Advertising & Integrated Brand Promotion

Seventh Edition

A shampoo so rich it'll give your hair body and fullness all day!

Elegance Shampoo

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O'Guinn | Allen | Semenik | Close

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To Marilyn
Thomas Clayton O'Guinn

To Linda, Gillian, and Maddy, my three reasons for being.
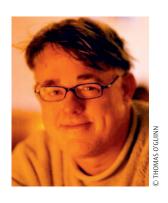Chris Allen

*To Molly, the best partner I could ever hope to have. To Andi, you have
done so much, so well, so quickly—you inspire me.*
Rich Semenik

To my family, Benjamin and Corbyn Scheinbaum.
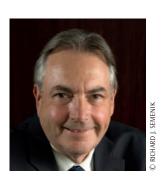Angeline Close Scheinbaum

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Chris T. Allen is the Arthur Beerman Professor of Marketing at the University of Cincinnati. He has also held faculty positions at Northwestern University and the University of Massachusetts at Amherst. His research has investigated the influence of affect and emotion in decision making and persuasive communication. Other published work has examined consumption issues in diverse domains such as determinants of household spending, motives for blood donation, fostering energy conservation, and the effects of news reporting on consumers' attitudes. It has appeared in numerous journals and compilations, including *JCR, JMR, JM, JPP&M, JBR, Journalism Quarterly, Journal of Advertising, Harvard Business Review, Advances in Nonprofit Marketing, and Handbook of Consumer Psychology*. Chris has served on the editorial review boards of *JCR, JCP, JM,* and *JA,* and has been a frequent reviewer for programs such as the Ferber Award, and the AMA/Howard, ACR/Sheth, and MSI dissertation competitions. He has also served as program administrator for P&G's Marketing Innovation Research Fund—a funding source for dissertation research. He received his Ph.D. in Marketing and Consumer Psychology from Ohio State.

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Richard J. Semenik is Professor Emeritus of Marketing and former Dean of the College of Business at Montana State University–Bozeman, as well as founder and Executive Director of the College's Center for Entrepreneurship for the New West. Before coming to Montana State, Rich served as head of the Marketing Department at the Eccles School of Business at the University of Utah and Associate Dean for Research. He also has cofounded two companies. He has given numerous speeches and seminars across the United States, as well as in Ireland, Italy, the Netherlands, Finland, Mexico, Germany, France, Belgium, and Scotland. He also has been a visiting research scholar at the Vrije Universiteit in Amsterdam, the Netherlands, and a visiting scholar at Anahuac Universidad in Mexico City, Mexico. His research has appeared in the *Journal of Advertising, Journal of Consumer Research,* and *Journal of International Advertising*. He has consulted with major corporations, advertising agencies, and early stage start-up companies. He received his undergraduate degree from the University of Michigan, an MBA from Michigan State University, and a Ph.D. from the Ohio State University.

© RICHARD J. SEMENIK

Angeline Close Scheinbaum At the University of Georgia, Angeline studied advertising (ABJ 2000) and mass communication (MMC 2001) at the Grady College of Journalism & Mass Communication, and marketing at the Terry College of Business (Ph.D. 2006). Angeline is Assistant Professor at the University of Texas at Austin in Advertising and Public Relations. Professor Close researches sponsorship and *event marketing*—namely how consumers' experiences at sponsored events influence attitudes and consumer behavior. Her research explains how events inform and persuade adolescents, consumers' engagement with events, drivers of effective event sponsorships, how entertainment impacts affect toward events/ purchase intention toward sponsors, the role of sponsor–event congruity, and why consumers may resist events or marketing efforts. Publications are in the *Journal of Advertising, Journal of the Academy of Marketing Science, Journal of Advertising Research, Journal of Business Research, Advances in Consumer Research, International Journal of Sports Marketing and Sponsorship,* and *Sport Marketing Quarterly*. Professor Close edited *Consumer Behavior Knowledge for Effective Sports and Event Marketing* (2011) and *Online Consumer Behavior: Theory and Research in Social Media, Advertising, and E-Tail* (2012). She is currently teaching Integrated Communication Management and Psychology of Advertising. She has taught MBA Market Opportunity Analysis, Advertising Management, IMC, Professional Sales, Marketing Management, Marketing Research, and Marketing Strategy. Service to the academy includes serving as President of the Consumer Behavior SIG of the American Marketing Association (2006–current) and Director of Doctoral Student and Junior Faculty Initiatives for the Academy of Marketing Science. She serves on the editorial review boards for *Journal of the Academy of Marketing Science and Sport Marketing Quarterly*.

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PREFACE

Some brands flourish, some brands face huge challenges, and some brands disappear altogether. Some brand managers are very smart, and some are very lucky and not so smart. The same is true of advertising executives. In this book, we write about how companies read the market environment, evolve their brands effectively, and nurture brand equity and loyalty. And we have done the same thing with this edition of *Advertising and Integrated Brand Promotion*. We added a new coauthor, Angeline Close Scheinbaum, from the University of Texas at Austin, who is a widely recognized expert in social and digital media. We have established a highly interactive online component to the book to give users access to contemporary issues throughout a term. We have evolved our brand along with the evolving advertising and promotion environment.

We've read the current environment and made extensive changes to the treatment of advertising and integrated brand promotion processes. Throughout the first six editions of the book, we sought and received extensive feedback from faculty, students, and practitioners. As we began to prepare this seventh edition of *Advertising and Integrated Brand Promotion,* the feedback was particularly informative and meaningful. You wanted a shorter book with more direct discussion. You wanted extensive coverage of social networking and digital media applications in both advertising and promotion. You wanted us to keep the highly visual presentation of material so prominent in prior editions. And, you wanted us to retain the issue-focused, contemporary topics from prior editions. We have addressed all of your desires and requests. This new edition is now reduced to about 400 pages from over 700. The book is full of social networking and digital media content both in the main discussions and in the new special "Insights Online" that provide access to current applications. The book is shorter, more direct, more focused. It is still very honest.

Despite all the changes and the tighter focus, there is one point we want to make emphatically: *Advertising and Integrated Brand Promotion,* seventh edition, remains the most current and forward-thinking book on the market. Since the launch of the first edition in 1998, we have alerted students to leading-edge issues and challenges facing the advertising and promotion industries. We were the first to devote an entire chapter to the Internet as an advertising medium (1998), the first to alert students to the "dot-com" agency incursion on traditional advertising structure (2000), the first to raise the issue of consumers seeking and seizing control of their personal communications environment (2003), and the first to highlight blogs and DVRs and the role they played in disseminating (or blocking) information about brands (2006). Also, we were the first to alert students to the emergence and growing potential of the early social networking sites, back then MySpace and YouTube, that began showing up on the Web (2009). This seventh edition follows the legacy of the prior editions of the book by highlighting the most contemporary and significant changes being experienced in the advertising and promotion industries—particularly the application of social networking and digital media in the advertising and promotion process.

There is a deep and lasting commitment among the authors to seek out both the best traditional and the newest contemporary thinking about advertising and integrated brand promotion from a wide array of both academic and trade publications. You will see this commitment manifest in the breadth, depth, and currency of the references in each chapter. Within this context, let's consider the "personality" features of this new edition. We are confident you will find the content and perspective of this new edition a worthy addition to students' classroom experience.

WHY WE WRITE THIS BOOK

When we introduced the first edition of *Advertising and Integrated Brand Promotion,* we summed up our attitude and passion about advertising in this way:

> *Advertising is a lot of things. It's democratic pop culture, capitalist tool, oppressor, liberator, art, and theater, all rolled into one. It's free speech, it's creative flow, it's information, and it helps businesses get things sold. Above all, it's fun.*

We still feel the same way. Advertising and promotion are fun, and this book reflects it. Advertising and promotion are also important businesses, and this edition carries forward a perspective that clearly conveys that message as well. Like other aspects of business, advertising and integrated brand promotion are the result of hard work and careful planning. Creating good advertising is an enormous challenge. We understand that and give homage and great respect to the creative process. We understand advertising and promotion in its business, marketing, and creative context. But we also felt, and still feel, that other books on the market do not emphasize enough a focus on the *brand* in the advertising and promotional effort. Brands are the reasons advertising exists. While most books of this type have IMC (Integrated Marketing Communication) in the title, we choose to emphasize the brand in the title and throughout the topics in the book.

This book is written by four people with lots of experience in both academic and professional settings. We have collectively been consultants for many firms and their agencies. Thus, this book is grounded in real–world experience. It is not, however, a book that seeks to sell you a "show-and-tell coffee-table book" version of the advertising and promotion industries. Rather, we highlight the challenges facing advertisers and offer complete treatment of the tools they use to meet those challenges.

As much as we respected our academic and practitioner colleagues the first six times around, we respect them even more now. This book is completely real–world, but the real world is also explained in terms of some really smart academic scholarship. This book copies no one yet pays homage to many. More than anything, this book seeks to be honest, thoughtful, and imaginative. It acknowledges the complexity of human communication and consumer behavior.

Students like this book—they tell us so over and over. You liked the last six editions, and you'll like this one even more. We've spent considerable time reviewing student and instructor likes and dislikes of other advertising textbooks, in addition to examining their reactions to our own book. With this feedback, we've devoted pages and pictures, ideas, and intelligence to creating a place for student and teacher to meet and discuss one of the most important and intrinsically interesting phenomena of contemporary times: advertising and promotion in the service of brands.

Relevant, Intelligent Organization

We offer an organization we adamantly believe is superior. The organizational structure of this book is unique and highly valued by users. Rather than have a section with one or two chapters followed by a section with nine or ten chapters, we offer a patterned and well-paced five-part organization. Instructors and students alike find this approach relevant, intelligent, and easy to follow. The organization of the text is so popular because it lays out the advertising and IBP process the same way it unfolds in practice and application:

Part 1: Advertising and Integrated Brand Promotion in Business and Society. Part 1 recognizes that students really need to understand just what advertising and IBP are all about and have a good perspective on how the process works. This section contains the core fundamentals (more about this in a minute). It describes the entire landscape of advertising and promotion, and provides a look at the structure of the industry and a historical perspective on the evolution of the process. But we have infused this part of the book with extensive coverage of the challenges and opportunities being presented by social networks and the mobile devices (smartphones, tablets, mobile marketing communications) that are changing the landscape for advertising and promotion. This part concludes with the key social, ethical, and regulatory issues facing practitioners and consumers.

Part 2: Analyzing the Environment for Advertising and Integrated Brand Promotion. Part 2 provides all the essential perspectives needed to understand how to carry out effective advertising and IBP. Key strategic concepts related to the overall process, including consumer behavior analysis, market segmentation, brand differentiation, and brand positioning, are considered. Then, this section proceeds to a discussion of the types of research advertising and promotion planners rely on to develop effective advertising and IBP. Additionally, there is special emphasis on "consuming in the real world" and how advertising and IBP need to adapt to consumer lifestyles and consumer adoption of new technologies to facilitate those lifestyles.

Whether you are teaching or studying advertising and promotion in a business school curriculum or an advertising/journalism curriculum, the first two parts of the book provide the background and perspective that show how advertising and IBP have become the powerful business and societal forces they are in the 21st century.

Part 3: The Creative Process. Part 3 is all about creativity: creativity itself, as a managerial issue, and as a part of art direction, copywriting, and message strategy. Most adopters in advertising and communication programs use this section and put particular focus on Chapter 10, in which the tensions between the creative and management processes are highlighted. Some business school adopters (particularly those on 6- and 10-week modules or classes) skip some of the creative chapters in Part 3. We believe everyone will find Chapter 11, which offers a highly integrated

discussion of the overall creative effort, a useful and realistic perspective on the process.

Part 4: Placing the Message in Conventional and "New" Media. Part 4 focuses on the use and application of all media—including social, mobile, and digital media—to reach target audiences. These chapters are key to understanding many of the execution aspects of good advertising and integrated brand promotion strategies. It is in this section that you will learn not just about the traditional mass media, which have struggled in the new digital environment but also about the array of new media options and consumers' new-found power in managing their information environments through these options. Of particular note is the recognition of the opportunities now offered by mobile devices as another way to reach consumers.

