how this totally rewritten presentation of the media world is presented in Chapters 12, 13, and 14:

- ***Paid Media*** This category includes traditional advertising, which relies on the purchase of time and space from other media owners, as well as new media used to deliver advertising messages, such as cell phones, video games, and online ads. This is the focus of the new Chapter 12.
- ***Owned Media*** The first part of Chapter 13 looks at media owned and controlled by the organization, such as corporate public relations materials, as well as media used in retail promotions and branded media, which are often used by consumers to engage in positive, entertaining experiences.
- ***Interactive Owned Media*** Also in Chapter 13, we consider corporate interactive media (such as websites, Facebook, and Twitter pages), direct-response media, personal contact media and experiences (sales and customer service), and mobile marketing platforms. Although owned by the organization, consumers use them to gain information and participate in entertainment and social activities.
- ***Earned Interactive Media*** The earned category has traditionally been the province of public relations, particularly through publicity and mentions in the news media. In addition, this discussion of earned media has been broadened in Chapter 13 to include word of mouth (such as referrals) and brand mentions in social media, such as Facebook and Twitter. The focus is on buzz—people talking about things that interest them, including brands.
- ***Multiplatform Brand Communication Strategies*** Chapter 13 concludes with a discussion of new practices, such as mobile marketing, viral marketing, and social media marketing, that call for new approaches to platform integration as these new media forms overlap and, it is hoped, reinforce one another.
- ***Media Planning and Negotiation*** Chapter 14 continues to provide a review of the media planning and buying functions; however, the buying operation is reframed to emphasize the important role of negotiation. In addition, this chapter is expanded to include the complexities of managing multimedia and multiplatform programs.

3. **More In-Depth IMC Focus** The title of this book was modified in the ninth edition to recognize the importance of integrated marketing communication (IMC) practices, many of which have been important in this book since its first edition. In the 10th edition, a number of other changes have been made to better align the content with an IMC philosophy:
 - **More on Promotional Writing** Chapter 9 was rewritten to include writing for all the areas of brand communication. So, instead of a focus on only advertising copywriting, writing for all areas of brand communication is discussed.
 - **Broader Review of Media** Similar to the advertising copywriting change in Chapter 9, media from all IMC disciplines and functions are discussed in the four media chapters in Part 4.
 - **Principles of IMC** A set of IMC principles was developed in the ninth edition. Instead of appearing throughout the book, as they did in ninth edition, in the 10th edition these principles have been grouped to form a more comprehensive presentation of the basic IMC concepts in Chapter 18. This is a wrap-up technique to pull the IMC discussion together into a more coherent conclusion about the essential IMC concepts and the principles on which they are based.
 - **IMC Campaign Discussion as Summary** Discussions about campaign planning were sprinkled through a number of chapters in the ninth edition. In the 10th edition, campaign planning is developed more comprehensively in Chapter 18 as a way to summarize the principles and practices discussed in the previous chapters.
 - **IMC Management** Chapter 18 concludes by making a distinction between the practice of IMC campaigns, which by their nature are more short term, and the management of IMC programs, which involves setting the direction and philosophy of an IMC operation for the long term.
4. **New Evaluation Chapter (and Author)** Chapter 19 introduces Regina Lewis, a member of the book's Advisory Board, as the author of the final chapter in the book, which wraps up the discussion of effectiveness and the evaluation of brand communication efforts. An expert in consumer insight, Professor Lewis has directed marketing communication research and evaluation programs for Dunkin' Brands and the Intercontinental Hotels Group. She uses her broad experience to shape our discussion of the critical area of evaluation and wrap up the discussion of effectiveness, which continues to be a central theme of *Advertising & IMC: Principles & Practice*.
5. **New Examples of Award-Winning Brand Communication Campaigns** Part of the added value of this textbook lies in the cohesive story that it tells about effective brand communication. This is particularly important as students face a radically changing and complex media environment. New and updated case studies open each chapter in the 10th edition to illustrate basic principles and best practices and show students how professionals design and execute effective strategies that work.
6. **New Faces, New Cases, New Brands** Throughout the book new stories have been added to update the discussions and illustrate the many changes in this new marketing communication environment.
 - In 10e we have two new members of the Advisory Board who have been involved, not only with personal interviews and writing boxes, but also with critiquing and making suggestions about changing content and, in some case, changing the organizational structure of the book.
 - We have seven new Ad Stars whose work and thoughts we feature, as well as eight new Pros and Profs who have written boxes about their research, professional work, and other projects.
 - All but two of the opening stories are new or have been completely rewritten. We also have five new part-ending cases.
 - We have a major new case adapted from the AAF National Student Advertising Competition in the Appendix with application and reflection questions at the end of every chapter.
 - With a total of 33 new or completely rewritten boxes, almost every chapter has new featured stories to support and further explain concepts in the text.
7. **Contributions from Experts around the World** Preparing students to become effective brand communicators requires a broad knowledge about many subjects in

a dramatically changing media environment. This edition expands the number of contributions from experts across the globe, exposing students to a vast array of contemporary thinking about current issues. These pieces are designed to pique readers' interest about exciting new possibilities related to brand communication and challenge students to think critically in their quest to apply enduring principles and develop effective practices.

The Central Themes

Although the introduction to this preface highlighted changes, the important thing in a textbook project of this size and scale is that there are central threads that weave key ideas across the chapters and throughout the book. So let's consider the foundation themes that make this book different from other introductory textbooks in advertising and marketing communication.

Brand Communication and IMC

This book started out many years ago as an introductory advertising textbook; however, it has always had an IMC slant with coverage of other marketing communication areas. Over the years, the scope of advertising has changed. Now we use the phrase *brand communication* (or *marketing communication*) because what used to be known as *advertising* has expanded beyond the familiar ads in print media and commercials on radio and television.

Electronic and social media have opened up new ways to communicate online with consumers about a brand. Alternative and nontraditional forms, such as *guerilla marketing*, which reaches people in surprising ways in unexpected places, have opened up new opportunities to engage people with brand messages through memorable experiences.

Creating buzz and dialogue have replaced the old practice of targeting messages at consumers. A new goal is to enlist word-of-mouth conversations to reinforce and extend the power of the more traditional marketing communication forms.

This wider view of *advertising* includes an array of communication tools used by a variety of organizations—nonprofit as well as for-profit—promoting consumer as well as business-to-business products and services. We mention public relations, direct marketing, and sales promotion, but those are just a few of the tools in the brand communication tool kit.

We will describe the use of these various forms of brand communication as IMC, which refers to the strategic use of multiple forms of communication to engage different types of consumers who have an interest in or a connection to a brand. The title of this book changed in the previous edition to recognize the importance of IMC in modern brand communication.

Effectiveness

During a Super Bowl some years ago, an ad for Anheuser-Busch called “Applause” showed people in an airport spontaneously applauding a group of American troops returning home. Even the audience watching from their living rooms were inclined to join in with applause as part of this graceful display of respect and appreciation. It was touching and memorable, and it might have nudged a few viewers to think well of Anheuser-Busch.

But was it an effective ad? What was it trying to accomplish? Did the viewers remember it as an Anheuser-Busch ad, and, if so, did it affect their opinions of that company and its brands?

What is effective? Is it marketing communication that gets talked about? Is it a message like the Anheuser-Busch commercial that touches your emotions and inspires you to applaud? What, exactly, does it mean to say that a brand message “works”?

Our answer is that brand communication is effective if it creates a desired response in the audience. A brand message *that works* is one that affects people; it gets results that can be measured.

Effective messages move people to like, love, laugh, dance, squirm in their seats, or even shed tears. But they can also cause you to stop and watch or even to stop and

think. Commercial communication can't make you do something you don't want to do, but it can inspire you to read about a new product or remember a favorite brand when you're walking down the aisle in a supermarket.

This book uses the *Facets Model of Advertising Effects* to better explain brand communication strategies, consumer responses, and effectiveness. The facets model is like a diamond or a crystal whose surfaces represent the different types of responses generated by a brand message. This model and the ideas it represents are used throughout the book to help explain such things as how objectives are decided on, what strategies deliver what kind of effects, and how an advertisement and other forms of marketing communication are evaluated based on their objectives.

That's why this textbook is dedicated not only to explaining advertising and other areas of brand communication—such as public relations, direct marketing, and sales promotion—but also to make you think about what works in all commercial communication efforts.

Enduring Principles and Best Practices

To help you better understand how effective communication is created, this textbook will highlight the principles and practices of the industry. Marketing communication messages are part inspiration and part hard work, but they are also a product of clear and logical thinking. In most cases, consumers have little idea what the objectives are because that information generally isn't made public—and you sometimes can't tell from the communication itself. But think about the “Applause” ad. From what we've told you, what do you think the ad's objectives are? To sell beer? To get viewers to run out and buy the brand? Actually, the ad seems to be a bit removed from a straight sales pitch.

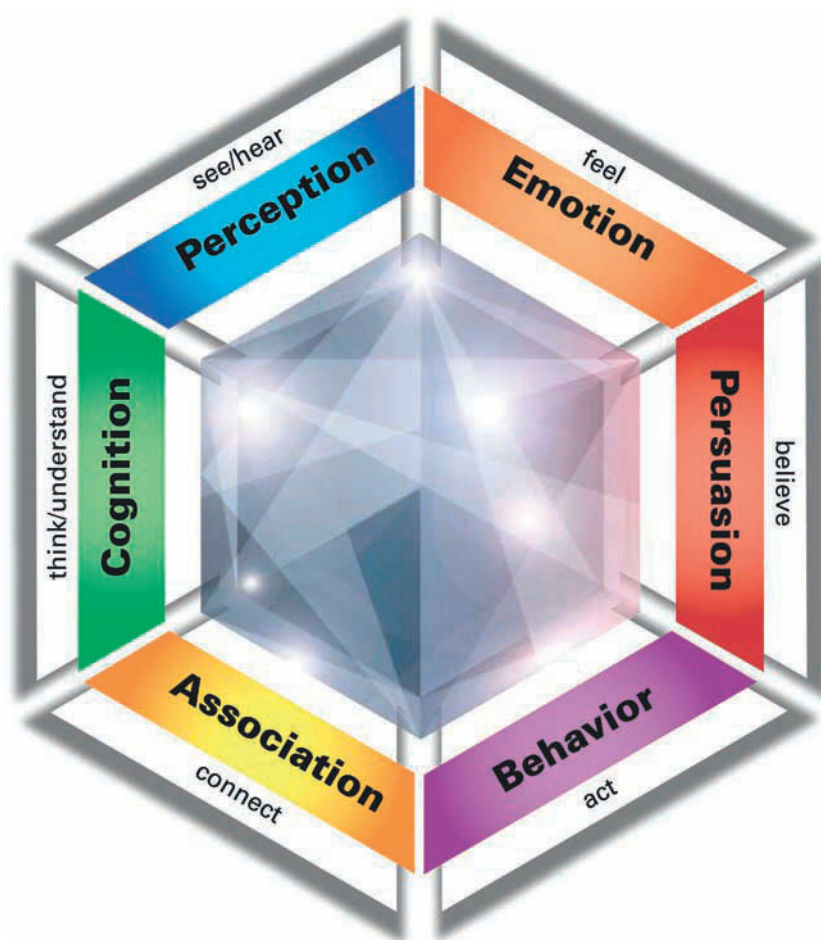
An educated guess—and that's what you will be better able to make after reading this book—is that perhaps its objective is simply to make people feel good, to see the goodness in a simple patriotic gesture—and, ultimately, to associate that feeling of goodness and warmth with the brand. Does it work? How did you feel when you read over the description of the ad?