Part 5: Integrated Brand Promotion. Part 5 covers the many tools of integrated brand promotion. We bundled these four chapters together, since our business school adopters often use them. We think they are good for everyone. Here you will find the best coverage of sales promotion, event sponsorship, product placement, direct marketing, personal selling, branded entertainment, influencer marketing, public relations, and corporate advertising. Nearly twenty percent of the book's pages are devoted to IBP tools beyond advertising.

Compelling Fundamentals

We fully expect our book to continue to set the standard for coverage of new topics and issues. It is loaded with features, insights, and commonsense advertising perspectives about the ever-changing nature of the advertising and promotion industry, and we continue to incorporate coverage of new issues in *every* chapter.

That said, we feel a truly distinguishing strength of this book is that we do not abandon complete and high-level treatment of the fundamentals of advertising and promotion. You simply *cannot* appreciate the role of the new media or new technologies without a solid understanding of the fundamentals. If you doubt our commitment to the fundamentals, take a good look at Chapters 2 through 8. This is where we, once again, part company with other books on the market. *Advertising and Integrated Brand Promotion,* seventh edition, is the only book on the market that ensures the deep economic roots of advertising and promotion are fully understood (e.g., the economic effects of advertising, primary vs. selective demand). Also, we take the time to be certain that not just the business but also the social context of advertising is clear. Check out just how completely the foundational aspects are covered.

Also, notice that we don't wait until the end of the book to bring the legal, ethical, and social issues

(Chapter 4) into mainstream thinking about advertising and IBP. While most books put these issues as one of the last chapters—as if they are an afterthought—we feel strongly that they are mainstream to the development of high quality and responsible advertising and promotional efforts.

Extensive Social and Digital Media Coverage

In-depth consideration of new media vehicles is provided throughout Part 1 but is truly highlighted in Part 4 of the book, "Placing the Message in Conventional and 'New' Media." Chapter 14 is all about advertising and marketing in the social and digital media era, and it reviews many technical considerations for working with this—now not-so-new, but still challenging and evolving—method for reaching and affecting consumers. Chapter 15 highlights all the new ways advertising and promotion can provide an experiential encounter with the brand. But these sections are not the only place new media coverage is prominent. Chapters 1 and 2 highlight how consumers use new social media options as a way to control their information flow, and Chapter 5 considers the effects of new media on consumer decision making.

Student Engagement and Learning

You will find that this book provides a clear and sophisticated examination of advertising fundamentals and contemporary issues in lively, concise language. We don't beat around the bush, we don't avoid controversies, and we're not shy about challenging conventions. In addition, the book features a stylish internal design (worthy of an advertising book!) and hundreds of illustrations. Reading this book is an engaging experience.

The markers of our commitment to student learning are easily identified throughout the book. Every chapter begins with a statement of the *learning objectives* for that chapter. (For a quick appreciation of the coverage provided by this book, take a pass through it and read the learning objectives on the first page of each chapter.) Chapters are organized to deliver content that responds to each learning objective, and the *Chapter Summaries* are written to reflect what the chapter has offered with respect to each learning objective. After the chapter summaries, students will find *Key Terms* from the chapter which appear in bold type throughout the chapter. Full definitions of these terms are provided at the end of the book.

We also believe that students must be challenged to go beyond their reading to think about the issues raised in the book. We provide online access to *Questions* for each chapter that demand thoughtful analysis rather

than mere regurgitation, and additional exercises will help students put their learning to use in ways that will help them take more away from the course than just textbook learning. Complete use of this text and its ancillary materials will yield a dramatic and engaging learning experience for students of all ages who are studying advertising for the first time.

A CLOSER LOOK AT SOME SEVENTH EDITION FEATURES

In Every Chapter:

1 **Learning Objectives and a Built-In Integrated Learning System.** The text and test bank are organized around the learning objectives that appear at the beginning of each chapter, to provide you and your students with an easy-to-use, integrated learning system. A numbered icon like the one shown here identifies each chapter objective and appears next to its related material throughout the chapter. This integrated learning system can provide you with a structure for creating lesson plans as well as tests.

The integrated system also gives structure to students as they prepare for tests. The icons identify all the material in the text that fulfills each objective. Students can easily check their grasp of each objective by reading the text sections and reviewing the corresponding summary sections. They can also return to appropriate text sections for further review if they have difficulty with end-of-chapter questions.

Concise Chapter Summaries. Each chapter ends with a summary that distills the main points of the chapter. Chapter summaries are organized around the learning objectives so that students can use them as a quick check on their achievement of learning goals.

Key Terms. Each chapter ends with a listing of the key terms found in the chapter. Key terms also appear in boldface in the text. Students can prepare for exams by scanning these lists to be sure they can define or explain each term.

The Online Component. One of the frustrations that we have had as authors was the inability to provide current examples and to convey the most dynamic examples of advertising, which include video and audio, in a print medium. Now technology allows us to achieve this, and we have partnered with Cengage Learning and *Ad Age* to provide students with access to current issues in advertising as well as examples of effective advertising through the content of *Ad Age on Campus.* We have selected exciting content from *Ad Age* and related it to the concepts in

each chapter. We have also created assessments to provide assurances to both students and instructors that they comprehend the material. As well, rather than illustrate our printed book with examples from print media, we have selected contemporary advertisements from television and interactive online advertising to provide examples and applications of concepts.

For every chapter we have selected two or three articles from *Ad Age* that highlight interesting, unusual, or just plain entertaining information as it relates to the chapter. The articles are not diversions unrelated to the text, nor are they rambling, page-consuming, burdensome tomes. Rather, they provide concise, highly relevant examples that can be fully integrated as gradable assignments. The articles are for teaching, learning, and reinforcing chapter content. Three different types of articles are available for assignment: *Ethics, Globalization,* and *Social Media*. After each selection we have included a synopsis about how the article relates to the chapter content and have provided some assessment questions that will demonstrate a student's understanding of the concepts. Let's take a look at each.

Ethics: It is important that business decisions be guided by ethical practices. Advertising and IBP practices are particularly prone to questions by lay people relating to ethics. Because of the importance of ethics, proper business practice, and its appeal to students' interests, special ethics articles appear throughout this edition online. Students will gain insights into ethical business practices that will be useful not only in their advertising course but in future business courses and their careers.

Globalization: The globalization articles provide an insightful, real-world look at the numerous challenges advertisers face internationally. Many issues are discussed in these timely boxes, including the development of more standardized advertising across cultures with satellite-based television programming, how U.S.-based media companies such as MTV and Disney/ABC are pursuing the vast potential in global media, obstacles to advertising in emerging markets, and cross-cultural global research.

Social Media: While we integrate social media issues and applications within the main chapter content, there are so many facets to this emerging phenomenon that featuring social media examples in box treatments seemed useful and informative for students. These social media articles highlight both the nature of the phenomenon and applications by firms; for example, Facebook, Twitter, YouTube, and other social media and networking sites.

In addition to the specific content that has been selected to complement the concepts in each chapter, students will also have access to the *Ad Age on Campus* premium website where they can research a wealth of content.

Ad Age on Campus. Students will have access to a wealth of resources through the *Ad Age on Campus* page of adage.com through the access code provided with every new copy of this book, as well as other delivery options that will be discussed later in this Preface. This website provides access to a variety of resources including:

Daily News AdAge.com is the premier industry source of breaking news in the marketing, advertising, and media world, and includes trend stories, features, and analysis on the most important matters of the day.

Commentary Leading executives contribute every day to AdAge.com blogs and viewpoint columns, giving students critical insight into what the thought leaders are saying and advocating for the future of marketing.

The Work Each week, Ad Age publishes the best work of the week, as selected by the editors of Creativity, the Ad Age Group's source for advertising professionals in creative departments. Students have a window into the ideas, trends, and breakthrough work that has the industry sitting up and taking notice.

Research *Ad Age on Campus* subscribers have access to a select group of white papers published by the Ad Age Insights division, including demographic studies of female consumers, "Rise of the Real Mom" and "The Reality of the Working Woman," as well as a deep dive into "Building Brands Online" and a look at digital adopters, "Shiny New Things."

DataCenter Students also have access to AdAge.com's premium content in the DataCenter, the industry's source of key information about the industry's most important companies. Comprehensive and thorough reports rank by spending, revenue, and income the 100 leading national advertisers; the top global marketers; 100 leading media companies; interactive ventures of top media and agency companies; and Creativity's awards winners list—the definitive online tally of the best agencies, brands, creatives, production companies, and directors, according to a weighted tabulation of the major advertising awards shows.

Additional Online Material and Critical Thinking Questions

Online critical thinking questions for each chapter are designed to challenge students' thinking and to go beyond the "read, memorize, and regurgitate" learning process.

Below is a sampling of the types of critical thinking questions found in *Advertising and Integrated Brand Promotion,* seventh edition. As consumers exercise ever greater individual control over when and how they receive information, how are advertisers adapting their messages? What is the role, if any, for traditional media options in this new environment? Will mobile marketing efforts, including directing advertising to smartphones, be accepted by consumers?

End-of-Part Activities

Each part has a project-based activity which provides practical experience working in groups. Your students can expand their advertising knowledge with challenging, project-based group activities at the end of each part. Students work together in teams to complete work that emphasizes many of today's well-known, actual companies.

MindTap and CengageNOW

For *Advertising and Integrated Brand Promotion,* seventh edition, we offer two exciting alternatives for users depending on how the course is to be taught, in either a hybrid print and online version or versions that provide a completely integrated online version delivery through a platform called MindTap. MindTap is a fully online, highly personalized learning experience built upon authoritative Cengage Learning content. By combining readings, multimedia, activities, and assessments into a singular Learning Path, MindTap guides students through their course with ease and engagement. Instructors personalize the Learning Path by customizing Cengage Learning resources and adding their own content via apps that integrate into the MindTap framework seamlessly with Learning Management Systems. For instructors that want to incorporate the online component of *Advertising and Integrated Brand Promotion* into a traditional Learning Management System, the online content can be accessed via CengageNOW which provides instructors ways to manage assignments, quizzes and tests throughout the semester.

A FULL ARRAY OF TEACHING/ LEARNING SUPPLEMENTARY MATERIALS

Supplements:

Advertising Age: The Principles of Advertising and Marketing Communication at Work (ISBN 9781111528751) by Esther Thorson and Margaret Duffy, both of the University of Missouri–Columbia.

David Ogilvy, named one of the "100 most influential advertising people of the century" by *Advertising Age,* said this: "It takes a big idea to attract the attention of consumers and get them to buy your product. Unless your advertising contains a big idea, it will pass like a ship in the night." *Advertising Age* itself exemplifies a big idea. It's a journal that for 80 years has chronicled the

day-to-day triumphs and heartbreaks of this dynamic profession. Its talented editors and reporters create compelling, informative stories that aren't only important—they're sharp, literate, and fun to read. Taking a cue from *Advertising Age,* this book seeks to showcase the lessons and the fun of the business for students.

Instructor's Manual. The instructor's manual has been thoroughly revised to update all previous content, including comprehensive lecture outlines that provide suggestions for using other ancillary products associated with the text and suggested answers for all exercises found within the text. The Instructor's Manual is available on the Instructor's Resource CD-ROM.

PowerPoint®. This edition's PowerPoint® presentation is of the highest quality possible. The PowerPoint® presentation is available on the Instructor's Resource CD-ROM.

Test Bank. This comprehensive test bank is organized around the main text's learning objectives. Each question is labeled according to the learning objective that is covered, the difficulty level of the question, and A-heads. Each question is also tagged to interdisciplinary learning outcomes, marketing disciplinary learning outcomes, and Bloom's taxonomy. Grouping the questions according to type allows for maximum flexibility in creating tests that are customized to individual classroom needs and preferences. The test bank includes true/false, multiple-choice, scenario application, and essay questions. There are approximately 1,800 questions. All questions have been carefully reviewed for clarity and accuracy. The test bank Word files are available on the Instructor's Resource CD-ROM.