This book presents both principles and practices of effective brand communication. You will find principles in the margins of the text in every chapter. In addition, boxes and other features elaborate on both the principles and the practices related to the topic of each chapter.

In this 10th edition, we take you behind the scenes of many award-winning campaigns, such as the Aflac, Altoids, Geico, and McDonald's campaigns, to uncover the hard work and explain the objectives, the inspiration, and the creative ideas behind some great campaigns. You will see how the ideas come together; you will live through the decision making, and you will understand the risks the message creators faced.

We also have contributions from highly experienced professionals as well as our Ad Stars—graduates from advertising and marketing communication programs around the

The Facets Model of Effects



country who were nominated by their professors to be featured in this book. We showcase their work throughout the book. They also have written “Inside Stories” that explain strategies and what they have learned on the job as well as “A Day in the Life” features that provide insight into various career opportunities in marketing communication.

The Proof It Works

Advertisers and marketers want proof that their marketing communication is effective and efficient. Likewise, you should want proof about the value of your textbooks. You will learn in this book that all advertising claims need to be supported. That’s why we make the claim—and, yes, this is an advertisement—that *Advertising & IMC: Principles & Practice* is the book to read to learn about effective brand communication. We are making a bold claim, but here is how we back it up.

Advertising & IMC: Principles & Practice is time-tested. That’s why it has continued as one of the market leaders for more than 25 years. It continues to be in touch with the most current practices in the industry, but it also presents the fundamental principles in ways that will give you a competitive edge. That’s why students keep this textbook on their shelves as an important reference book as they move through their major. One thing we hear from our young professional Ad Stars is that they continue to rely on this book as they make their transition to professional life, and you can find it on many of their office shelves as well. The principles in this book are enduring, and your understanding of the practices of the field can jump-start your career.

Teaching Aids for Instructors on the Instructor Resource Center

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If you need assistance, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit <http://247pearsoned.custhelp.com> for answers to frequently asked question and toll-free user support phone numbers.

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- **Test Item File** This downloadable Test Item File contains over 2,000 questions, including multiple-choice, true/false, and essay-type questions. Each question is followed by the correct answer, the learning objective it ties to, the AACSB category (when applicable), the question type (concept, application, critical thinking, or synthesis), and a difficulty rating.
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- **TestGen** Pearson Education’s test-generating software is available from www.pearsonhighered.com/irc. The software is PC/Mac compatible and preloaded with all of the Test

Item File questions. You can manually or randomly view test questions and drag and drop to create a test. You can add or modify test-bank questions as needed.

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Advertising & IMC

Principles & Practice

Tenth Edition

1

Principle: Back to Basics

This is one of the most exciting times to take an advertising course because of all the changes in the industry—new technology, new media, new types of consumers and media users, new ways of looking at brand communication, and new economic challenges. It's also a great time to be studying the basics of advertising and brand communication because this is the era of back to basics. Why do we say that?

Unchanging Truths in Times of Change



Bill Weintraub is retired from Coors where he was chief marketing officer. Before that he spent 15 years managing a range of brands at Procter & Gamble, then he was chief marketing officer at Kellogg and Tropicana. He teaches about brands and brand communication at the University of Colorado and the Daniels School of Business at Denver University.

Rather than redefine the field to accommodate changing times, Bill Weintraub, one of this book's advisory board members and a marketing expert who led marketing teams at Procter & Gamble, Tropicana, Kellogg's, and Coors, insists that the basic truths in marketing communication are immutable.

He observes, "Whether the economy is strong or weak, the basic principles of strategy and persuasion remain in place. As economic conditions change, what might evolve is more or less strategic emphasis on 'price' vs. 'value added'—in product offering and formulation, promotion strategy, and advertising executions." He continues,

I don't believe the underlying principles of marketing and communication should ever change. Regardless of the economy, new media, changes in culture, etc. I don't accept that these superficial changes in the marketing environment are relevant in terms of how intelligent business practices should be conducted.

The Basic Truth: Understand Your Brand

So what are the immutable principles that guide the practice of marketing communication? The most important is understanding your brand.

Advisory board member Regina Lewis, who has been in charge of consumer insights for InterContinental Hotel Group and Dunkin' Brands, says, "There is a very charged need for brand authenticity. With social media's power, brands are tasked with—among other things—achieving

CHAPTER 1 • Advertising

CHAPTER 2 • Brand Communication

CHAPTER 3 • Brand Communication and Society

perfect transparency.” In other words, “There is an enhanced need for brand clarity—for brands to know exactly what they stand for and to communicate exactly what they stand for.”

How is that brand strategy developed and delivered? Weintraub believes that “the essence of building a brand is a sound strategy that clearly differentiates a brand (in a positive way) to a specific group of consumers for whom the brand promise is relevant.”

Lewis believes that the basics of successful branding lie with connecting with consumer values. Like, Weintraub, she sees that “uniquely positioning your brand (a strategy based on knowing how consumers think and feel about your brand versus competitive brands) is essential.” But that’s just the foundation of successful branding; the structure of a successful brand is built on effective communication. As Lewis explains, “Communicating about your brand in a way that is highly meaningful to consumers becomes even more important” in dynamic periods such as we see in this 21st century.



Dr. Regina Lewis has been vice president of Global Consumer Insights at InterContinental Hotels Group and vice president and director of the Consumer and Brand Insights Group at Dunkin’ Brands, Inc. She is now an associate professor in the Department of Advertising and Public Relations at the University of Alabama.

The Enduring Principles

We agree with Weintraub and Lewis that branding, positioning, and communication are the foundations of brand success. We’ve elaborated on their thoughts to compile seven principles that we believe express marketing and marketing communication basics. These principles are central themes in this textbook:

1. **Brand** Build and maintain distinctive brands that your customers love.
2. **Position** Identify your competitive advantage in the minds of consumers.
3. **Consumers** Focus on consumers and match your brand’s strengths to consumer needs and wants.
4. **Message** Identify your best prospects and engage them in a brand conversation.
5. **Media** Know how to best reach and connect with your target audience.
6. **Integrate** Know how to connect the dots and make everything in the marketing communication toolkit work together.
7. **Evaluate** Track everything you do so you know what works.

As you will see throughout this book, effective advertising and marketing communication are founded on these basic, enduring principles. That doesn’t mean that brand communication is unchanging. In fact, the practices are dynamic and continually adapting to changing marketplace conditions. But the basic principles are unchanging even in times of change. In the chapters that follow in Part 1, these principles and practices will be explained, as will the key concepts of advertising and brand communication.

Advertising



Source: Ads reprinted courtesy of Wieden + Kennedy and the Procter & Gamble Co.

It's a Winner

Campaign

The Man Your Man
Could Smell Like

Company

Old Spice/
Procter & Gamble

Agency

Weiden + Kennedy

Contributing
Agencies

Paine PR, Landor

Award

Grand Effie and
Gold Effies in Beauty
Products,
Brand Experience,
Media Innovation,
Single Impact
Engagement
categories

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★ Improve Your Grade!

Over 10 million students improved their results using the Pearson MyLabs.
Visit www.mymktlab.com for simulations, tutorials, and end-of-chapter problems.

CHAPTER KEY POINTS

1. What is advertising, how has it evolved, and what does it do in modern times?
2. How have the key concepts of marketing communication developed over time?
3. How is the industry organized—key players, types of agencies, and jobs within agencies?
4. Why and how is the practice of advertising changing?

Old Spice: What It Takes to Be a Man

"The original. If your grandfather hadn't worn it, you wouldn't exist." This recent Old Spice slogan is part of an award-winning campaign that has become a cultural phenomenon. Old Spice advertising is a good starting point for this book because it lets us see advertising through a lens of change. What worked to convince your grandfather to use Old Spice probably wouldn't persuade guys to use it now.

This book explains and demonstrates principles and practices of effective advertising today. We are interested not only in ads that amuse us personally but also in ads that communicate effectively to achieve goals for the companies that sponsor them. Old Spice is a great example because it has demonstrated its effectiveness sufficiently to win the Grand Effie, the top prize in a competition that recognizes advertising and marketing communication that works.

As you read the book, you'll get a behind-the-scenes look at what makes advertising effective. You can see for yourself that a 1953 ad for Old Spice with the headline "Grand Shave? Looking Great!" and pictures of the shaving lotion bottle probably wouldn't cut it today to sell much shaving cream. Advertising has evolved to be much more complex than simply announcing that a brand of shaving cream is for sale, as the more recent "The Man Your Man Could Smell Like" campaign proves.

Procter & Gamble (P&G) and its agency Wieden + Kennedy faced a significant challenge to protect Old Spice's share in the male body wash segment and boost sales amid fierce competition, particularly from Dove Men+Care body wash, which was introduced during the 2010 Super Bowl.

To address this challenge, P&G took stock of the situation. Old Spice was perceived as a manly scent, not a feminine scent like other brands. P&G's research surprisingly revealed that women—not men—purchased 60 percent of men's body wash. The big idea driving the marketing communication: the campaign needed to spark conversations between men and women talking about a manly-scented body wash. If you want to "smell like a man," then the choice is obvious: Old Spice. Former NFL tight end Isaiah Mustafa (remember the bare-chested guy on the horse?) brought the message to life with his hilarious and over-the-top delivery about manhood.

Executing the idea in the digital age requires more than running an ad in a magazine or a commercial on television. P&G devised a strategy that involved using media in an innovative way, building buzz with social media and using YouTube, Facebook, Twitter, the Old Spice website, as well as television commercials to get people talking.

These commercials appeared on YouTube and Facebook a few days before—not during—the Super Bowl when airtime is superexpensive, and they ran in places where both sexes might be together and see them, such as during *Lost*, the Vancouver Winter Olympics, and *American Idol*.

Another component of this campaign was designed to generate buzz by letting the audience ask questions of “The Man Your Man Could Smell Like.” Interactivity, getting people involved with a memorable message through a communication exchange, is a key to convincing the audience that Old Spice is cool.

Did it work? At the end of the chapter, the “It’s a Wrap” section will report the results.

Sources: “The Man Your Man Could Smell Like,” Effie Awards published case study, www.effie.org and www.oldspice.com; Bruce Watson, “Smells Like Viral Advertising: Old Spice through the Ages,” July 16, 2010, www.dailyfinance.com; Brian Morrissey, “Old Spice’s Agency Flexes Its Bulging Stats,” August 4, 2010, www.adweek.com; “Online Video: Old Spice The Most Viral Brand of the Year—Again,” December 28, 2011, www.adage.com.

In this chapter, we’ll define advertising and its role in marketing and more generally in market-communication. We’ll also explain how advertising’s basic concepts and practices evolved. Then we’ll describe the agency world. We’ll conclude by analyzing the changes facing the larger area of marketing communication.

What Is Advertising?

You’ve seen thousands, maybe millions, of commercial messages. Some of them are advertising, but others are different types of promotional messages, such as the design of a package or a sporting event sponsorship. But the heavyweight promotional tool in terms of dollars and impact is advertising, also the most visible of all the forms of marketing communication, and that’s why we will start first with advertising.

So how would you define advertising? It may sound silly to ask such an obvious question. But where would you start if your instructor asked you for a definition?

At its most basic, the purpose of advertising has always been to sell a *product*, which can be *goods*, *services*, or *ideas*. Although there have been major changes in recent years, the basic premises of advertising remain unchanged even in the face of economic downturns and media convulsions. So how do we define it now, realizing that advertising is dynamic and that its forms are constantly changing to meet the demands of society and the marketplace? We can summarize a modern view of advertising with the following definition:

Advertising is a paid form of persuasive communication that uses mass and interactive media to reach broad audiences in order to connect an identified sponsor with buyers (a target audience), provide information about products (goods, services, and ideas), and interpret the product features in terms of the customer’s needs and wants.

This definition has a number of elements, and as we review them, we will also point out where the definition is changing because of new technology, media shifts, and cultural changes (see also the *American Marketing Association Dictionary* at www.marketingpower.com/_layouts/Dictionary.aspx).

Advertising is usually *paid* for by the advertiser (e.g., P&G) who has a product to *sell* (Old Spice), although some forms of advertising, such as public service announcements, use donated

space and time. Not only is the message paid for, but the sponsor is identified. Advertising began as *one-way* communication—from an advertiser to a targeted audience. Digital, interactive media, however, have opened the door to interesting new forms of *two-way* and *multiple-way* brand-related communication, such as word-of-mouth conversations among friends or consumer-generated messages sent to a company.

Advertising generally reaches a *broad audience* of *potential customers*, either as a *mass audience* or in smaller *targeted* groups. However, *direct-response* advertising, particularly those practices that involve digital communication, has the ability to address individual members of the audience. So some advertising can deliver *one-to-one* communication but with a large group of people.

In traditional advertising, the message is conveyed through different kinds of *mass media*, which are largely *nonpersonal* messages. This nonpersonal characteristic, however, is changing with the introduction of more *interactive* types of media, as the Old Spice case demonstrates with its social media that created a great deal of buzz. Richard Edelman, chief executive officer (CEO) of the Edelman agency, emphasizes the emerging importance of *word of mouth*, which is personal communication through new media forms rather than what he describes as “scripted messages in a paid format.”¹ In other words, the communication pattern is not just from a *business* to a *consumer*, which we sometimes describe in marketing shorthand as “B to C,” but it can also be *business* to *consumer* to *consumer*, or “B to C to C,” which recognizes the important role of personal communication—**word of mouth**—about a product or even an advertisement.

Most advertising has a defined strategy and seeks to *inform* consumers and/or make them *aware* of a brand, company, or organization. In many cases, it also tries to *persuade* or influence consumers to do something, such as buy a product or check out a brand’s website. Persuasion may involve *emotional* messages as well as information. The Old Spice strategy was designed to recognize the negative messages associated with the brand’s old image in order to turn the image around and make it cool for today’s audience.

Keep in mind that, as we have said, a *product* can be a *good*, a *service*, or an *idea*. Some nonprofits, for example, use ads to “sell” memberships, inform about a cause and its need for donations and volunteers, or advocate on behalf of a position or point of view.

Advertising is not the only tool in a brand’s promotional toolkit, although it may be the biggest. Advertising is a more than \$500 billion industry worldwide and a \$174 billion industry in the United States.² Advertising often is seen as the driving force in marketing communication because it commands the largest budget as well as the largest number of agencies and professionals.

What Are Advertising’s Basic Functions?

To summarize the key parts of the definition and to better understand advertising’s development as a commercial form of communication, it helps to see how advertising’s definition has evolved over the years in terms of three critical functions.

- **Identification** Advertising identifies a product and/or the store where it’s sold. In its earliest years, and this goes back as far as ancient times, advertising focused on identifying a product and where you could buy it. Some of the earliest ads were simply signs with the name or graphic image of the type of store—cobbler, grocer, or blacksmith.
- **Information** Advertising provides information about a product. Advances in printing technology at the beginning of the Renaissance spurred literacy and brought an explosion of printed materials in the form of posters, handbills, and newspapers. Literacy was no longer the badge of the elite, and it was possible to reach a general audience with more detailed information about products. The word **advertisement** first appeared around 1655, and by 1660 publishers were using the word as a heading in newspapers for commercial information. These messages announced land for sale, runaways (slaves and servants), transportation (ships arriving, stagecoach schedules), and goods for sale from local merchants. Because of the importance of commercial information, these ads were considered news and in many cases occupied more space in early newspapers than the news stories.
- **Persuasion** Advertising may persuade people to buy things. The Industrial Revolution accelerated social change as well as mass production. It brought the efficiency of machinery

P. T. BARNUM'S
Greatest Show on Earth.
 SEASON OF 1878.



Comprising a World's Fair, Immense Museum and School of Marvelous Mechanism, a Store of Imported Royal Stallions, and a Grand European and Native Circus, all combined in
ONE VAST UNDIVIDED SHOW.
 Owned by me exclusively, and under my own individual and personal direction, assisted by Messrs. BAILEY, JENK, KATLAND, and several other well-known Managers of experience and ability.

EXHAUSTIVE, EXTENSIVE, MAGNIFICENT, MARVELOUS AND COSTLY as many of my previous exhibitions have been, I hereby pledge my Honor, Reputation and Fortune that the present **Grand Exhibition of 1878** excels them all.

More than **ONE MILLION OF DOLLARS** are invested in this unparalleled collection of the **World's Wonders**. It is transported through the country on **100 railway cars** of my own. This Colossal, Moral, Notable

ACADEMY OF OBJECT TEACHING

Occupies many acres with its vast tents, and possesses more New and Imported Features, more Marine Monstrosities, more and rarer Wild Beasts, Birds and Serpents, more marvelous Human Phenomena—including huge Giants, tiny Dwarfs, and the wonderful **Tattooed Greek Nobleman**—more Curious and Costly Mechanical Wonders, more Distinguished Equestrians and Athletes, more Furry Clowns, and more Educated Animals and Magnificent Trick Horses, than were ever before presented at any one time in any age or place, and More than Ten Times the Price of Admission Reserved to Everybody.

I will give \$50,000 to any person who can show that, during the past five years, the daily expense of my vast establishment have not been larger than the entire gross receipts of any traveling show in this or any other country.

A magnificent **FREE STREET PAGEANT** of bewildering beauty, a mile in length—including twenty Trained Stallions, gorgeous Gilded and Crystal Chariots, Bands of Music, Herds of Elephants, Camels and Dromedaries, open Cages of Lions, Tigers and Serpents, headed by their keepers—all worth going many miles to see—takes place on the morning of our arrival, from 9 to 10 o'clock. Among my newest novelties are



20 Royal Trained Stallions,
 From the Royal Stables of Germany, Russia, Italy and Tartary, which execute the most terrific and picturesque evolutions with the rapidity and precision of army drill—EVEN WALKING ON THEIR HIND FEET ERRECT AS SOLDIERS.

These remarkable specimens of equine beauty and training cost me \$250,000 in gold, and I will cheerfully pay a like sum for their equals in beauty of form, magnificent action, thorough training and intelligence. They are divided into FIVE GROUPS, each one performing different but equally remarkable feats. They are the most wonderful animals in the world, and will prove of great interest to all lovers of the horse as well as to the public generally.

Two Exhibitions Daily at 1 and 7 o'clock.
 Admission to the entire Exhibitions and Performances, 50 Cts.
 Children, Half Price.

My entire undivided establishment will make a tour through the United States this Summer, visiting all the principal cities and towns in New England as far East as Bangor, then through the States of New York, Pennsylvania, Ohio, Indiana, Illinois, Michigan, Wisconsin, Missouri, as far West as Omaha.

P. T. BARNUM.
 BRIDGEPORT, CONN., April, 1878.

Source: Collection of the John and Mable Ringling Museum of Art Tibbals Collection.

CLASSIC

P. T. Barnum was a pioneer in advertising and promotion. His flamboyant circus posters were more than just hype. What are the other roles they performed?

Principle

Effectiveness means meeting the stated objectives, and that can be determined only if evaluation is built into the strategy.

- **Evaluation** Effectiveness means meeting the stated objectives, and in order to determine if that has happened, there must be evaluation methods planned into the strategy. Standards also are set by professional organizations and companies that rate the size and makeup of media audiences as well as advertising's social responsibility.

not only to the production of goods but also to their distribution. Efficient production plus wider distribution meant manufacturers could offer more products than their local markets could consume. With the development of trains and national roads, manufacturers could move their products around the country. For widespread marketing of products, it became important to have a recognizable brand name, such as Ivory or, more recently, Old Spice. Also, large groups of people needed to know about these goods, so along with industrial mechanization and the opening of the frontier came even more use of new communication media, such as magazines, catalogs, and billboards that reached more people with more enticing forms of persuasion. P. T. Barnum and patent medicine makers were among the advertising pioneers who moved promotion from identification and information to a flamboyant version of persuasion called *hype*—graphics and language characterized by exaggeration, or hyperbole.

Over the years, these three functions—identification, information, and persuasion—have been the basic objectives of marketing communication and the focus of most advertising messages. Even though this first chapter focuses on advertising, note that many of the advertising basics, such as organization, compensation, and strategy, also apply to the other marketing communication functions.

What Are the Key Components of Advertising?

In this brief review of how advertising developed over some 300 years, a number of key concepts were introduced, all of which will be discussed in more detail in the chapters that follow. But let's summarize these concepts in terms of a simple set of key components that describe the practice of advertising: strategy, message, media, and evaluation (see Figure 1.1):

- **Strategy** The logic or strategy behind an advertisement or any type of marketing communication message is stated in measurable objectives that focus on areas such as sales, news, psychological appeals, emotion, branding, and brand reputation, as well as the position and differentiation of the product from the competition and segmenting and targeting the best prospects.
- **Message** The concept behind a message and how that message is expressed is based on research and consumer insights with an emphasis on creativity and artistry.
- **Media** Various media have been used by advertisers over the centuries including print (handbills, newspapers, and magazines), outdoor (signs and posters), broadcast (radio and television), and now digital media. Targeting ads to prospective buyers is done by matching their profiles to media audiences. Advertising agency compensation was originally based on the cost of buying time or space in the media.