Cognero Testing Software. The Cognero Testing system is a full-featured, online assessment system that allows you to manage content, create and assign tests, deliver tests through a secure online test center, and have complete reporting and data dissemination at your fingertips. The following are some of the features of the Cognero Testing System:

- Access from anywhere
  Web-based software that runs in a Web browser. No installs are required to start using Cognero. Works in Windows, Mac, and Linux browsers.

- Desktop-like interface
  Looks and feels like a desktop application. Uses the latest Web functionality to imitate desktop usability features like drag-and-drop and wizards.

- Full-featured test generator
  Author and manage your assessment content as well as build tests using the only online test generator that

supports all of the major functionality of its desktop competitors. Cognero is complete with a full-featured word processor, multilanguage support, Math-ML compliant equation editor, algorithmic content support, native support for 15 question types (true/false, modified true/false, yes/no, multiple choice, multiple response, numeric response, completion, matching, objective short answer, subjective short answer, multi-mode, ordering, opinion scale/Likert, essay, and custom), unlimited metadata, ability to print professional paper tests with multiple styles and versions, and more.

- Class Management and Assignments
  Manage your students, classes, and assignments with the ease of simple drag-and-drop. You can build or import rosters, have students self-register for a class, and move students easily from class to class. Once your roster is set, simply drag a test to a class to schedule and put your students to work.

- Secure Online Testing
  Cognero has an integrated secure online testing center for your students. Along with delivering traditional tests, your students can receive immediate feedback on each question and/or receive a detailed end-of-assignment report to help them know exactly how they are doing.

- Complete Reporting System
  What is the use of assessment without being able to disseminate the data derived from it? Cognero allows you to analyze how your students are performing on a real-time basis and from multiple approaches to allow for immediate intervention. You can also quickly analyze your questions and perform a gap analysis of student testing.

- Content Management System
  Cognero has a unique set of tools to allow for the creation of products (groups of question sets and tests) for distribution to other users. This system includes workflow management for the shared authoring environment, the ability to authorize specific users to access your content, and the ability to edit content and push changes through to subscribers. There are also a number of design features to make high volume authoring within Cognero very efficient. All content created in this system has built-in digital rights management, meaning that your content is protected against unauthorized use.

Product Support Site (http://www.cengagebrain. com). The product support site features "Instructor Resources" that include the instructor's manual, test bank, PowerPoint®, and videos. For students, we include the following for each chapter: learning objectives, crossword puzzles using key terms, and interactive quizzes.

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BRIEF CONTENTS

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Advertising and Integrated Brand Promotion

PART 1

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Advertising and Integrated Brand Promotion in Business and Society

This first part of the book, "Advertising and Integrated Brand Promotion in Business and Society," sets the tone for our study of advertising. The chapters in this part emphasize that advertising is much more than the old-style mass media messages of the past. Mass media are still, no doubt, a huge part of the advertising effort. But advertising is now much more diverse and dynamic and is part of a process you will learn about called integrated brand promotion (IBP). IBP is the process of using all sorts of different promotional techniques and tools—from television ads to billboards to digital media like iPod broadcasts—that send messages about brands to consumers. Now, the rapid ascent of digital media—particularly social networking sites like Facebook and Twitter—have radically changed the landscape for advertising and IBP. And advertising and IBP communications are not just marketing messages. They are also part of a social communication process that has evolved over time with changes in culture, technology, and business strategies. This is where the "brand" plays a leading role in communications. We all know brands because we hear about them and use them every day—Apple, Nike, Pantene, Starbucks, and literally hundreds of others. We know (and learn) about brands because companies use advertising and IBP to tell us about them. But we also learn about brands by using them and by seeing them being used in society. This first part of the book lays out the broad landscape of the advertising and IBP processes that expose us to brands and what they have to offer.

CHAPTER

1

The World of Advertising and Integrated Brand Promotion introduces and defines advertising and integrated brand promotion and the roles they play within a firm's overall marketing program. We'll get a clear definition of both advertising and IBP and learn that firms communicate to consumers using a broad range of tools that often go far beyond advertising and traditional mass media. Sales promotion, event sponsorship, direct marketing, brand placements in movies, television programs and video games, point-of-purchase displays, the Internet, podcasting, influencer marketing (social networks), personal selling, and public relations—the tools of IBP—are available to help a firm compete effectively, develop customer brand loyalty, and generate greater profits.

CHAPTER

2

The Structure of the Advertising and Promotion Industry: Advertisers, Agencies, Media, and Support Organizations highlights the people in the industry and their activities. This chapter demonstrates that effective advertising requires the participation of a variety of organizations and especially skilled people, not just the companies who make and sell brands. Advertising agencies, research firms, production facilitators, designers, media companies, Web developers, public relations firms, and Internet portals all play a role. This chapter also highlights that the structure of the industry is in flux. New media options, like streaming video, blogs, and social networking sites, and new organizations, like talent agencies, product placement firms, and software companies, are forcing change. This chapter looks at the basic structure of the industry and how it is evolving with the market and with changing consumer preferences for information reception.

CHAPTER

3

The History of Advertising and Brand Promotion puts the processes of advertising and IBP into both a historical and a contemporary context. This chapter identifies the prominent eras of advertising—from the pre-1880s to the present day—and the unique communications emphasis that has distinguished each era. Special recognition is given to the fact that advertising and IBP have evolved and proliferated because of fundamental market and cultural influences related to free enterprise, economic development, and tradition. Change has also occurred as a reflection of contemporary social values and the advent of new technologies. We also address the effect the Great Recession of 2008–2011 in the United States had on advertising spending, processes, and strategies.

CHAPTER

4

Social, Ethical, and Regulatory Aspects of Advertising and Promotion examines the broad societal aspects of advertising and IBP. From a social standpoint, we must understand that advertising and promotion can have positive effects on standard of living, address consumer lifestyle needs, support communications media, and are contemporary art forms. Critics argue that advertising and other promotions waste resources, promote materialism, are offensive and intrusive, perpetuate stereotypes, or can make people do things they don't want to do. Ethical issues focus on truthful communication, invasion of privacy, advertising and promoting to children, and advertising and promoting controversial products. Regulatory aspects highlight that while government organizations play a key role in shaping the way advertising and IBP are carried out, consumer groups and societal values also put pressure on advertising and IBP to change and evolve with cultural values.

CHAPTER 1

The World of Advertising and Integrated Brand Promotion

After reading and thinking about this chapter, you will be able to do the following:

1 Know what advertising and integrated brand promotion (IBP) are and what they can do.

2 Discuss a basic model of communication.

3 Describe the different ways of classifying audiences for advertising and IBP.

4 Understand advertising as a business process.

5 Understand the various types of advertising.

You know what? You're a real challenge for companies. You like to get your information from your friends through social media. You read blogs instead of newspaper advertising. You skip television ads, and you listen to satellite radio stations with no advertising at all. So, how are companies supposed to reach you with their advertising and brand messages? Well, these companies are struggling with that challenge. So, they *are* using traditional mass media advertising, but they are also using newer forms of communication to try to get their brand messages across to you.

You'll still see advertising during your favorite television show or in your favorite magazine—a lot of advertising, in fact. But if you haven't encountered some of the new "smart ads" from companies, you will before too long. If you are a smartphone user, advertising is already working its way into a variety of your apps. If you're a video-game player, your favorite games are already full of ads in the cyberscenery—over $1 billion worth of advertising a year, actually.[1] The next time you go to the grocery store, you just might find an electronic video tablet attached to the shopping cart that asks you to swipe your store loyalty card before you start touring the aisles. That way the store's computers can prepare a shopping list of items you've purchased before for your convenience. When you've finished your grocery shopping and are heading home, your smartphone might alert you to a special on oil changes just as you're approaching a lube shop. Companies are spending nearly $4 billion a year on these new "mobile ad" formats, just to try to reach you in new and different ways with their brand messages.[2] Welcome to the new world of advertising and integrated brand promotion (IBP).

1-1 THE NEW WORLD OF ADVERTISING AND INTEGRATED BRAND PROMOTION

The world of advertising and IBP is going through enormous change. What you will learn in this book and in your class discussions is that companies are trying to keep up with how and where consumers want to receive information about brands.

Mass media are not dead, but they are being supplemented and supported by all sorts of new ways to reach consumers. Consumer preferences and new technologies are reshaping the communication environment. You'll also learn that the lines between information, entertainment, networking, and commercial messages are blurring. As one analyst put it, "The line of demarcation was obliterated years ago, when they started naming ballparks after brands."[3] Companies are turning to branded entertainment, the Internet, influencer marketing (i.e., social networks), and other innovative communication techniques to reach consumers and get their brand messages integrated into consumers lifestyles (like the shopping cart tablet). The vice president of marketing for Audi America described this new process of integrating brands into consumers' lifestyles as "acupuncture marketing" where you go "narrow and deep" with your messages.[4]

Analysts speculate that advertising, IBP, and marketing overall will be more digital, more interactive, and more social. Their reasoning is not hard to understand. Firms have not fully exploited all the opportunities presented by mobile marketing. **Mobile marketing** is communicating with target markets through mobile devices like smartphones or iPad or Surface tablet devices. Digital and interactive techniques can "funnel" consumers to retail sites and online shopping and purchasing. But for now, the "new world of advertising" is still in transition and still has some fundamentals that will not change, no matter what, as the next section describes.

1-1a Old Media/New Digital Media—It's All about the Brand

We need to remain clear about one thing. No matter how much technology changes or how many new media options and opportunities are available for delivering messages—it's still all about the brand! Just because an advertiser offers consumers the opportunity to "follow" them on Twitter or visit the brand's Facebook page, these new communications options do not change the fundamental challenge and opportunity—communicating effectively about the brand and the brand's values (see Insights Online [Exhibit 1.1] for an interesting example). As consumers, we know what we like and want, and advertising—regardless of the method—can help expose us to brands that can meet our needs. And there is a simple truth—a brand that does *not* meet our needs will not succeed—no matter how much advertising there is or whether that advertising is delivered through old traditional media or new digital media and mobile marketing. Another truth is how much consumers emphasize brands in striving to meet their needs. Consumers are irresistibly drawn to brands to fulfill their needs and desires and also for the social symbolism that brands represent. Consider the case of fine jewelry. Jewelry does not blatantly display a brand mark or brand name in the way Nike shoes, an Apple iPad or iPhone, or a Mercedes Benz automobile does. These brands prominently display a brand logo and often the brand name itself—but jewelry does not. But, modern consumers are so brand oriented that now they ask "Is that a new ring? Who are you wearing?"—totally oriented to searching out, wanting to know, and wanting to own conspicuous brands.[5]

Now consider the complex case of Cadillac. In the early 1950s, Cadillac held a stunning 75 percent market share in the luxury car market and was a leading advertiser in the market year after year. But by 2007, that market share had fallen to about 9 percent—an unprecedented loss in the history of the automobile industry or most other industries for that matter. What happened to the Cadillac brand? It wasn't the advertising. A series of product missteps confused the market's perception of the brand: the 1986 Cimarron, for example, used a Chevy chassis and looked cheap, and the 1987 Allante sports car was slow and leaked like a sieve. Formidable competitors like Lexus and Infiniti entered the market with powerful and stylish alternatives that were effectively advertised. Does it seem like social networking the brand on Twitter or Facebook could have changed Cadillac's fate during this period of decline? Not likely—even though there are over 15 million monthly users of Facebook.[6] Reaching a large number of consumers with information about a poor product will not make the product a success. But now, GM has reinvested in the Cadillac brand and committed $4.3 billion to redesign, advertise, and promote the brand to change consumers' perceptions about Cadillac relative to luxury brands from Europe like Mercedes and Audi (see Exhibit 1.2). Also, the company has upped its spending on digital platforms to 25 percent of its marketing spending.[7]

Analysts are adamant about the process of maintaining a contemporary market-driven image and identity for a brand (as Cadillac finally has started to do), and advertising and promotion are essential to the effort. This is particularly true with established brands that become well known to consumers. If the firm does not regularly invest in well-conceived and carefully crafted advertising and IBP programs, a brand can "drift into a vague oblivion."[8]

EXHIBIT 1.2 GM is trying to reinvent the Cadillac brand with new body and interior designs and a new "brand story" in advertising in order to compete effectively with luxury European brand autos like Mercedes and Audi.