Common Types of Advertising

Advertising is not only a large industry but also a varied one. Different types of advertising have different roles. Considering all the different advertising situations, we can identify eight major types of advertising:

1. **Brand advertising**, the most visible type of advertising, is referred to as *national* or *consumer* advertising. Brand advertising, such as that for the Apple Macintosh in the classic “1984” commercial, focuses on the development of a long-term brand identity and image.
2. **Retail advertising** or **local advertising** focuses on retailers, distributors, or dealers who sell their merchandise in a certain geographical area; retail advertising has information about products that are available in local stores. The objectives focus on stimulating store traffic and creating a distinctive image for the retailer. Local advertising can refer to a retailer, such as T. J. Maxx; a service provider, such as KFC; or a manufacturer or distributor who offers products in a fairly restricted geographic area.
3. **Direct-response advertising** tries to stimulate an immediate response by the customer to the seller. It can use any advertising medium, particularly direct mail and the Internet. The consumer can respond by telephone, by mail, or over the Internet, and the product is delivered directly to the consumer by mail or some other carrier.
4. **Business-to-business (B2B) advertising**, also called *trade advertising*, is sent from one business to another. It includes messages directed at companies distributing products as well as industrial purchasers and professionals, such as lawyers and physicians. Advertisers place most business advertising in professional publications that reach these audiences.
5. **Institutional advertising**, also called **corporate advertising**, focuses on establishing a corporate identity or winning the public over to the organization’s point of view. Tobacco companies, for example, run ads that focus on the positive things they are doing. The ads for a pharmaceutical company showcasing leukemia treatment also adopt that focus.
6. **Nonprofit advertising** is used by not-for-profit organizations, such as charities, foundations, associations, hospitals, orchestras, museums, and religious institutions, to reach customers (e.g., hospitals), members (the Sierra Club), and volunteers (Red Cross). It is also used to solicit donations and other forms of program participation. The “*truth*”[®] campaign for the American Legacy Foundation, which tries to reach teenagers with antismoking messages, is an example of nonprofit advertising.
7. **Public service advertising** provides messages on behalf of a good cause, such as stopping drunk driving (as in ads from Mothers Against Drunk Driving) or preventing child abuse. Also called **public service announcements**, advertising and public relations professionals usually create them **pro bono** (free of charge), and the media donate the space and time.
8. Specific advertising areas, such as health care, green marketing, agribusiness, and international, address specific situations or issues and have developed specialized advertising techniques and agencies. For example, some \$262 million were spent for and against the health care reform legislation.³

Although these categories identify characteristics of various types of advertising, there are many commonalities. In practice, all types of advertising demand creative, original messages that are strategically sound and well executed, and all of them are delivered through some form of media. Furthermore, advertisements can be developed as single ads largely unrelated to other ads by the same advertiser, such as the “1984” ad for Apple, or as a **campaign**, a term that refers to a set of related ads that are variations on a theme. They are often used in different media at different times for different segments of the audience and to keep attracting the attention of the target audience over a period of time.

Other Important Promotional Tools

As we said, advertising’s original purpose was to sell something, but over the years, other promotional tools, with different sets of strengths, have developed to help meet that objective. For example, providing information, particularly about some new feature or a new product, is sometimes better handled through *publicity* or public relations. *Direct-response* advertising, such as catalogs and flyers sent to the home or office, can also provide more information in

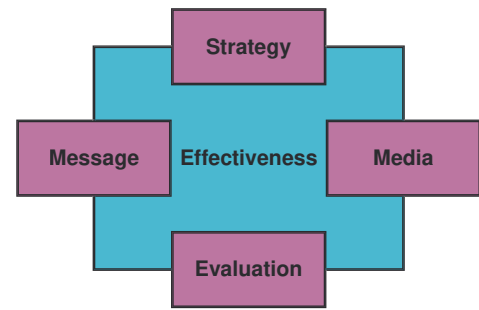



FIGURE 1.1
Four Components of Advertising

Principle

All types of advertising demand creative, original messages with a sound strategy delivered through some form of media.



Leather and suede are always tough to resist. At these prices, you won't have to.

Arrives Sunday, August 8... hurry in for best selection.

TJ-maxx

Cool leather. Soft suede. Hot savings. Hurry.

Fashion never waits. That's why now's the time to shop T.J. Maxx for the latest leather and suede at simply incredible prices.

Think jackets, shirts, and skirts in all the coolest colors, plus classic browns and blacks. Fashion forward to T.J. Maxx.

Starts Sunday, August 8

TJ-maxx
you should go

Photo: © TJX Companies, Inc. All rights reserved

Retail Retailers sometimes advertise nationally, but much of their advertising is targeted to a specific market, such as this direct-mail piece for T. J. Maxx.



Take off 14 years in 7 days.*

NEW Crest Whitestrips Premium is clinically proven to remove up to 14 years of stain build-up in just 7 days – satisfaction guaranteed.**

NEW Crest Whitestrips Premium

*Average 1 week improvement. **USA: For guarantee, call 1-800-950-6622 within 60 days of purchase with UPC code and receipt.

Photo: © 2010 The Procter & Gamble Company. All rights reserved

Brand Advertising This ad promotes a brand, Crest Whitestrips, and provides information about the product as well as reasons to buy it.

more depth than traditional ads that are limited in space and time. *Specialties* that carry brand logos as reminders or incentives to buy are handled by *sales promotion* companies. Communication with employees and shareholders about brands and campaigns is usually handled by *public relations*.

In other words, a variety of promotional tools can be used to identify, inform, and persuade. Professionals see differences in all of these areas, but many people just see them all as *promotion* or lump them together and call them *advertising*. The proper name for this bundle of tools, however, is **marketing communication (marcom)**, an umbrella term that refers to the various types of promotional tools and communication efforts about a brand that appear in a variety of media. Although we are focusing on advertising in this chapter, the book will also introduce you to this expanded concept of marketing communication. Chapter 2 will provide more information about this wider world of brand communication.

What Roles Does Advertising Perform?

Advertising obviously plays a role in both communication and marketing, as we've been discussing. In addition to marketing communication, advertising also has a role in the functioning of the economy and society. Consider the launch of the Apple Macintosh in 1984, which was successful because of the impact of one advertisement, a television commercial generally considered to be the greatest ever made. As you read about this "1984" commercial in the "A Matter of Practice" feature, note how this commercial demonstrated all four roles—marketing, communication, social, and economic.

Marketing and Communication Roles In its marketing communication role, advertising provides information about a product. It can also transform a product into a distinctive brand by creating a **brand image** that goes beyond straightforward information about product features. The "1984" commercial demonstrated how a personality could be created for a computer



Photo: © 2004 The Pharmaceutical Research and Manufacturers of America (PhRMA). All rights reserved

Institutional This ad for a pharmaceutical trade association uses a heart-tugging visual and copy to show consumers the value of the organization's activities—producing drugs that help save lives.



Photo: Courtesy of Aflac Incorporated

Business-to-Business (B2B) Most people buy Aflac policies through payroll deduction at their workplace. Aflac used its memorable, quirky duck in B2B advertising to create a brand identity and help businesspeople understand how Aflac insurance can be part of an employee benefit package at no direct cost to the company.

(innovative), one that showcased it as a creative tool that breaks through the rigid systems of other computer brands. As advertising showcases brands, it also creates consumer demand (lines of customers the following day at stores where the Macintosh was sold) and makes statements that reflect social issues and trends (opening up the new category of personal computers for nonexperts). So, in addition to marketing and communication, advertising has economic and social roles.

Economic and Societal Roles Advertising flourishes in societies that enjoy economic abundance, in which supply exceeds demand. In these societies, advertising extends beyond a primarily informational role to create a demand for a particular brand. In the case of the Old Spice campaign, the decision was to invite people to ask questions in order to generate **buzz** as well as reinforce a high level of demand for the brand. Creating buzz—getting people to talk about the brand—has become an important goal of marketing communication in this era of social media.

Most economists presume that, because it reaches large groups of potential consumers, advertising brings cost efficiencies to marketing and, thus, lower prices to consumers. The more people know about a product, the higher the sales—and the higher the level of sales, the less expensive the product. Think about the high price of new products, such as a computer, HDTVs, and cell phones or other technologies. As demand grows, as well as competition, prices begin to drop. David Bell, retired CEO of the Interpublic Group, told a group of advertising educators in 2012 that “advertising is the motor of a successful economy. . . . But it isn’t effective without trust . . . and ethics is critical to trust.” In his view, the economic importance of advertising is a function of its social acceptance.⁴ We’ll talk about the critical role of ethics in Chapter 3 and trust in Chapter 4.

Two contrasting points of view explain how advertising creates economic impact. In the first, the rational view, advertising is seen as a vehicle for helping consumers assess value through price cues and other information, such as quality, location, and reputation. Advocates of

Principle

Advertising creates cost efficiencies by increasing demand among large groups of people resulting in higher levels of sales and, ultimately, lower prices.

A Matter of Practice

The Greatest Commercial Ever Made



The advertiser was Apple, the product was its new Macintosh, and the client—the person handling the advertising responsibility and making decisions—was Steve Jobs, Apple's CEO, who wanted a "thunderclap" ad. The agency was California-based Chiat/Day (now TBWA/Chiat/Day) with its legendary creative director Lee Clow (now global director for media arts at TBWA worldwide). The medium was the Super Bowl. The "supplier" was legendary British film director Ridley Scott of *Alien* and *Blade Runner* fame. The audience was the 96 million people watching Super Bowl XVIII that winter day in January 1984, and the target audience was all those in the audience who were trying to decide whether to buy a personal computer, a relatively new type of product for consumers.

It's a basic principle in advertising: The combination of the right product at the right time in the right place with all the right people involved can create something magical—in this case, Jobs's thunderclap. It also required a cast of 200 and a budget of \$900,000 for production and \$800,000 for the 60-second time slot. By any measure, it was a big effort.

The story line was a takeoff on George Orwell's science fiction novel about the sterile mind-controlled world of 1984. An audience of mindless, gray-skinned drones (who were actually skinheads from the streets of London) watches a massive screen image of "Big Brother" spouting an ideological diatribe. Then an athletic young woman in bright red shorts runs in, chased by helmeted storm troopers, and throws a sledgehammer at the screen. The destruction of the image is followed by a burst of fresh air blowing over the open-mouthed drones as they "see the light." In the last shot, the announcer reads the only words in the commercial as they appear on screen:

On January 24th, Apple Computer will introduce Macintosh. And you'll see why 1984 won't be like "1984."

Was it an easy idea to sell to the client?

First of all, some Apple executives who first saw the commercial were terrified that it wouldn't work because it didn't look like any commercial they had ever seen. After viewing it, several board members put their heads

down in their hands. Another said, "Who would like to move on firing Chiat/Day immediately?" Legend has it that Apple's other founder, Steve Wozniak, took out his checkbook and told Jobs, "I'll pay for half if you pay for the other half." The decision to air the commercial finally came down to Jobs, whose confidence in the Chiat/Day creative team gave him the courage to run the ad. Recently, Clow and Steve Hayden, copywriter on "1984," said that Steve Jobs "put a stake in the ground," referring to how he wanted "technology in the hands of everybody."

Was it effective?

On January 24, long lines formed outside computer stores carrying the Macintosh, and the entire inventory sold out in one day. The initial sales goal of 50,000 units was easily surpassed by the 72,000 units sold in the first 100 days. More would have been sold if production had been able to keep up with demand.

The "1984" commercial is one of the most-talked-about and most-remembered commercials ever made. Every time someone draws up a list of best commercials, it sits at the top, and it continues to receive accolades more than two decades later.

Remember, the commercial ran only once—an expensive spot on the year's most-watched television program. The commercial turned the Super Bowl from just another football game into the advertising event of the year. What added to its impact was the hype before and after it ran. People knew about the spot because of press coverage prior to the game, and they were watching for it. Coverage after the game was as likely to talk about the "1984" spot as the football score. Advertising became news, and watching Super Bowl commercials became an event. That's why *Advertising Age* critic Bob Garfield calls it "the greatest TV commercial ever made."

Go to YouTube.com and search for 1984 Apple Hammer ad to view this award-winning commercial in its entirety as well as an interview with Ridley Scott about making this award-winning commercial.

Sources: "The Breakfast Meeting: What Olbermann Wrought, and Recalling Apple's '1984,'" *New York Times Media Decoder*, April 2, 2012, <http://mediadecoder.blogs.nytimes.com>; Kevin Maney, "Apple's '1984' Super Bowl Commercial Still Stands as Watershed Event," *USA Today*, January 28, 2004, 3B; Liane Hansen (host), "Steve Hayden Discusses a 1984 Apple Ad Which Aired during the Super Bowl," *National Public Radio Weekend Edition*, February 1, 2004; Bradley Johnson, "10 Years after '1984': The Commercial and the Product That Changed Advertising," *Advertising Age*, June 1994, 1, 12–14; Curt's Media, "The 1984 Apple Commercial: The Making of a Legend," www.isd.net/cmcalone/cine/1984.html.

this viewpoint see the role of advertising as a means to objectively provide price/value information, thereby creating more *rational economic decisions*. By focusing on images and emotional responses, the second approach appeals to consumers making a decision on *nonprice, emotional appeals*. This emotional view explains how images and psychological appeals influence consumer decisions. This type of advertising is believed to be so persuasive that it decreases the likelihood a consumer will switch to an alternative product, regardless of the price charged.

In addition to informing us about new and improved products, advertising also mirrors fashion and design trends and adds to our aesthetic sense. Advertising has an educational role in that it teaches about new products and their use. It may also expose social issues—some say the “1984” commercial symbolically proclaimed the value of computer literacy “for the rest of us,” those who weren’t slaves to the hard-to-operate PC systems of the time. It helps us shape an image of ourselves by setting up role models with which we can identify (a woman athlete liberating the gray masses), and it gives us a way to express ourselves in terms of our personalities (smash the screen image of Big Brother) and sense of style (red shorts—the only color in the drab environment) through the things we wear and use. It also presents images capturing the diversity of the world in which we live. These social roles have both negative and positive dimensions, which we will discuss in Chapter 3.

How Did Current Practices and Concepts Evolve?

As illustrated in the timeline in Figure 1.2, the advertising industry is dynamic and is affected by changes in technology, media, and the economic and social environment. But this history is far more than names and dates. The timeline reflects how the principles and practices of a multi-billion-dollar industry have evolved.⁵

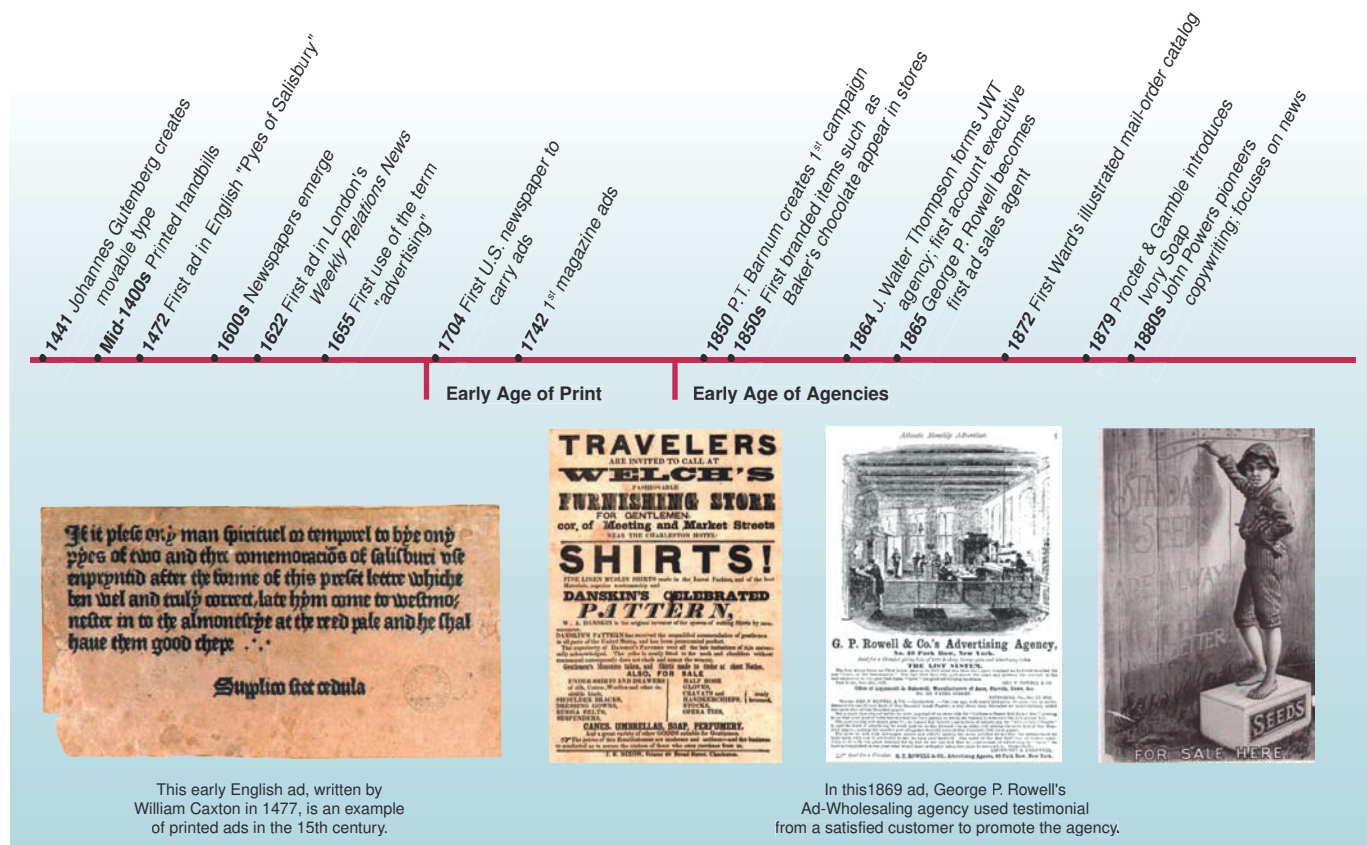
Eras and Ages

The time line divides the evolution of advertising into five stages that reflect historical eras and the changes that led to different philosophies and styles of advertising. As you read through this, note how changing environments, in particular media advancements, have changed the way advertising functions. (For more historical information, check out the extensive time line at <http://adage.com/century/timeline/index.html> or <http://library.duke.edu/digitalcollections/ea>. Another source for classic ads is www.vintageadbrowser.com.)

The Early Age of Print Industrialization and mechanized printing spurred literacy, which encouraged businesses to advertise beyond just their local place of business. Ads of the early years look like what we call **classified advertising** today. Their objective was to *identify products* and *deliver information* about them, including where they were being sold. The primary medium of this age was *print*, particularly newspapers, although handbills and posters were also important, as were hand-painted signs. The first newspaper ad appeared in 1704 for Long Island real estate, and Benjamin Franklin’s *Pennsylvania Gazette* ran the first advertising section in 1729. The first *magazine* ads appeared in 1742 in Franklin’s *General Magazine*.

The Early Age of Agencies The 19th century brought the beginning of what we now recognize as the advertising industry. Volney Palmer opened the *first ad agency* in 1848 in Philadelphia. The J. Walter Thompson agency formed in 1864, the oldest advertising agency still in existence. P. T. Barnum brought a Swedish singer to the United States and used a blitz of newspaper ads, handbills, and posters, one of the first *campaigns*. In 1868, the N. W. Ayer agency began the **commission system** for placing ads—advertising professionals initially were agents or brokers who bought space and time on behalf of the client for which they received a commission, a percentage of the media bill. The J. Walter Thompson agency invented *the account executive* position, a person who acts as a liaison between the client and the agency.

As advertisers and marketers became more concerned about creating ads that worked, professionalism in advertising began to take shape. Here, also, is when it became important to have a definition or a theory of advertising. In the 1880s, advertising was referred to by advertising

**FIGURE 1.2**

Time Line

(Ads displayed by permission)

legend Albert Lasker as “*salesmanship in print* driven by a *reason why*.” Those two phrases became the model for stating an ad *claim* and explaining the *support* behind it.

On the retail side, department store owner John Wanamaker hired John E. Powers in 1880 as the store’s full-time **copywriter**, and Powers crafted an advertising strategy of “*ads as news*.” The McCann agency, which began in 1902, also developed an agency philosophy stated as “*truth well told*” that emphasized the agency’s role in crafting the ad message. *Printer’s Ink*, the advertising industry’s first trade publication, appeared in 1888. In the early 1900s, the J. Walter Thompson agency began publishing its “Blue Books,” which explained how advertising works and compiled media data as an industry reference.

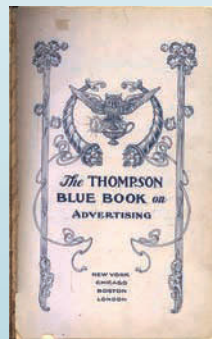
By the end of the 19th century, advertisers began to give their goods **brand names**, such as Baker’s Chocolate and Ivory Soap. The purpose of advertising during this period was to create demand as well as a visual identity for these new brands. Inexpensive brand-name products, known as *packed goods*, began to fill the shelves of grocers and drug stores. The questionable ethics of hype and *puffery*, which is exaggerated promises, came to a head in 1892 when *Ladies Home Journal* banned patent medicine advertising. But another aspect of hype was the use of powerful graphics that dramatized the sales message.

In Europe, the visual quality of advertising improved dramatically as artists who were also *illustrators*, such as Toulouse-Lautrec, Aubrey Beardsley, and Alphonse Mucha, brought their craftsmanship to posters and print ads as well as magazine illustrations. Because of the artistry, this period is known as the *Golden Age*. The artist role moved beyond illustration to become the **art director** in 20th-century advertising.

The Scientific Era In the early 1900s, professionalism in advertising was reflected in the beginnings of a professional organization of large agencies, which was officially named the American Association of Advertising Agencies in 1917 (www.aaa.org). In addition to getting the industry organized, this period also brought a refining of professional practices. As 19th-century department store owner John Wanamaker commented, “Half the money I spend on advertising is wasted and the trouble is I don’t know which half.” That statement partly reflected a need to know more about how advertising works, but it also recognized the need to better target the message.

- 1888 George Eastman creates first Kodak camera.
- 1888 Printer's Ink founded
- 1890s Earnest Elmo Calkins and Ralph Holder develop image copy
- 1890s Lord & Thomas agency forms
- 1904–1940s Albert Lasker pioneers "reason-why" copy
- 1905 John E. Kennedy describes advertising as "Salesmanship in print"
- 1905–1930s Claude Hopkins develops scientific mail-order copy testing
- 1906 Pure Food and Drug Act
- 1908 Beginning of celebrity endorsements—Pepsi uses famed racecar driver Barney Oldfield
- 1912 "Truth in Advertising" movement
- 1914 FTC Act passed
- 1917 American Association of Advertising Agencies formed
- 1918 Stanley & Helen Resor develop account services brand names and status appeals
- 1923 Young & Rubicam agency formed

Scientific and Regulation Era



After WW1, "I wanted to be happy" was the call of consumer, and jazz and dancing became popular, as this ad for Victor Talking Machine Co. illustrates.