General Motors

LO ①

1-2 WHAT ARE ADVERTISING AND INTEGRATED BRAND PROMOTION?

Now that we've set the new and dynamic context for communication, let's consider the tools companies use: advertising and IBP. We'll start with advertising. You have your own ideas about advertising because you see some advertising every day—even if you try to avoid most of it. You need to know that advertising means different things to different people, though. It's a business, an art form, an institution, and a cultural phenomenon. To the CEO of a multinational corporation, like Pepsi, advertising is an essential marketing tool that helps create brand awareness and brand loyalty. To the owner of a small retail shop, advertising is a way to bring people into the store. To the art director in an advertising agency, advertising is the creative expression of a concept. To a media planner, advertising is the way a firm uses the media to communicate to current and potential customers. To a website manager, it's a way to drive traffic to the URL. To scholars and museum curators, advertising is an important cultural artifact, text, and historical record. Advertising means something different to all these people. In fact, sometimes determining just what is and what is not advertising is a difficult task!

Even though companies believe in and rely heavily on advertising, it is not a process that the average person clearly understands or values. Most people have some significant misperceptions about advertising and what it's supposed to do, what it can do, and what it can't do. Many people think advertising deceives others but rarely themselves. Most think it's a semi-glamorous profession but one in which people are either morally bankrupt con artists or pathological liars. At worst, advertising is seen as hype, unfair capitalistic manipulation, banal commercial noise, mind control, postmodern voodoo, or outright deception. At best, the average person sees advertising as amusing, informative, somewhat annoying, sort of helpful, and occasionally hip.

The truth about advertising lies somewhere between the extremes. Sometimes advertising is hard-hitting and powerful; at other times, it's boring and ineffective. One thing is for sure: advertising is anything but unimportant. Advertising plays a pivotal role in world commerce and in the way we experience and live our lives. It is part of our language and our culture. It is a complex communication process, a dynamic business process, and now a part of the social interaction process (see Insights Online [Exhibit 1.3] for a notable example).

1-2a Advertising Defined

Keeping in mind that different people in different contexts see advertising so differently and that advertising suffers from some pretty complex controversies, we offer this straightforward definition:

> **Advertising** *is a paid, mass-mediated attempt to persuade.*

As direct and simple as this definition seems, it is loaded with distinctions. First, advertising is *paid* communication by a company or organization that wants its information disseminated. In advertising language, the company or organization that pays for advertising is called the **client** or **sponsor**. If a communication is *not paid for*, it's not advertising. For example, a form of public relations promotion called *publicity* is not advertising because it is not paid for. Let's say Will Smith appears on the *Late Show with David Letterman* to promote his newest movie. Is this advertising? No, because the producer or film studio did not pay the *Late Show with David Letterman* for airtime. In this example, the show gets an interesting and popular guest, the guest star gets exposure, and the film gets plugged. Everyone is happy, but no advertising took place—it might be public relations, but it is not advertising. But when the film studio produces and runs ads on television and in newspapers across the country for the newest Will Smith movie, this communication is paid for by the studio, it is placed in media to reach consumers, and therefore is most definitely advertising.

For the same reason, public service announcements (PSAs) are not advertising either. True, they look like ads and sound like ads, but they are not ads. They are not commercial in the way an ad is because they are not paid for like an ad. They are offered as information in the public (noncommercial) interest. When you hear a message on the radio that implores you to "Just Say No" to drugs, this sounds very much like an ad, but it is a PSA. Simply put, PSAs are excluded from the definition of advertising (even though there are lots of them) because they are unpaid communication.

Second, advertising is *mass mediated*. This means it is delivered through a communication medium designed to reach more than one person, typically a large number—or mass—of people. Advertising is widely disseminated through familiar means—television, radio, newspapers, and magazines—and other media such as direct mail, billboards, video games, the Internet, tablets, and smartphones. The mass-mediated nature of advertising creates a communication environment where the message is not delivered in a face-to-face manner. This distinguishes advertising from personal selling as a form of communication.

Third, all advertising includes an *attempt to persuade.* To put it bluntly, ads are communications designed to get someone to do something. Even an advertisement with a stated objective of being purely informational still has persuasion at its core. The ad informs the consumer for some purpose, and that purpose is to get the consumer to like the brand, and because of that liking, to eventually buy the brand. An "ad" can be extremely subtle, like a Sprite bottle and logo appearing in the "Green Eyed World" video series on YouTube. Or, it can be loud and blatant like a Saturday morning infomercial. Consider the PUR water filter ad in Exhibit 1.4. It doesn't carry a lot of explicit product information. But it's interesting, and most of us would say, "Yeah, I like that ad." With that reaction, this ad is persuasive. In the absence of a persuasive intent, a communication might be news, but it would not be advertising.

At this point, we can say that for a communication to be classified as advertising, three essential criteria must be met:

1. The communication must be *paid for.*
2. The communication must be delivered to an audience via *mass media*.
3. The communication must be *attempting persuasion*.

It is important to note here that advertising can be persuasive communication not only about a product or service but also about an idea, a person, or an entire organization. When Colgate and Honda use advertising, this is product advertising and meets all three criteria. When TD Ameritrade, Delta Air Lines, Terminix, or your dentist run advertisements for their services, these advertisements meet all three criteria. And when political candidates run ads on television or in newspapers, these (people) ads meet all three criteria as well (see Insights Online [Exhibit 1.5] for another interesting example).

EXHIBIT 1.4   In order for a communication to be advertising, it has to have a persuasive intent. Even though this PUR water filter ad is not overtly persuasive with a lot of message copy, the fact that it is interesting and designed to create a positive impression on the audience results in persuasive intent.

Procter & Gamble

1-2b **Integrated Brand Promotion Defined**

Now that we have defined advertising, let's consider the other important context for the book—the process of integrated brand promotion, or IBP. As we discussed earlier, communication is all about the brand and, as such, promotion is all about the brand as well. To fully understand integrated brand promotion, let's first define IBP and describe all the tools used for IBP. Then we can talk about how it is related to and yet distinct from advertising. First the definition:

integrated brand promotion (IBP) *is the process of using a wide range of promotional tools that work together to create widespread brand exposure.*

Just as the definition of advertising was loaded with meaning, so too is the definition of integrated brand promotion. First, IBP is a process. It has to be. It is complicated and needs to be managed in an integrated

fashion. Second, IBP uses a wide range of promotional tools that have to be evaluated and scheduled. IBP creates exposure for the *brand*.

It can be a branded product or an overall corporate brand, but the IBP process is squarely focused on brand exposure. Here is a list of the most prominent tools marketers use for IBP:

- Advertising in mass media (television, radio, newspapers, magazines, billboards)
- Sales promotions (coupons, premiums, discounts, gift cards, contests, samples, trial offers, rebates, frequent user-affinity programs, trade shows)
- Point-of-purchase (in-store) advertising
- Direct marketing (catalogs, telemarketing, email offers, infomercials)
- Personal selling
- Internet advertising (banners, pop-ups/pop-unders, websites)
- Social networks/blogs
- Podcasting/smartphone messaging
- Event sponsorships
- Branded entertainment (product placement/insertion in television programming, apps, Webcasts, video games, and films), also referred to as "advertainment"
- Outdoor signage
- Billboard, transit, and aerial advertising
- Public relations
- Influencer marketing (peer-to-peer persuasion often through social networks)
- Corporate advertising

Notice that this long list of IBP tools includes various types of advertising but goes well beyond traditional advertising forms. From mass media of advertising to influencer marketing and social networks, the tools of IBP are varied and wide ranging. All of these tools allow a marketer to reach target customers in different ways with different kinds of messages to achieve broad exposure for a brand.

Third, the definition of IBP highlights that all of these tools need to work together. That is, they need to be integrated to create a consistent and compelling impression of the brand. Having mass media advertising send one message and create one image and then have mobile messaging or personal selling deliver another message will confuse consumers about the meaning and relevance of the brand—this is a very bad thing!

Finally, the definition of IBP emphasizes that all of the advertising and promotional effort undertaken by a firm is designed to create widespread exposure for a brand. Unless consumers are reached by these various forms of messages, they will have a difficult time understanding the brand and deciding whether to use it regularly.

1-2c Advertisements, Advertising Campaigns, and Integrated Brand Promotion

Now that we have working definitions of advertising and IBP, we can turn our attention to some other important distinctions and definitions. Let's start with the basics. An **advertisement** refers to a specific message that an organization has created to persuade an audience. An **advertising campaign** is a series of coordinated advertisements that communicate a reasonably cohesive and integrated theme about a brand. The theme may be made up of several claims or points but should advance an essentially singular theme. Successful advertising campaigns can be developed around a single advertisement placed in multiple media, or they can be made up of several different advertisements with a similar look, feel, and message. A good example is represented by the Altoids ads in Exhibits 1.6 and 1.7. Notice the excellent use of similar look and feel in this advertising campaign. Advertising campaigns can run for a few weeks or for many years. The advertising campaign requires a keen sense of the complex environments within which a company must communicate to different audiences.

How does IBP fit in with advertisements and advertising campaigns? As we discussed earlier, IBP is the use of many promotional tools, including advertising, in a coordinated manner to build and then maintain brand awareness, identity, and preference. When marketers combine contests, a website, event sponsorship, and point-of-purchase displays with advertisements and advertising campaigns, they create an IBP. BMW did just that when the firm (re)introduced the Mini Cooper auto to the U.S. market. The IBP campaign used billboards, print ads, an interactive website, and "guerrilla" marketing (a Mini was mounted on top of a Chevy Suburban and driven around New York City). Each part of the campaign elements was coordinated with all the others. (See Insights Online [Exhibit 1.8] for a key example.) Note that the word *coordinated* is

EXHIBITS 1.6 AND 1.7 A well-conceived and well-executed advertising campaign offers consumers a series of messages with a similar look and feel. These two ads from a broader Altoids campaign are excellent examples of images that create a similar look and feel.

USE ONLY IN SELF-DEFENSE
THE CURIOUSLY STRONG MINTS

Altoids is a registered trademark of Callard & Bowser

ALTOIDS
THE CURIOUSLY STRONG MINTS

Altoids is a registered trademark of Callard & Bowser

central to the IBP effort. Without coordination among these various promotional efforts, there is not an integrated brand promotion. Rather, the consumer will merely encounter a series of individual, unrelated (and therefore confusing) communications about a brand.

1-2d A Focus on Advertising

Integrated brand promotion will be a key concept throughout our discussion of advertising. The fact that this phrase is included in the title of the book signals its importance to the contemporary marketing effort. As consumers encounter a daily blitz of commercial messages, brands and the images they project allow consumers to quickly identify and evaluate the relevance of a brand to their lives and value systems. The marketer who does not use advertising and IBP as a way to build brand identity and meaning for consumers will, frankly, be ignored.

We will develop the concept and describe the execution of IBP throughout the text and demonstrate how advertising is central to the process. The encounters between consumers and advertising, advertisements, and advertising campaigns, specifically, are the focus of our next discussion. Elaboration on the features and application of other IBP tools will be covered extensively in Part 5 of the text.

LO ②

1-3 ADVERTISING AS A COMMUNICATION PROCESS

Communication is a fundamental aspect of human existence, and advertising is one of those communications. To understand advertising at all, you must understand something about communication in general

and about mass communication in particular. To help with gaining this understanding, let's consider a contemporary model of mass communication. We'll apply this basic model of communication as a first step toward understanding advertising.