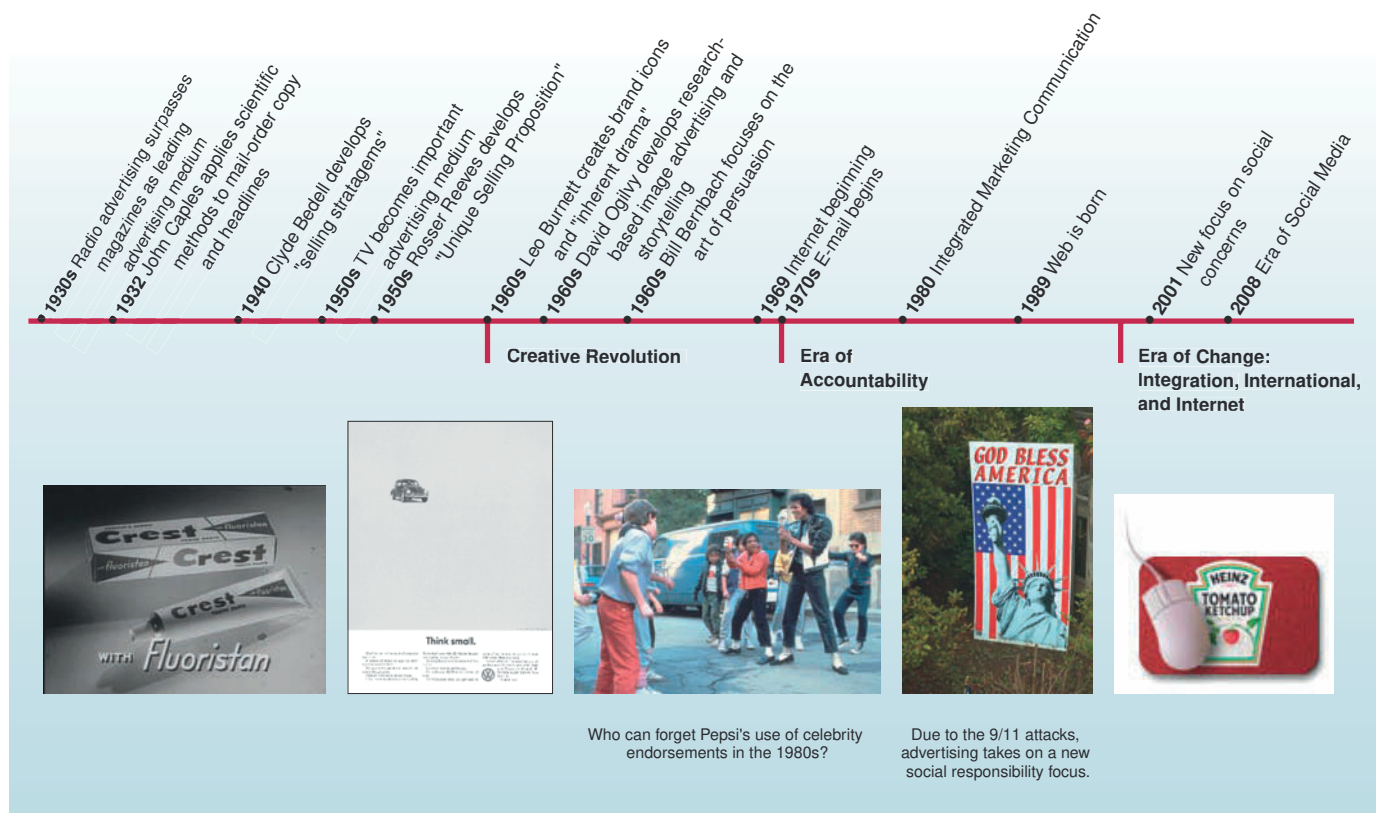


In the early 20th century, modern professional advertising adopted scientific *research* techniques. Advertising experts believed they could improve advertising by blending science and art. Two leaders were Claude Hopkins and John Caples. At the height of Hopkins's career, he was Lord & Thomas's best-known copywriter. Highly analytical, he conducted *tests of his copy* to refine his advertising methods, an approach explained in his 1923 book *Scientific Advertising*. John Caples, vice president of Batten, Barton, Durstine and Osborn (BBDO), published *Tested Advertising Methods* in 1932. His theories about the *pulling power of headlines* also were based on extensive tests. Caples was known for changing the style of advertising writing, which had been wordy and full of exaggerations. During the 1930s and 1940s, Daniel Starch, A. C. Nielsen, and George Gallup founded research organizations that are still part of today's advertising industry.

During and after the Great Depression, Raymond Rubicam emerged as an advertising power and launched his own agency with John Orr Young, a Lord & Thomas copywriter, under the name of Young and Rubicam. Their work was known for intriguing headlines and fresh, original approaches to advertising ideas.

The idea that messages should be directed at particular groups of prospective buyers, a practice called **targeting**, evolved as media became more complex. Advertisers realized they could spend their budgets more efficiently by identifying those most likely to purchase a product as well as the best ways to reach them. The scientific era helped media better identify their audiences. In 1914, the Audit Bureau of Circulation, now known as Alliance for Audited Media, was formed to standardize the definition of paid circulation for magazines and newspapers. Media changes saw print being challenged by *radio advertising* in 1922. Radio surpassed print in ad revenue in 1938.

The world of advertising agencies and management of advertising developed rapidly in the years after World War II. The J. Walter Thompson agency, which still exists today, led the boom in advertising during this period. The agency's success was due largely to its *creative copy* and the *management* style of the husband-and-wife team of Stanley and Helen Resor. Stanley developed the concept of *account services* and expanded the account executive role into strategy development; Helen developed innovative copywriting techniques. The Resors also coined the brand-name concept as a strategy to associate a unique identity with a particular product as well as the concept of *status appeal* to persuade nonwealthy people to imitate the habits of rich people (www.jwt.com).

**FIGURE 1.2**

(continued)

Television commercials came on the scene in the early 1950s and brought a huge new revenue stream to the advertising industry. In 1952, the Nielsen rating system for television advertising became the primary way to measure the reach of *television commercials*.

This period also saw marketing practices, such as **product differentiation** (identifying how a brand differs from its competition) and **market segmentation** (identifying groups of people who would likely buy the product) incorporated into advertising strategy. The idea of **positioning**, carving out a unique spot in people's minds for the brand relative to its competition, was developed by Al Ries and Jack Trout in 1969.

The Creative Era The creative power of agencies exploded in the 1960s and 1970s, a period marked by the resurgence of art, inspiration, and intuition. Largely in reaction to the emphasis on research and science, this revolution was inspired by three creative geniuses: Leo Burnett, David Ogilvy, and William Bernbach.

Leo Burnett was the leader of what came to be known as the *Chicago school of advertising*. He believed in finding the "inherent drama" in every product. He also believed in using *cultural archetypes* to create mythical characters who represented American values, such as the Jolly Green Giant, Tony the Tiger, the Pillsbury Doughboy, and his most famous campaign character, the Marlboro Man (www.leoburnett.com).

Ogilvy, founder of the Ogilvy & Mather agency, is in some ways a paradox because he married both the *image school* of Rubicam and the *claim school* of Lasker and Hopkins. He created enduring brands with *symbols*, such as the Hathaway Man and his mysterious eye patch for the Hathaway shirt maker, and handled such quality products as Rolls-Royce, Pepperidge Farm, and Guinness with product-specific and information-rich claims (www.ogilvy.com).

The Doyle, Dane, and Bernbach (DDB) agency opened in 1949. From the beginning, William Bernbach—with his acute sense of words, design, and creative concepts—was considered to be the most innovative advertising creative person of his time. His advertising touched people—and persuaded them—by focusing on *feelings and emotions*. He explained, "There are a lot of great technicians in advertising. However, they forget that advertising is persuasion, and persuasion is not a science, but an art. Advertising is the art of persuasion."⁶ Bernbach is known for the understated Volkswagen campaign that ran at a time when car ads were full of glamour and bombast.

The campaign used headlines such as “Think Small” with accompanying picture of a small VW bug (www.ddb.com).

The Era of Accountability and Integration Starting in the 1970s, the industry-wide focus was on **effectiveness**. Clients wanted ads that produced sales, so the emphasis was on research, testing, and measurement. To be accountable, advertising and other marketing communication agencies recognized that their work had to prove its value. After the dot-com boom and economic downturn in the 1980s and 1990s, this emphasis on accountability became even more important, and advertisers demanded proof that their advertising was truly effective in accomplishing its *objectives* as stated in the strategy.

Social responsibility is another aspect of accountability. Although advertising regulation has been in place since the early 1900s with the passage of the Pure Food and Drug Act in 1906 and the creation of the Federal Trade Commission in 1914, it wasn’t until 1971 that the National Advertising Review Board was created to monitor questions of *taste and social responsibility*. Charges of using sweatshops in low-wage countries and an apparent disregard for the environment concerned critics such as Naomi Klein, who wrote the best-selling book *No Logo*, and Marc Gobe, who wrote *Citizen Brands*. One powerful campaign that demonstrates social responsibility is the SORPA effort from Iceland.



Photo: Courtesy of SORPA bs and Ingvi Logason.
Used with permission



Photo: Courtesy of Ingvi Logason



SHOWCASE

Contributed by Ingvi Logason, this work by his agency H:N Marketing Communication in Reykjavik, Iceland, for the local SORPA recycling center, urged people to participate in recycling. He explained, “From day one the marketing strategy, concept and platform has been very consistent—always positive, encouraging, and built around light colors. These two print ad examples were part of an overall image/reminder campaign that has the company aiming for even higher positive ratings, SORPA is now maintaining over a 90 percent positive rating.”

A graduate of the University of West Florida, Ingvi Logason, who is a member of this book’s Advisory Board, was nominated by Professor Tom Groth.

Ingvi Jökull Logason CEO and Strategy Director, H:N Marketing Communication, Reykjavík, Iceland

As the *digital era* brought nearly instantaneous means of communication, spreading *word of mouth* among a social network of consumers, companies became even more concerned about their practices and brand or corporate reputation. The recession that began in December 2007 and subsequent headlines about bad business practices, such as the Bernard Madoff “Ponzi” scheme and bank lending practices, made consumers even more concerned about *business ethics*.

We also characterize this as the era when integrated marketing communication became important. **Integrated marketing communication** (IMC) is another technique that managers began to adopt in the 1980s as a way to better coordinate their brand communication. Integration leading to consistency makes marketing communication more efficient and thus more financially accountable.

The Social Media Era Advertising and marketing communication practices have been turned upside down in the years since 2008. Digital and online communication became important in brand communication even earlier in the new century with most brands and companies setting up websites and experimenting with online advertising worldwide. But with the launch of Facebook, Twitter, YouTube, and other vehicles for sharing thoughts, photos, and even videos, the structure of consumer communication was radically altered.

No longer are brand messages dependent on planned and managed marketing communication programs with their targeted messages and one-way communication. In this new interactive world, consumers are generating brand messages and posting them to YouTube as well as sharing their thoughts and experiences with brands on Facebook and in tweets. Brands set up their own Facebook and Twitter accounts, but the exciting dialogue is happening beyond their control in person-to-person conversations, as Mountain Dew found out in 2013 when one of its ads featuring a battered woman and a lineup of black men had to be pulled because of vociferous criticism. Companies and organizations are hard pressed to keep up with changing technology and consumers as they search for new ways to listen, respond, and engage their customers in conversations.

This time line has briefly identified how various jobs and professional concepts emerged and changed over time. Let’s now put the advertising world under a microscope and look deeper at the structure of the industry.

The Advertising World

In the discussion of definitions and the evolution of advertising practices, we briefly introduced agencies, but as a student of advertising and marketing communication, you need to know more about how the advertising industry and agencies are organized and how they operate. One way to get a peek at the field is through the lens of television, such as the *Mad Men* show. The “A Matter of Principle” feature explains how Bruce Vanden Bergh analyzed the cultural relevance of the popular award-winning drama *Mad Men*.

Who Are the Key Players?

As we discuss the organization of the industry, consider that all the key players also represent job opportunities you might want to consider if you are interested in working in advertising or some area of marketing communication. The players include the advertiser (referred to by the agency as the *client*) who sponsors the message, the agency, the media, and the *suppliers*, who provide expertise. The “A Matter of Practice” feature about “1984,” the greatest television commercial ever made, introduced a number of these key players and illustrated how they all make different contributions to the final advertising.

The Organization Advertising begins with the organization behind the promotion message, or the **advertiser**. The company sponsors advertising and other promotional messages about its business. In the “1984” story, Apple Computer was the advertiser, and Steve Jobs, the company’s CEO, made the final decision to run the then-controversial commercial. The advertiser is the number one key player. Management of the advertising function usually lies with the organization’s marketing or advertising department.

In terms of the top advertisers in the United States, the list usually begins with P&G. The next leaders in 2012 who vary in importance from year to year are General Motors (moved up to second after its turnaround in 2010–2011), AT&T and Verizon, News Corp and Time Warner,

A Matter of Principle

Mad Men: The Inherent Drama of Advertising

Bruce Vanden Bergh, *Michigan State University*



Maybe we should be wondering why it took television so long to discover that a New York City advertising agency was a great place to set a dramatic series. We have had more than our share of emergency rooms, courtrooms, and crime scenes. Let's take a look at the dramatic elements of *Mad Men* and how naturally advertising serves its creator, Matthew Weiner.

A good drama requires action that is driven by the character and thought of the protagonists as they react to changes in their lives and the environment. *Mad Men* has these elements in spades. An advertising agency, by its very nature, is always a restless place as clients come and go, personnel switch agencies, and trends and fashions change in response to consumer wants and desires. Add to the mix the 1960s in New York City, and you have a backdrop of temptation and social change that provides much of the spectacle of the show. Advertising sits at this very precarious intersection of the forces of change.

A lot of our interest is in the spectacle of the 1960s that provides the setting for the show. The drinking, smoking, and carousing also add to the dramatic struggle between the good and bad choices the characters make. These vices look so bad from our current perspective that we ask if these things really did happen and if the show depicts what really happens in an agency. Yes and no, according to ad pros who worked during that era.

In a recent season, the principals of the New York City-based advertising agency started a new agency, Sterling Cooper Draper Pryce (SCDP). It was late 1963, President Kennedy had been assassinated, and change was in the air everywhere. In the next three years, a lot has happened in the personal lives of our friends at SCDP as well as in advertising and society as a whole. Part of our fascination with this series is that it permits us to view a slice of life as a cultural artifact. We can reflect on things from an historical perspective such as the recurring theme about the evolving role of women.

Matthew Weiner, the show's creator, said to the *New York Times* regarding the central theme of the show, "It's always been about change . . . and I'm starting to realize that that's all I am writing about."

Change is a fascinating, dramatic force that is at the heart of the advertising business. Some embrace it, some relish it, some tolerate it, and others resist it. This dynamic plays out in the personal and professional lives of the staff at SCDP while the world outside their corporate windows is changing in ways that, in hindsight, are clear to us but which they cannot predict.

Contemporary life in advertising, as in the series, is dynamic. Change is everywhere. That's part of the allure of the profession. Who will make the most of it? Where will it all go and end? That's what drives the action and our intrigue with *Mad Men* and advertising. Tune in.



Photo: Moviestore Collection/Alamy

Johnson & Johnson, and Pfizer. Other companies that periodically show up in the top 10 include General Electric, Ford, and L'Oreal. The top categories these companies represent include automotive, telecom, media, pharmaceuticals, and personal care and cosmetics. Other important categories are retail, financial services, food and candy, beverages, and restaurants.

Most advertisers have an executive or department that initiates the advertising effort by identifying a marketing problem advertising can solve. For example, Apple executives knew that the Macintosh easy-to-use computer platform needed to be explained and that information about

the launch of the new computer would need to reach a large population of potential computer buyers. Advertising was essential to the success of this new product.

The marketing executive (with input from the corporate officers and others on the marketing team) also hires the advertising agency—for Old Spice this was Weiden + Kennedy—and other marketing communication agencies as needed. In professional jargon, the advertiser for Old Spice (P&G) becomes the agency's *client*. As the client, the advertiser is responsible for monitoring the work and paying the agency for its work on the account. That use of the word *account* is the reason agency people refer to the advertiser as *the account* and the agency person in charge of that advertiser's business as the *account manager*.

The marketing team, sometimes including the agency account people, makes the final decisions about strategy, including the target audience and the size of the advertising budget. The client team approves the advertising or marketing communication plan, which contains details outlining the message and media strategies. In Chapter 2, we'll explain more about how this marketing team functions.

Big companies may have hundreds of agencies working for them, although they normally have an **agency-of-record**, a lead agency that does most of their advertising business and may even manage or coordinate the work of other agencies.

The Agency The second player is the **advertising agency** (or other types of marketing communication agencies) that creates, produces, and distributes the messages. The working arrangement between advertiser and agency is known as the *agency–client partnership*. The “1984” story demonstrated how important it is to cultivate a strong sense of trust between the agency and its clients because the commercial involved risky ideas.

An advertiser uses an outside agency because it believes the agency will be more efficient in creating advertising messages than the advertiser would be on its own. Successful agencies such as Crispin Porter + Bogusky typically have strategic and creative expertise, media knowledge, workforce talent, and the ability to negotiate good deals for clients. The advertising professionals working for the agency are experts in their areas of specialization and passionate about their work.

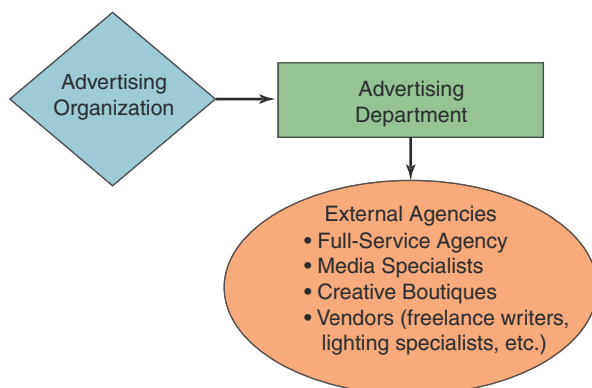
Not all advertising professionals work in agencies. Large advertisers, either companies or organizations, manage the advertising process either by setting up an **advertising department** (sometimes called **marketing services**) that oversees the work of agencies or by setting up their own in-house agency, as Figure 1.3 illustrates. Tasks performed by the company's marketing services department include the following: set the budget and select the agencies; coordinate activities with vendors, such as media, production, and photography; make sure the work gets done as scheduled; and determine whether the work has achieved prescribed objectives.

The Media The third player in the advertising world is the media, the systems used to deliver messages and engage audiences. The emergence of mass media has been a central factor in the development of advertising because mass media offers a way to reach a widespread audience.

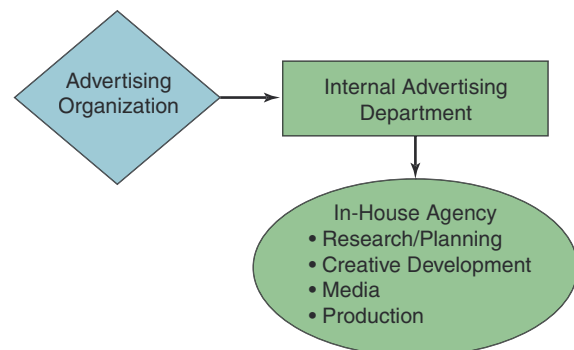
FIGURE 1.3

Two Advertising Organization Structures

WHEN THE ADVERTISER DOESN'T HAVE AN IN-HOUSE AGENCY



WHEN THE ADVERTISER HAS AN IN-HOUSE AGENCY



In traditional advertising, the term **media** refers to all of the channels of communication that carry the message from the advertiser to the audience and from consumers back to companies. We refer to these media as **channels** because they deliver messages, but they are also companies, such as your local newspaper or radio station.

Some of these media conglomerates are huge, such as Time Warner and Viacom. Time Warner, for example, is a \$40 billion company with some 38,000 employees. It owns HBO, Time Inc., Turner Broadcasting, and Warner Brothers, among other media companies. You can learn more about this media conglomerate at www.timewarner.com. **Media vehicles** are the specific programs, such as *60 Minutes* or *The Simpsons*, or magazines, such as *The New Yorker*, *Advertising Age*, and *Woman's Day*.

Note that *media* is plural when it refers to various channels, but singular—*medium*—when it refers to only one form, such as newspapers.

Each medium (newspaper, radio or television station, billboard company, and so on) has a department that is responsible for selling ad space or time. These departments specialize in assisting advertisers in comparing the effectiveness of various media as they try to select the best mix of media to use. Many media organizations will assist advertisers in the design and production of advertisements. That's particularly true for local advertisers using local media, such as a retailer preparing an advertisement for the local newspaper.

The primary advantage of advertising's use of **mass media** is that the costs to buy time in broadcast media, space in print media, and time and space in digital media are spread over the tremendous number of people that these media reach. For example, \$3 million may sound like a lot of money for one Super Bowl ad, but when you consider the advertisers are reaching more than 100 million people, the cost is not so extreme. One of the big advantages of mass-media advertising is that it can reach a lot of people with a single message in a very cost-efficient form.

Principle

Advertising is most cost efficient when it uses mass media to reach large numbers of prospective consumers.

Professional Suppliers and Consultants The fourth player in the world of advertising include artists, writers, photographers, directors, producers, printers, and self-employed freelancers and consultants. In the “1984” story, the movie director Ridley Scott was a supplier in that Chiat/Day contracted with him to produce the commercial.

This array of suppliers mirrors the variety of tasks required to put together an ad. Other examples include freelance copywriters (see “The Inside Story” by Aaron Stern) and graphic artists, songwriters, printers, market researchers, direct-mail production houses, telemarketers, and public relations consultants.