1-3a A Model of Mass-Mediated Communication

As we said earlier, advertising is mass-mediated communication; it occurs not face-to-face but through a medium (such as radio, magazines, television, on the side of a building, or on your computer or smartphone). Although there are many valuable models of mass communication, a contemporary model of mass-mediated communication is presented in Exhibit 1.9. This model shows mass communication as a process where people, institutions, and messages interact. It has two major components: production (by the sender of a message) and reception (by the receiver of a message). Between production and reception are the mediating (interpretation) processes of accommodation and negotiation. It's not as complex as it sounds. Let's investigate each part of the model.

Moving from left to right in the model, we first see the process of communication production, where the content of a mass communication is created. An advertisement, like other forms of mass communication, is the product of institutions (such as corporations, organizations, advertising agencies, and governments) interacting to produce content (what is created for a print ad, television ad, radio ad, podcast, or on a computer screen at a company's website). The creation of the advertisement is a complex interaction of the company's brand message; the company's expectations about the target audience's desire for information; the company's assumptions about how members of an audience will interpret the words and images in an ad; and the rules and regulations of the medium that transmits the message.

Continuing on to the right, we see that the mediating processes of accommodation and negotiation lie between the production and reception phases.

EXHIBIT 1.9   A model of mass-mediated communication.

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Accommodation and negotiation are the ways in which consumers interpret ads. Individual audience members have some ideas about how the company wants them to interpret the ad (we all know the rules of advertising—somebody is trying to persuade us to buy something or like their brand or idea). And each consumer has needs, agendas, and preferred interpretations based on history, experience, and individual value systems. Given all this, every consumer who sees an ad arrives at an interpretation of the ad that makes sense to them individually, serves their needs, and fits their personal history with a product category and a set of brands. You'll learn more about the wide range of influences on each consumer in Chapter 5—"Advertising, Integrated Brand Promotion, and Consumer Behavior."

What's interesting about the whole progression of consumer receipt and then interpretation of a communication is that it is often wholly *incompatible* with the

> *No ad contains a single meaning or even the same meaning for each audience members. Ads are interpreted by each audience member according to her or his unique set of experiences, values, and beliefs.*

way the company wants consumers to see an ad! In other words, the receivers of the communication must *accommodate* their perceived multiple meanings and personal agendas and then *negotiate* a meaning—that is, an interpretation—of the ad according to their individual life experiences and value systems. That's why we say that communication is inherently a *social* process: What a message means to any given consumer is a function not of an isolated solitary thinker but of an inherently social being responding to what he or she knows about the producers of the message (the companies), other receivers of it (peer groups, for example), and the social world in which the brand and the message about it resides. Now, admittedly, all this interpretation happens very fast and without much contemplation. Still, it happens. The level of conscious interpretation by each receiver might be minimal (mere recognition) or it might be extensive (thoughtful, elaborate processing of an ad), but there is *always* interpretation.

The communication model in Exhibit 1.9 underscores a critical point: No ad contains a single meaning or even the same meaning for each audience members. Ads are interpreted by each audience member according to her or his unique set of experiences, values, and beliefs. An ad for a pair of women's shoes means something different for women than it does for men. An ad that achieved widespread popularity (and controversy) is the ad for Diet Coke shown in Exhibit 1.10, which may be interpreted differently by men and women. For example, does the ad suggest that men drink Diet Coke so that they can be the object of intense daily admiration by a group of female office workers? Or does the ad suggest that Diet Coke is a part of a modern woman's lifestyle, granting her "permission" to freely admire attractive men in the same way women have been eyed by male construction workers (or executives) for years? Each audience member decides what meaning to take away from a communication.

EXHIBIT 1.10   This Coke ad is a good example of how the meaning of an ad can vary for each individual receiver of the ad. How would you interpret the meaning of this ad? Think of someone quite different from yourself. What meaning might they take away from this ad?

The Coca-Cola Company

LO ③

1-4 THE AUDIENCES FOR ADVERTISING

We've been referring to audiences, so now it's time to define them. In the language of advertising, an **audience** is a group of individuals who receive and interpret messages sent from companies or organizations.

The audience could be made up of household consumers, college students, or business people, for example. Any large group of people can be an audience. A **target audience** is a particular group of consumers singled out by an organization for an advertising or IBP campaign. These target audiences are singled out because the firm has discovered that these specific audience members like the product category and might prefer their particular brand within that product category. Target audiences are always *potential* audiences because a company can never be sure that the message will actually get through to them as intended. By the way, there is nothing sinister about the targeting process. Targeting audiences simply means that a company wants to reach you with a message. Do you feel like something bad happens to you when the Gap targets you with an ad and you see it on TV or a banner on a Web page? Of course not! Somewhere along the line, the word *targeting* and the phrase *target audience* have picked up some negative connotations—ignore them.

Even though companies can identify dozens of different target audiences, five broad audience categories are commonly described: household consumers, members of business organizations, members of a trade channel, professionals, and government officials and employees.

1-4a Audience Categories

Household consumers are the most conspicuous audience in that most mass media advertising is directed at them. McDonald's, Nissan, Miller Brewing, Verizon, and State Farm Insurance have products and services designed for the consumer market, and so their advertising targets household consumers.

The most recent information indicates that there are about 115 million households in the United States and approximately 316 million household consumers who spend trillions of dollars a year on retail goods and services.[9] Under the very broad heading of "consumer advertising," very fine audience distinctions can be made by advertisers. A target audience definition such as men, 25 to 45, in professional occupations, living in metropolitan areas, with incomes greater than $50,000 per year would be the kind of target audience description an advertiser might develop.

Members of business organizations are the focus of advertising for firms that produce business and industrial goods and services, such as office equipment, production machinery, supplies, and software. Although products and services targeted to this audience often require personal selling, advertising is used to create awareness and a favorable

attitude among potential buyers. IBM used advertising during the U.S. Open tennis tournament to reach Chief Marketing Officers within organizations who, IBM strategists believed, were becoming more influential regarding hardware and software decisions within corporations.[10] Not-for-profit businesses such as universities, some research laboratories, philanthropic groups, and cultural organizations also represent an important and separate business audience for advertising. Exhibit 1.11 is an example of an ad directed at members of business organizations. Right Management provides services to corporations with respect to specifying and then managing the firm's labor force and the types of skills employees need to have at all levels. Right Management's advertising is directed at business organizations and is placed in publications like *The Economist, Fortune*, and *Forbes* magazines—ideal media to reach their target audience.

Members of a trade channel include retailers (like Best Buy for consumer electronics), wholesalers

EXHIBIT 1.11   Right Management is a global leader in talent and career management workforce solutions. The firm designs manpower programs that align a company's talent with its business strategy. The firm uses advertising to reach business target audiences that can benefit from its services.

(like Castle Wholesalers for construction tools), and distributors (like Sysco Food Services for restaurant supplies). These members of the trade channel are a target audience for producers of both household and business goods and services. So, for example, if Microsoft cannot gain adequate retail and wholesale distribution through trade channels for the Xbox, the brand will not reach target customers. That being the case, it's important to direct advertising at the trade level of the market. Various forms of advertising can be used to develop demand among members of a trade channel. The promotional tool used most often to communicate with this group is personal selling. This is because this target audience represents a relatively small, easily identifiable group that can be reached with personal selling. When advertising is also directed at this target audience, it can serve an extremely useful purpose, as we will see later in the section on advertising as a business process.

Professionals form a special target audience and are defined as doctors, lawyers, accountants, teachers, electricians, or any other professional group that has special training or certification. This audience warrants a separate classification because its members have specialized needs and interests. Advertising directed to professionals typically highlights products and services uniquely designed to serve their more narrowly defined needs. The language and images used in advertising to this target audience often rely on esoteric terminology and unique circumstances that members of professions readily recognize. Advertising to professionals is predominantly carried out through trade publications. **Trade journals**, like *Electrical Contractor*, are magazines published specifically for members of a trade and carry highly technical articles.

Government officials and employees constitute an audience in themselves due to the large dollar volume of buying that federal, state, and local governments do. Government organizations from universities to road maintenance operations buy huge amounts of various types of products. Producers of items such as office furniture, construction materials and equipment, vehicles, fertilizers, computers, and business services all target government organizations with advertising. Advertising to this target audience is dominated by direct mail, catalogs, personal selling, and Web advertising.

1-4b   Audience Geography

Audiences can also be broken down by geographic location. Because of cultural differences that often accompany geographic location, very few ads can be effective for all consumers worldwide.

Global advertising is advertising that is used worldwide with only minor changes in the visual and message content. Very few ads can use global advertising. These are typically brands that are considered "citizens of the world" and whose manner of use does not vary tremendously by culture. Using a Sony television or taking a trip on Singapore Airlines doesn't change much from culture to culture and geographic location to geographic location. Exhibits 1.12 and 1.13 use nearly identical appeals in two different ads for Rolex watches—another product category where product use across cultures is the same. Note that these two Rolex ads—one for the French market and one for the Italian market—feature the images of tennis players. Tennis attracts an upscale consumer (particularly in Europe) consistent with Rolex's target market. Firms that market brands with global appeal, like Singapore Airlines, IBM, Sony, and Pirelli Tires, try to develop and place advertisements with a common theme and presentation in all markets around the world where the firm's brands are sold. Global placement is effective *only* when a brand and the messages about that brand have a common appeal across diverse cultures (see Insights Online [Exhibit 1.14] for an interesting example).

International advertising occurs when firms prepare and place different advertising in different national markets for the same brand outside their home market. Each international market may require unique advertising due to product adaptations or message appeals tailored specifically for that market. Unilever prepares different versions of ads for its laundry products for nearly every international market because consumers in different cultures approach the laundry task differently. Consumers in the United States use large and powerful washers and dryers and a lot of hot water. Households in Brazil use very little hot water and hang clothes out to dry. Few firms enjoy the luxury of having a brand with truly cross-cultural appeal and global recognition, as is necessary for global advertising as described in the previous section. International advertising differs from global advertising in that different ads for the same brand are tailored for each market.

National advertising reaches all geographic areas of a single nation. National advertising is the term typically used to describe the kind of advertising we see most often in the mass media in the domestic U.S. market. Does international advertising use many different national advertising efforts? Yes, that is exactly the relationship between international advertising and national advertising.

Regional advertising is carried out by producers, wholesalers, distributors, and retailers that concentrate

EXHIBITS 1.12 AND 1.13 Global advertising can be used for brands where there is little difference between cultures in the way the product is used. The only real difference in these two Rolex ads is language (German vs. Italian), while other aspects of the ads—Rolex's appeal to an affluent elite who likely follow tennis—remain the same.

Rolex Watch U.S.A., Inc

Rolex Watch U.S.A., Inc

their efforts in a relatively large, but not national, geographic region. Albertson's, a regional grocery chain, has stores in 31 western, northwestern, midwestern, and southern states. Because of the nature of the firm's markets, it places advertising only in regions where it has stores.

Finally, **local advertising** is directed at an audience in a single trading area, either a city or state. Under special circumstances, national companies will share advertising expenses in a market with local dealers to achieve specific advertising objectives. This sharing of advertising expenses between national companies and local merchants is called **cooperative advertising** (or **co-op advertising**). TUMI luggage regularly supports its retailers, with co-op magazine advertising.

LO 4

1-5 ADVERTISING AS A BUSINESS PROCESS

So far we have talked about advertising as a communication process and as a way companies reach diverse audiences with persuasive brand information. But we need to appreciate another dimension: advertising is very much a business process as well as a communication process. For multinational organizations like Unilever and Boeing, as well as for small local retailers, advertising is a basic business tool that is essential to retaining current customers and attracting new customers. We need to understand that advertising functions as a business process in three ways. First, we'll consider the role advertising plays in the overall marketing and brand development programs in firms. Second, we will look at the types of advertising used by firms. Finally, we will take a broader look at

advertising by identifying the economic effects of the process.

To truly appreciate advertising as a business process, we have to understand the role advertising plays in a firm's marketing effort. To begin with, realize that every organization *must* make marketing decisions. There simply is no escaping the need to develop brands, price them, distribute them, and advertise and promote them to a target audience. The role of advertising relates to four important aspects of the marketing process: (1) contributing to the marketing mix; (2) developing and managing the brand; (3) achieving effective market segmentation, differentiation, and positioning; and (4) contributing to revenue and profit generation.

1-5a The Role of Advertising in the Marketing Mix

A formal definition of marketing reveals that advertising (as a part of overall promotion) is one of the primary marketing tools available to any organization:

> **Marketing** *is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.*[11]

Marketing people assume a wide range of responsibilities in an organization related to conceiving, pricing, promoting, and distributing goods, services, and even ideas. Many of you know that these four areas of responsibility and decision making in marketing are referred to as the **marketing mix**. The word *mix* is used to describe the blend of strategic emphasis on the product versus its price versus its promotion (including advertising) versus its distribution when a brand is marketed to consumers. This blend, or mix, results in the overall marketing program for a brand. Advertising is important, but it is only *one* of the major areas of marketing responsibility *and* it is only one of many different IBP tools relied on in the marketing mix. Under Armour unleashed "an audacious $25 million campaign" with the slogan "The future is ours!" to introduce its non-cleated shoe line. Under Armour sales in that category did not grow the following year—competition from Nike, Adidas, and Reebok proved too formidable. Advertising alone, no matter how "audacious," could not overcome competitors' product features and distribution.[12]

Exhibit 1.15 lists the strategic decision factors typically considered in each area of the marketing mix. You can see that decisions under each of the marketing mix areas can directly affect the advertising message. The important point is that a firm's advertising effort must be consistent with and complement the overall marketing mix strategy being used by a firm.

The Role of Advertising in Brand Management. One of the key issues to understand about the role of advertising is that it plays a critical role in brand development and management. We have been referring to the brand and integrated brand promotion throughout our discussion of the process of advertising so far. All of us have our own understanding of what a brand is. After all, we buy brands every day. A formal definition of a **brand** is a name, term, sign, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers.[13] Advertising plays a significant role in brand development and management. A brand is in many ways the most precious business asset owned by a firm. It allows a firm to communicate consistently and efficiently with the market.

Is it really worth investing all that time, effort, and money in building a brand name and image? The answer to that question would be YES! *BusinessWeek* magazine, in conjunction with Interbrand, a marketing analysis and consulting firm, has attached a dollar value to brand names based on a combination of sales, earnings, future sales potential, and intangibles (which includes a brand's market recognition). Often, a brand name is worth much more than the annual sales of the brand. Coca-Cola, the most valuable brand in the world, is estimated to be worth almost $77 billion even though sales of branded Coca-Cola products amount to only about $47 billion a year. The value of other notable brands include Nike at $15 billion and Harley-Davidson at a mere $3 billion.[14]

Brands either benefit or suffer from the advertising effort. Well-conceived and well-executed advertising campaigns create visibility and a positive predisposition for the brand in the minds of consumers. Or, a brand can be put at a serious competitive disadvantage without effective communication provided by advertising. Staples, the office supply retailer, was struggling with an outdated advertising campaign featuring the tagline "Yeah, we've got that." Customers were complaining that items were out of stock and sales staff didn't care. So the company's vice president of marketing, Shira Goodman, determined that shoppers wanted an "easier" shopping experience with well-stocked shelves and helpful staff. Once those marketing mix operational changes were made, Staples introduced the "Staples: That Was Easy" campaign, featuring big red "Easy" buttons that were also available for sale at the stores. Now, with clear, straightforward ads and customers spreading the word (called "viral" marketing) by having their "Easy" push-buttons in offices all across the country, Staples became a runaway leader in office retail.[15]

EXHIBIT 1.15   These are the factors that an organization needs to consider in creating a marketing mix. Advertising messages, media placement, and IBP techniques must be consistent with and complement strategies in all other areas of the marketing mix.

Product	Promotion
Functional features	Amount and type of advertising
Aesthetic design	Number and qualifications of salespeople
Accompanying services	Extent and type of personal selling program
Instructions for use	Sales promotion—coupons, contests, sweepstakes
Warranty	Trade shows
Product differentiation	Public relations activities
Product positioning	Direct mail or telemarketing
	Event sponsorships
	Internet communications/mobile marketing

Price	Distribution
Level:	Number of retail outlets
Top of the line	Location of retail outlets
Competitive, average prices	Types of retail outlets
Low-price policy	Catalog sales
Terms offered:	Other nonstore retail methods—Internet
Cash only	Number and type of wholesalers
Credit:	Inventories—extent and location
Extended	Services provided by distribution:
Restricted	Credit
Interest charges	Delivery
Lease/rental	Installation
	Training

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For every organization, advertising affects brand development and management in five important ways.

Information and Persuasion. Target audiences can learn about a brand's features and benefits through advertising and, to a lesser extent, other promotional tools (most other promotional tools, except the Web and personal selling, are not heavy on content). But advertising has the best ability to inform or persuade target audiences about the values a brand has to offer. No other variable in the marketing mix is designed to accomplish this communication. For example, branding is crucially important in the multibillion-dollar cell phone market as Verizon, T-Mobile, and AT&T compete for millions of wireless subscribers. In many ways, marketing and advertising a cellular service brand is much like marketing and advertising brands of bottled water. One cell phone/smartphone works about like another (though iPhone users would not agree!), and there are plenty of alternative monthly programs, just like one brand of bottled water is pretty much the same as the next brand. But advertising, with its ability to use images and emotionally appealing messages, can distinguish a brand from others even when there are few true functional differences.

Introduction of New Brand or Brand Extensions (Variants). Advertising is absolutely critical when organizations introduce a new brand or extensions of existing brands to the market. Consider the case of the new brand Snuggie—that somewhat funny-looking blanket with sleeves. The president of Snuggie used low-budget direct response ads on low-ratings cable programs to introduce the brand. Now, Snuggie is distributed in Lord & Taylor, college book stores, and pet stores.[16] A **brand extension** (also referred to as a **brand variant**) is an adaptation of an existing brand to a new product area. For example, the Snickers Ice Cream Bar is a brand extension of the original Snickers candy bar, and Ivory Shampoo is a brand extension of Ivory Dishwashing Liquid. When brand extensions are brought to market, advertising and IBP play a key role in attracting attention to the brand—so much so that researchers now suggest that "managers should favor the brand extension with a greater allocation of the ad budget.[17] This is often accomplished with advertising working in conjunction with other promotional activities such as sales promotions and point-of-purchase displays. Exhibit 1.16 shows another example of advertising being used to extend a famous brand name into a totally different, though related, product category. Crest, known widely for its toothpaste brand, introduced a line of toothbrushes to extend the brand with a complimentary item.

Building and Maintaining Brand Loyalty among Consumers. Loyalty to a brand is one of the most important assets a firm can have. **Brand loyalty** occurs when a consumer repeatedly purchases the same brand to the exclusion of competitors' brands. This loyalty can result because of habit, because brand names are prominent in the consumer's memory, because of barely conscious associations with brand images, or because consumers have attached some fairly deep meanings to the brands they buy.

EXHIBIT 1.16   Advertising helps companies implement brand extension strategies. Here the famous Crest name is being used as Procter & Gamble extends the Crest brand name to toothbrushes. What value does a widely recognized brand name lend to the brand extension process?

AP Publicity Photo/Crest Procter & Gamble

Even though brand features are the most important influence on building and maintaining brand loyalty, advertising plays a key role in the process as well. Advertising reminds consumers of those brand features—tangible and intangible. Other promotional tools can offer similarly valuable communications that help build and strengthen lasting and positive associations with a brand—such as a frequent-flyer or frequent-buyer program. The importance of brand loyalty cannot be overstated. When a firm creates and maintains positive associations with the brand in the mind of consumers and builds brand loyalty, then the firm goes on to develop what is called brand equity. **Brand equity** is a set of brand assets linked to a brand, its name, and symbol.[18] Even though brand equity occurs over long periods of time, short-term advertising activities are key to long-term success.[19] Recent research has affirmed that integrated communications is a "critical component of brand equity strategy."[20] This advertising fact of life became clear to strategists at food giant Kraft as it devised a strategy to defend its Kraft Miracle Whip brand against a new campaign by competitor Unilever for Imperial Whip. In order to protect Miracle Whip's $229 million in sales and brand equity with consumers, Kraft invested heavily in television advertising just before Unilever lowered prices on the Imperial Whip brand.[21] Similarly, when Microsoft introduced its Windows 8 operating system,

it launched a $1 billion global advertising campaign to retain loyal Windows users.[22]

Creating an Image and Meaning for a Brand.   As we discussed in the marketing mix section, advertising can communicate how a brand fulfills needs and desires and therefore plays an important role in attracting customers to brands that appear to be useful and satisfying. But advertising can go further. It can help link a brand's image and meaning to a consumer's social environment and to the larger culture, and in this way, advertising can actually deliver a sense of personal connection for the consumer.

The Schiff ad for prenatal vitamins in Exhibit 1.17 is a clear example of how advertising can create an image and deeper meaning. The message in this ad is not just about the health advantages of using a nutritional supplement during pregnancy. The message mines associations related to love and caring for an unborn or recently born child. Even the slogan for the brand, "Benefits Beyond Your Daily Requirements," plays on

EXHIBIT 1.17   The message in this Schiff vitamin ad creates meaning for the vitamins that goes beyond the daily nutritional role vitamins can play. What are the many meanings in this message being offered to the audience?

Weider Nutrition International Copyright 1995

the notion that a vitamin is more than a vehicle for dosing up on folic acid. Other promotional tools in the IBP process, such as personal selling, sales promotions, event sponsorship, or the Internet, simply cannot achieve such creative power or communicate the symbolic meanings a brand can have to a consumer. We'll look at the creative power of advertising later in the text (Chapter 11).

Building and Maintaining Brand Loyalty within the Trade. It might not seem as if wholesalers, retailers, distributors, and brokers would be brand loyal, but they can indeed favor one brand over others given the proper support from a manufacturer. Advertising and particularly advertising integrated with other brand promotions is an area where support can be given. Marketers can provide the trade with sales training programs, collateral advertising materials (e.g., brochures, banners, posters), point-of-purchase advertising displays, premiums (giveaways like t-shirts or free app downloads), Web traffic–building advertising, and foot traffic–building special events. Exide, the battery company, spent several million dollars a year to be the official battery of NASCAR racing. Mike Dever, Exide's vice president of marketing and product management, explained: "Both our distributors and our distributors' customers, for the most part, are race fans, so it's the place we want to be."[23]

Also, remember that trade buyers (retailers, wholesalers, distributors, brokers) can be key to the success of new brands or brand extensions, as we pointed out earlier in the discussion of the trade market as a target audience. Marketers have little hope of successfully introducing a brand if there is no cooperation in the trade channel among wholesalers and retailers. This is where IBP as a factor in advertising becomes prominent. Trade buyers are generally less responsive to advertising messages than they are to other forms of promotion. Direct support to the trade in terms of displays, contests, increased margins, and personal selling combined with advertising in an IBP program helps ensure the success of a brand. Research also shows that retailer acceptance of a brand extension is key to the success of the new product, and advertising and IBP, in turn, help achieve retailer acceptance.[24]

The Role of Advertising in Market Segmentation, Differentiation, and Positioning. The third role for advertising in marketing is helping the firm implement the important market strategies of market segmentation, differentiation, and positioning.