Why would the other advertising players hire an outside supplier? There are many reasons. The advertiser or the agency may not have expertise in a specialized area, their people may be overloaded with work, or they may want a fresh perspective. They also may not want to incur the overhead of full-time employees.

In the new world of digital media, another type of supplier has emerged and that is the consumer, people who supply what we call **user-generated content**. This is through YouTube contributions and contests sponsored by advertisers such as Doritos, which has sponsored a competition for the best commercial to be used on the Super Bowl.



Advertising relies on the expertise of many different people, such as television producers, graphic designers, photographers, printers, and musicians.

Photo sources (listed left to right): © Peter Atkins/Fotolia; JackF/Fotolia; ID1974/Fotolia; vukas/Fotolia

The Inside Story

Freelancing: Two Sides of the Coin

Aaron Stern, *Freelancer, New York City*



When I tell people I'm a freelance creative director, I usually get the same vaguely concerned look. In a time of economic uncertainty, many people assume that what I'm actually saying is, "I can't find a real job." But for the past five years, I've been consistently freelancing and turning down full time job offers along the way. Freelancing has some wonderful benefits. And it definitely has drawbacks.

One of the biggest benefits of being a freelancer is that, for the most part, I get to choose the projects I work on. If I get a call for a project that doesn't sound appealing to me, I can simply turn it down. If I was on staff, I probably wouldn't have that luxury.

Another nice aspect of freelance is that I have the opportunity to work with many different agencies on a variety of clients. In any given year, I may work at 10 agencies or more. It's a great way to learn about the range of approaches agencies use to tackle problems. In some cases, the best creative agencies aren't necessarily the best places to work. And sometimes I'm pleasantly surprised by agencies that are smaller and lesser known.

Freelancing also gives me a lot more flexibility with my time. I can take time off when I want to work on other projects. A lot of freelancers I know have personal projects in art, writing, or music that they are able to pursue more easily because freelance allows for that kind of flexibility.

As a rule of thumb, freelance pays better in the short term than staff jobs, which means that, say, in a month

of freelance I'll make more than I would in a month of a salaried job. And if I work over a weekend, I get paid for that time.

Of course, there's always a flip side. Moving from agency to agency, project to project, means I constantly have to acclimate to a new environment. It's like starting a new job every time. I have to figure out how to navigate the politics, who to listen to, and what the new process is. Also, since the agency is paying me at an additional cost to them, I have to prove to them on a daily basis that I'm worth it.

Another drawback is that the projects usually given to freelancers aren't always the most exciting ones in the agency. Usually, those are given to the staff creatives. And freelancers are often brought in to help pitch new business, which can mean long hours and a lower chance of actually producing the work you do.

Finally, one of the hardest things for a freelancer to get used to is not knowing when the next job is going to come along. Even after five years, at the end of a project I still get a little nervous that I'll never work again. Fortunately, I've always proved myself wrong.

Freelancing isn't for everyone. Some people prefer the routine, teamwork, and security that come with a full-time job. And if you're just starting out in the business, it may make more sense to find a staff job that will give you the experience and portfolio you need to establish yourself. But I encourage you to try freelancing at some point in your career. After all, you can always go back to a "real" job.

Note: A graduate of the University of Colorado, Stern lives in New York as a freelance creative director. He was nominated by Professor Brett Robbs.

Types of Agencies

We are concerned primarily with advertising agencies in this chapter, but other areas, such as public relations, direct marketing, sales promotion, and the Internet, have agencies that provide specialized promotional help as well.

The A-List awards by *Advertising Age* recognize cutting-edge agencies that rank high in three areas. First, they are creative—*Ad Age* calls them "widely imaginative"—in developing brand strategies and executions. Second, they are fast growing and winners of some of the biggest new business pitches. Finally, they are recognized for their effectiveness. In other words, their work leads to measurable results. Note that the agencies in the following list represent big and small agencies as well as full-service and a variety of specialized agencies.

Advertising Age's A-List of Agencies⁷

1. **McGarryBowen** Identified as *Advertising Age*'s Agency of the Year in 2012, this agency has an enviable new-business record and a staggering 60 percent growth in revenue in 2011. Its clients describe it as a "jack-of-all-trades" in an era when clients want more integration and less specialization.

2. **Droga5** This five-year-old agency is sweeping award shows and signing up clients ranging from Amstel beer to Prudential with its avant-garde thinking.
3. **BBDO** In 2011, BBDO won every global pitch it participated in and about two-thirds of its U.S. pitches. Revenue was up 15 percent in the United States, while globally revenue increased 18 percent to an estimated \$2.4 billion.
4. **Razorfish** A leading digital agency, its acquisition by the Publicis Group in 2009 has seen amazing successes.
5. **72andSunny** This agency's approach is far more democratic than that of most agencies. An understanding prevails in the agency that a great idea can come anywhere, not just the creative department.
6. **Alma** A knack for matching Hispanics' passion points with online efforts helped Alma's digital revenue soar 300 percent. Overall, revenue grew 10 percent with the agency bringing in 10 new accounts in 2011.
7. **Grey** A big, traditional agency that is part of the WPP group, Grey could have been mistaken for a typical insurance company, but the new president has created a new level of excitement that's changed the image and business success of Grey.
8. **Edelman** A giant public relations agency, Edelman's client retention is second to none, and its year-over-year growth and strong relationships make other agencies envious.
9. **Huge** This Brooklyn digital shop is growing into its name by creating products that connect marketers to consumers.
10. **Arnold** A pick for the Comeback Agency of the Year in 2010, Boston-based Arnold has grown even stronger boosted by marquee clients such as Volvo and Ocean Spray and a long list of new accounts including Dell and the Boston Bruins.

In addition to agencies that specialize in advertising and other areas of marketing communication, there are also consulting firms in marketing research and branding that offer specialized services to other agencies as well as advertisers. Since these various types of marketing communication areas are all part of an integrated marketing communication approach, we cover many of these functions in separate chapters later in the book.

Full-Service Agencies In advertising, a **full-service agency** includes the four major staff functions of account management, creative services, media planning, and account planning, which includes research. A full-service advertising agency also has its own finance and accounting department, a **traffic department** to handle internal tracking on completion of projects, a department for *broadcast* and *print production* (sometimes organized within the creative department), and a human resources department.

Let's take a minute to look inside one full-service agency, Crispin Porter + Bogusky (CP+B), which was named Agency of the Year by *Adweek* and *Advertising Age* as well as *Ad Age*'s sister publication *Creativity*. CP+B celebrates some \$140 million in revenue and employs nearly 900 in its two offices in Miami and Boulder, Colorado. The agency is known for its edgy, pop-culture approach to strategy. You may remember Burger King's weird "king" character. That's the kind of provocative work that *Ad Age* calls "culturally primal."⁸ It infiltrates the social scene and creates buzz. Although known for its creative work, CP+B also has an innovative product design think tank that has come up with such ideas as a public bike rental program, a portable pen version of WD-40, and Burger King's popular Burger Shots sliders.

In-House Agencies Like a regular advertising agency, an **in-house agency** produces ads and places them in the media, but the agency is a part of the advertiser's organization rather than an outside company. Companies that need closer control over their advertising have their own internal in-house agencies. An in-house agency performs most—and sometimes all—of the functions of an outside advertising agency and produce materials, such as point-of-sale displays, sales team literature, localized ads and promotions, and coupon books, that larger agencies have a hard time producing cost effectively. Retailers, for example, find that doing their own advertising and media placement provides cost savings as well as the ability to meet fast-breaking deadlines. Some fashion companies, such as Ralph Lauren, also create their own advertising in-house to maintain complete control over the brand image and the fashion statement it makes. Check out this in-house agency at <http://about.ralphlauren.com/campaigns/default.asp>.

Specialized Agencies Many agencies either specialize in certain functions (writing copy, producing art, or creating digital ads), audiences or markets (youth, minority groups, such as Asian, African American, or Hispanic), or industries (health care, computers, agriculture, or B2B communication). In addition, some agencies specialize in other marketing communication areas, such as branding, direct marketing, sales promotion, public relations, events and sports marketing, packaging, and point-of-sale promotions. Sometimes one-client agencies are created to handle the work of one large client. Let's take a look at two special types of agencies:

- **Creative boutiques** are agencies, usually small (two or three people to a dozen or more), that concentrate entirely on preparing the creative execution of the idea or the creative product. A creative boutique has one or more writers or artists on staff but generally no staff for media, research, or strategic planning. Typically, these agencies can prepare advertising to run in print and broadcast media as well as in out-of-home (such as outdoor and transit advertising), Internet, and alternative media. Creative boutiques usually serve companies directly but are sometimes retained by full-service agencies that are overloaded with work.
- **Media-buying services** specialize in the purchase of media for clients. They are in high demand for many reasons, but three reasons stand out. First, media have become more complex as the number of choices has grown—think of the proliferation of new cable channels, magazines, and radio stations. Second, the cost of maintaining a competent media department has escalated. Third, media-buying services often buy media at a low cost because they can group several clients' purchases together to get discounts from the media because of the volume of their media buys.

Agency Networks and Holding Companies Finally let's talk about **agency networks**, which are large conglomerations of agencies under a central ownership. Agency networks are all of the offices that operate under one agency name, such as DDB Worldwide (200 offices in 90 countries) or BBDO Worldwide (287 offices in 79 countries). You can read more about these agencies and their networks at www.ddb.com and www.bbdoworldwide.com.

Holding companies include one or more advertising agency network as well as other types of marketing communication agencies and marketing services consulting firms. The three largest after a merger in 2013 are WPP Group, Interpublic, and the newly combined Omnicom and Publicis—now known as Publicis Omnicom Group. WPP, for example, includes the J. Walter Thompson Group, Ogilvy & Mather Worldwide, Young & Rubicam, Grey Global Group, and Bates advertising networks as well as the Berlin Cameron creative agency; public relations agencies Hill and Knowlton, Ogilvy Public Relations, and Burson-Marsteller; direct-response company Wunderman; research firms Millward Brown and Research International; media firms Mindshare and Mediaedge:cia; and branding and corporate identity firms Landor and Lambie-Naim, to name a few. Most of those firms are also networks with multiple offices. For an inside look at a big holding company, check out WPP at www.wpp.com.

How Are Agency Jobs Organized?

In addition to the CEO, if the agency is large enough, it usually has one or more vice presidents as well as department heads for the different functional areas. We will concentrate on five of those areas: account management; account planning and research; creative development and production; media research, planning, and buying; and internal services.

Account Management The **account management** function (sometimes called **account services**) acts as a liaison between the client and the agency. The account team summarizes the client's communication needs and develops the basic "charge to the agency," which the account manager presents to the agency's creative team. Once the client and agency together establish the general guidelines for a campaign, the account management team supervises the day-to-day development of the strategy.

Account management in a major agency typically has three levels: the *management supervisor*, who provides leadership on strategic issues and looks for new business opportunities; the *account supervisor*, who is the key executive working on a client's business and the primary liaison between the client and the agency; and the *account executive* (as well as *assistant account executives*), who is responsible for day-to-day activities and operates like a project manager. A smaller agency will combine some of these levels.