Market segmentation is the process of breaking down a large, widely varied (*heterogeneous*) market into submarkets, or segments, that are more similar (*homogeneous*) than dissimilar in terms of consumer characteristics. Underlying the strategy of market segmentation are the facts that consumers differ in their wants and that the wants of one person can differ under various circumstances. The market for automobiles can be divided into submarkets for different types of automobiles based on the needs and desires of various groups of buyers: large or small, luxury or economy, sedan or SUV or minivan. In addition to needs or desires, markets are also segmented on characteristics of consumers related to demographics (such as age, marital status, education, gender, and income) or psychographics (attitudes, beliefs, personality, lifestyle, and values). These data are widely available and tend to be related to product preference and use. Advertising's role in the market segmentation process is to develop messages that appeal to the needs and desires of different segments and then to transmit those messages via appropriate media. For example, Bayer has four different versions of its basic aspirin brand. There is regular Bayer for headache relief; Bayer Enteric Safety Coated 81 mg aspirin for people with cholesterol and heart concerns; Women's Bayer, which includes a calcium supplement; and Children's Bayer, which has a lower dose and is chewable. Each of these versions of the Bayer brand of aspirin addresses different needs and characteristics of consumers in the market, and advertising follows through with messages highlighting those differences. Nowhere is the segmentation challenge greater than in the U.S. food market. The number of items in a typical grocery store has exploded to over 38,000 from just 10,000 25 years ago. Segments are more fragmented and consumers are more mindful of exactly what they want, demanding the marketers offer messages about brands that match the segments' interests and desires.[25]

Differentiation is the process of creating a perceived difference, in the mind of the consumer, between a brand and its competition. Notice that this definition emphasizes that brand differentiation is based on *consumer perception*. The perceived differences can be tangible differences, or they may be based on image or style factors. The critical issue in differentiation is that consumers *perceive* a difference between brands. If consumers do not perceive a difference, then whether real differences exist or not does not matter. Further, if a firm's brand is not perceived as distinctive and attractive by consumers, then consumers will have no reason to choose that brand over one from the competition or to pay higher prices for the "better" or "more meaningful" brand. Think about bottled water (Evian), bananas (Chiquita), or meat (Niman Ranch), where marketers have been able to differentiate their brands with excellent advertising and branding strategies.[26]

In order for advertising to help create a difference in the mind of the consumer between a brand and its competitors' brands, the ad may emphasize performance features, or it may create a distinctive image for the brand. The essential task for advertising is to develop a message that is different and unmistakably linked to a company's brand. The ad in Exhibit 1.18 is distinctive and pursues product differentiation in a product category where differentiation is hard to come by. Most consumers would tend not to choose a ceiling fan based on image. But with this ad, Hunter Fan uses an appealing visual to attract attention to the brand and tries to differentiate the brand on image as well as functional performance features.

Positioning is the process of designing a brand so that it can occupy a distinct and valued place in the target consumer's mind relative to other brands. This distinctiveness can be communicated through advertising. Positioning, like differentiation, depends on a perceived image of tangible or intangible features.

EXHIBIT 1.18 An important role for advertising is to help a firm differentiate its brand from the competition with a distinctive message and presentation. This Hunter Fan ad focuses on the functional features of its air purifier line as the basis for differentiation—and does so with a distinctive visual presentation.

The importance of positioning can be understood by recognizing that consumers create a *perceptual space* in their minds for all the brands they might consider purchasing. A perceptual space is how one brand is seen on any number of dimensions—such as quality, taste, price, or social display value—in relation to those same dimensions in other brands.

There are really three positioning strategic decisions to be made. A firm must decide on the **external position** for a brand—that is, the niche the brand will pursue relative to all the competitive brands on the market. Additionally, an **internal position** must be achieved with regard to the other, similar brands the firm itself markets. With the external-positioning decision, a firm tries to create a distinctive *competitive* position based on design features, pricing, distribution, or promotion or advertising strategy. Some brands are positioned at the very top of their competitive product category, such as BMW's 550i, priced around $100,000. Other brands seek a position at the low end of all market offerings, such as the Chevrolet Cruze, with a base price of about $16,000. Finally, **repositioning** occurs when a firm believes that a brand needs to be revived or updated to address changing market or competitive conditions.

Effective external positioning is achieved when the firm carefully segments the market, develops brand features and values that are distinctive from the competition, and follows through with advertising and IBP messages that highlight the distinctions.

Effective internal positioning is accomplished by developing vastly different products *within* the firm's own product line. Ben & Jerry's ice cream, for example, offers plenty of distinctive flavors, as shown in Exhibit 1.19. Ben & Jerry's has a somewhat easier task in meeting this challenge since each of the ice creams they need to internally position has a tangible feature to highlight (flavor, ingredients, etc.) A more challenging approach to internal position is creating advertising messages that appeal to different consumer needs and desires when there are few conspicuously tangible differences. Procter & Gamble (P&G) successfully positions its many laundry detergent brands both internally and externally using a combination of product design and effective advertising. Although some of these brands assume different positions within P&G's line due to substantive differences (a liquid soap versus a powder soap, for example), others with minor differences achieve distinctive positioning through advertising. One P&G brand is advertised as being effective on kids' dirty clothes, whereas another brand is portrayed as effective for preventing colors from running. In this way, advertising helps create a distinctive position, both internally and externally. In contrast to P&G's success, the long and painful decline

EXHIBIT 1.19 Firms with multiple brands in a single product category have to internally position these brands to differentiate them from one another in the minds of consumers. Ben & Jerry's achieves internal product positioning by emphasizing the distinctly different flavor of each of its ice creams.

of Kmart is attributed to the firm's lack of brand identity and positioning relative to competitors Walmart and Target. Analysts suggest that Kmart's singular focus on pricing (which is easy for competitors to copy) rather than using effective advertising to position the brand resulted in a "slow motion train wreck" for the brand.[27]

Finally, repositioning is accomplished by offering consumers new and distinctive features or images of the brand. Repositioning is aided by a variety of advertising and IBP tactics. An advertising message can be altered to appeal to consumer behavior trends. Packaging can be changed to attract attention, or the brand's logo can be updated to provide a more powerful visual representation of the brand. Some analysts refer to the process of repositioning with such visual elements of IBP as "the best way into a consumer's mind is not with verbal nails, but with a visual hammer."[28]

The methods and strategic options available to an organization with respect to market segmentation, product differentiation, and positioning will be fully discussed in Chapter 6. For now, realize that advertising plays an important role in helping an organization put these most basic marketing strategies into operation.

The Role of Advertising in Contributing to Revenue and Profit Generation. There are many who believe that the fundamental purpose of marketing (and the advertising that is used in marketing strategies) can be stated quite simply: to generate revenue. Marketing is the only part of an organization that has revenue generation as its primary purpose. In the words of highly regarded management consultant and scholar Peter Drucker, "Marketing and innovation produce results: all the rest are 'costs.'"[29] The "results" Drucker refers to are revenues. The marketing process is designed to generate sales and therefore revenues for the firm.

Helping create sales as part of the revenue-generating process is where advertising plays a significant role. As we have seen, advertising communicates persuasive information to audiences based on the values created in the marketing mix related to the product, its price, or its distribution. This advertising communication then highlights brand features—performance, price, emotion values, or availability—and then attracts a target market. In this way, advertising makes a direct contribution to the marketing goal of revenue generation. Notice that advertising *contributes* to the process of creating sales and revenue. It cannot be solely responsible for creating sales and revenue—it's not that powerful. Some organizations mistakenly see advertising as a panacea—the salvation for an ambiguous or ineffective overall marketing mix strategy. Advertising alone cannot be held responsible for sales—period. Sales occur when a brand has a well-conceived and complete marketing mix—including good advertising.

The effect of advertising on profits is a bit more involved and complicated. Its effect on profits comes about when advertising gives an organization greater flexibility in the price it *charges* for a product or service. Advertising can help create pricing flexibility by (1) contributing to economies of scale and (2) helping create inelasticity (insensitivity) of demand to price changes. When an organization creates large-scale demand for its brand, the quantity of product produced is increased, and **economies of scale** lead to lower unit production costs. Cost of production decreases because fixed costs (such as rent and equipment costs) are spread over a greater number of units produced.

How does advertising play a role in helping create economies of scale? When Colgate manufactures hundreds of thousands of tubes of its Colgate Total toothpaste and ships them in large quantities to warehouses, the fixed costs of production and shipping per unit are greatly reduced. With lower fixed costs per unit, Colgate can realize greater profits on each tube

of toothpaste sold. Advertising contributes to demand stimulation by communicating to the market about the features and availability of a brand. By contributing to demand stimulation, advertising then contributes to the process of creating these economies of scale, which ultimately translates into higher profits per unit for the organization.

Remember the concept of brand loyalty we discussed earlier? Well, brand loyalty and advertising work together to create another important economic effect related to pricing flexibility and profits. When consumers are brand loyal, they are generally less sensitive to price increases for the brand. In economic terms, this is known as **inelasticity of demand**. When consumers are less price sensitive, firms have the flexibility to maintain higher prices and increase profit margins. Advertising contributes directly to brand loyalty, and thus to inelasticity of demand, by persuading and reminding consumers of the satisfactions and values related to a brand and why they want to choose that brand over competitors' brands.

These arguments related to the positive business effects of advertising were recently supported by a large research study. The study found that companies who build strong brands and raise prices are more profitable than companies who cut costs as a way to increase profits—by nearly twice the profit percentage. This research is supported by such real-world examples as Louis Vuitton. The maker of luxury handbags ($1,000 per bag or more) and other luxury items enjoys an operating margin of 45 percent supported by the image created and maintained in advertising for the brand.[30]

1-5b Types of Advertising

So far, we've discussed advertising in a lot of different ways, from its most basic definition through how it can help an organization stimulate demand and generate profits. But to truly understand advertising, we need to go back to some very basic typologies that categorize advertising according to fundamental approaches to communication. Until you understand these aspects of advertising, you really don't understand advertising at all.

Primary versus Selective Demand Stimulation. In **primary demand stimulation**, a company would be trying to create demand for an entire *product category*. Primary demand stimulation is challenging and costly, and research evidence suggests that it is likely to have an impact only for totally new products on the market—not brand extensions or product categories that have been around a long time (known as mature products). An

example of effective primary demand stimulation was the introduction of the VCR to the consumer market in the 1970s. With a product that is totally new to the market, consumers need to be convinced that the product category itself is valuable and that it is, indeed, available for sale. When the VCR was first introduced in the United States, RCA, Panasonic, and Quasar (see Exhibit 1.20) ran primary demand stimulation advertising to explain to household consumers the value and convenience of taping television programs with this new product called a VHS video recorder—something no one had ever done before at home. When the DVR was introduced to the market, consumers already knew the process and value of recording programs at home—the VHS recorder had paved the way decades before—so no primary demand stimulation was needed for the DVR.

EXHIBIT 1.20   When new innovative products are first introduced to the market, a type of advertising called primary demand stimulation is often used. Primary demand stimulation attempts to stimulate demand for an entire product category by educating the consumer about the values and benefits of the product category as a whole rather than the values and benefits of an individual brand. Way back when the VHS video cassette player was introduced to the market, consumers needed to learn about the values of this new device.

For organizations that have tried to stimulate primary demand in mature product categories, typically trade associations, the results have been dismal. The National Fluid Milk Processor Promotion Board has tried for years to use advertising to stimulate primary demand for the entire product category of milk. An example of the campaign is shown in Exhibit 1.21. Even though the "milk mustache" campaign is popular and wins awards, milk consumption has *declined* every year during the time of this campaign.[31] The newest data shows that milk consumption has continued to decline to the present day.[32] This is despite the fact that more than $1.1 billion in advertising have been invested in the campaign. Even if it is argued that the attempts at primary demand stimulation have reduced the overall decline in milk consumption (which can't be determined), this is still not a very impressive result. This should come as no

surprise, though. Research over decades has clearly indicated that attempts at primary demand stimulation in mature product categories (orange juice, beef, pork, and almonds have also been tried) have *never* been successful.[33] The fact is that advertising is not powerful enough to stimulate primary demand. Only broad influences on society, like demographics, cultural values, or technology, can affect primary demand for a product category. In the case of milk, declining birth rates and cultural preferences for (perceived) lower calorie drinks are postulated to explain the decline in milk consumption—advertising is no match for large-scale societal influences such as these.[34]

Although some corporations have tried primary demand stimulation, the true power of advertising is realized when it functions to stimulate demand for a particular company's brand—which is what has been described throughout this chapter. This is known as selective demand stimulation. The purpose of **selective demand stimulation** advertising is to point out a brand's unique benefits compared to the competition. This is the proper role for advertising.

Direct versus Delayed Response Advertising. Another important type of advertising involves how quickly we want consumers to respond. **Direct response advertising** asks consumers to act immediately. All those ads you see that suggest you "call this toll-free number" or "mail your $19.95 before midnight tonight" or "click here to order NOW" are examples of direct response advertising. In most cases, direct response advertising is used for products that consumers are familiar with, that do not require inspection at the point of purchase, and that are relatively low cost. However, the proliferation of toll-free numbers and websites that provide detailed information and direct online ordering, and the widespread use of credit cards, have been a boon to direct response for higher priced products as well.

Delayed response advertising relies on imagery and message themes that emphasize the benefits and satisfying characteristics of a brand. Rather than trying to stimulate an immediate action from an audience, delayed response advertising attempts to develop awareness and preference for a brand over time. In general, delayed response advertising attempts to create brand awareness, reinforce the benefits of using a brand (i.e., brand loyalty), develop a general liking for the brand, and create an image for a brand. When a consumer enters the purchase process, the information from delayed response advertising comes into play. Most advertisements we see on television and in magazines are of the delayed response type. Exhibit 1.22, an ad for a hypoallergenic detergent, provides an example of this common form of

EXHIBIT 1.21   Advertising that attempts to stimulate primary demand is often tried by industry associations such as the National Fluid Milk Processor Promotion Board. Trouble is, it doesn't work. Primary demand stimulation has been shown to be ineffective in mature product categories, such as milk, but rather is appropriate for products totally new to the market, like PDAs or MP3 players were.

EXHIBIT 1.22   Delayed response advertising attempts to reinforce the benefits of using a brand and to create a general liking for the brand. This ad for ALL detergent is an example of delayed response advertising. It builds an image and preference for a brand rather than asking consumers to take immediate action.

advertising. In this ad, the message has as much to do with being a good parent (an image and delayed response–type message) as with the actual performance features of the brand.

Corporate versus Brand Advertising. **Corporate advertising** is not designed to promote a specific brand but is meant to create a favorable attitude toward a company as a whole. Prominent users of corporate advertising include Apple, BP, and General Electric ("Imagination at Work"). As an example, Philips, the Dutch electronics and medical device conglomerate, turned to corporate advertising to unify the image of its brand name across a wide range of superior technologies.[35] **Brand advertising**, as we have seen throughout this chapter, communicates the specific features, values, and benefits of a particular brand offered for sale by a particular organization. By contrast, the firms that have long-established corporate campaigns have designed them to generate favorable public opinion toward the corporation as a whole. This type of

advertising can also have an effect on the shareholders of a firm. When shareholders see good corporate advertising, it instills confidence and, ultimately, long-term commitment to the firm and its stock. We'll consider this type of advertising in great detail in Chapter 18.

Another form of corporate advertising is carried out by members of a trade channel, mostly retailers. When corporate advertising takes place in a trade channel, it is referred to as **institutional advertising**. Retailers such as Nordstrom, The Home Depot, and Walmart advertise to persuade consumers to shop at their stores. Although these retailers may occasionally feature a particular manufacturer's brand in the advertising (Nordstrom often features Clinique cosmetics, for example), the main purpose of the advertising is to get the audience to shop at their store.

1-5c The Economic Effects of Advertising

Our discussion of advertising as a business process so far has focused strictly on the use of advertising by individual business organizations. But you cannot *truly* understand advertising unless you know something about how advertising has effects across the entire economic system of a country—the macro effects. (This isn't the most fun you'll have reading this book, but it is a very important topic.)

Advertising's Effect on Gross Domestic Product. **Gross domestic product (GDP)** is the measure of the total value of goods and services produced within an economic system. Earlier, we discussed advertising's role in the marketing mix. Recall that as advertising contributes to marketing mix strategy, it can contribute to sales along with the right product, the right price, and the right distribution. Because of this role, advertising is related to GDP in that it can contribute to levels of overall consumer demand when it helps introduce new products, such as DVRs, smartphones, or alternative energy sources. As demand for these new products grows, the resultant consumer spending fuels retail sales, housing starts, and corporate investment in finished goods and capital equipment. Consequently, GDP is affected by sales of products in new, innovative product categories.[36]
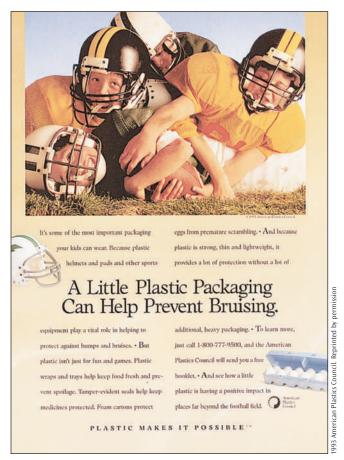
Advertising's Effect on Competition. Advertising is alleged to stimulate competition and therefore motivate firms to strive for better products, better production methods, and other competitive advantages that ulti-mately benefit the economy as a whole. Additionally, when advertising serves as a way to enter new markets, competition across the economic system is fostered.

For example, Exhibit 1.23 shows an ad in which plastics manufacturers present themselves as competitors to manufacturers of other packaging materials.

Advertising is not universally hailed as a stimulant to competition. Critics point out that the amount of advertising dollars needed to compete effectively in many industries is often prohibitive. As such, advertising can act as a barrier to entry into an industry; that is, a firm may have the capability to compete in an industry in every way *except* that the advertising dollars needed to compete are so great that the firm cannot afford to get into the business. In this way, advertising is argued to decrease the overall amount of competition in an economy.

Advertising's Effect on Prices.   One of the widely debated effects of advertising has to do with its effect on the prices consumers pay for products and services. Firms like GM and Procter & Gamble spend billions of dollars on advertising products and services, so it goes to reason that these products and services would

EXHIBIT 1.23   Advertising can affect the competitive environment in an economy. This ad by a plastics manufacturer's council is fostering competition with the manufacturers of other packaging materials.

cost much less if firms did no advertising. Right? Wrong!

First, across all industries, advertising costs incurred by firms range from about 2 percent of sales in the automobile and certain retail industries up to 20 percent of sales in luxury products businesses like perfume and toiletries. One important fact to realize is there is no consistent and predictable relationship between advertising spending and sales—it all depends on the product category, competition, size of market, and complexity of the message. In 2011, Ford Motor Company spent about $2.1 billion in advertising to generate about $132 billion in sales or about 1.6 percent of sales; American Express spent exactly the same amount on advertising as Ford, $2.1 billion, but generated only about $29 billion in sales, making ad spending about 7.3 percent of sales; and Walmart spent $1.9 billion on advertising (seems like a big number, right) but generated a whopping $464 billion in sales, making ad spending a puny four-tenths of 1 percent of sales![37] Different products and different market conditions demand that firms spend different amounts of money on advertising. These same conditions make it difficult to identify a predictable relationship between advertising and sales.

It is true that the cost of advertising is built into product costs, which may be ultimately passed on to consumers. But this effect on price must be judged against a couple of cost savings that *lower* the price consumers pay. First, there is the reduced time and effort a consumer has to spend in searching for a product or service. Second, economies of scale, discussed earlier, have a direct impact on the cost of goods produced and then on prices. Recall that economies of scale serve to lower the cost of production by spreading fixed costs over a large number of units produced. This lower cost can be passed on to consumers in terms of lower prices, as firms search for competitive advantage with lower prices. Nowhere is this effect more dramatic than the price and performance of personal computers. In the early 1980s, an Apple IIe computer that ran at about 1 MHz and had 64 KB of total memory cost more than $3,000. Today, a Dell computer that has multiple times more power, speed, and memory costs about $600.

Advertising's Effect on Value.   *Value* is the password for successful marketing. **Value**, in modern marketing and advertising, refers to a perception by consumers that a brand provides satisfaction beyond the cost incurred to obtain that brand. The value perspective of the modern consumer is based on wanting every purchase to be a "good deal." Value can be added to the consumption experience by advertising. Consider the effect of branding on bottled water. Advertising helps create enough value in the minds of consumers that they (we) will *pay* for water that comes free out of the tap.

Advertising also affects a consumer's perception of value by contributing to the symbolic value and the social meaning of a brand. **Symbolic value** refers to what a product or service means to consumers in a nonliteral way. For example, branded clothing such as Lululemon, Michael Kohrs, Puma, or The North Face can symbolize self-concept for some consumers. Exhibit 1.24 shows an ad that seeks to create symbolic value for Ray-Ban sunglasses. The symbolism of an attractive, seemingly confident, well-dressed young man cast Ray-Ban sunglasses in a positive symbolic light (no pun intended). In reality, all branded products rely to some extent on symbolic value; otherwise they would not be brands but just unmarked commodities (like potatoes).

Social meaning refers to what a product or service means in a societal context. For example, social class is marked by any number of products, such as cars, beverages, and clothes that are used and displayed to signify class membership. Often, the brand's connection to social class values addresses a need within consumers to move up in class.

Researchers from various disciplines have long argued that objects (brands included) are never just objects. They take on meaning from culture, society, and consumers.[38] It is important to remember that these meanings often become just as much a part of the brand as the physical features. Because advertising is an essential way in which the image of a brand is developed, it contributes directly to consumers' perception of the value of the brand. The more value consumers see in a brand, the more they are willing to pay to acquire the brand. If the image of a Gucci watch, a Nissan coupe, or a Four Seasons hotel is valued by consumers, then consumers will pay a premium to acquire that value (see Insights Online [Exhibit 1.25] for a related example).

EXHIBIT 1.24   Advertising contributes to the symbolic value that brands have for consumers. What is it about this ad for Ray-Ban sunglasses that contributes to the symbolic value of this brand?

Courtesy of Advertising Archives

LO 5

1-6 FROM ADVERTISING TO INTEGRATED MARKETING COMMUNICATIONS TO INTEGRATED BRAND PROMOTION

As we discussed at the beginning of your introduction to the world of advertising and IBP, it is important to recognize that advertising is only one of many promotional tools available to impress and persuade consumers. There is another distinction that is important for you to recognize as you embark on learning about advertising and IBP.

Beginning in about 1990, the concept of mixing various promotional tools was referred to as **integrated marketing communications (IMC)**. But as the discussions throughout this chapter have highlighted, the reality of promotional strategies in the 21st century demands that the emphasis on *communication* give way to an emphasis on the *brand*. Organizations of all types are not interested in merely communicating with potential and existing customers through advertising and promotion. They want to build brand awareness, identity, and preference through advertising and promotion.

Recall from the definition earlier in the chapter that IBP is the use of various communication tools, including advertising, in a coordinated manner to build

and maintain brand awareness, identity, and preference. The distinction between IBP and IMC is pretty obvious. IMC emphasizes the communication effort per se and the need for coordinated and synergistic messages. IBP retains the emphasis on coordination and synergy of communication but goes beyond the parameters of

IMC. In IBP, the emphasis is on the brand and not just the communication. With a focus on building brand awareness, identity, and ultimately preference, the IBP perspective recognizes that coordinated promotional messages need to have brand–building effects in addition to the communication effects.

SUMMARY

① Know what advertising and integrated brand promotion (IBP) are and what they can do.

Since advertising has become so pervasive, it would be reasonable to expect that you might have your own working definition for this critical term. But an informed perspective on advertising goes beyond what is obvious and can be seen on a daily basis. Advertising is distinctive and recognizable as a form of communication by its three essential elements: its paid sponsorship, its use of mass media, and its intent to persuade. An advertisement is a specific message that a company has placed to persuade an audience. An advertising campaign is a series of ads and other promotional efforts with a common theme also placed to persuade an audience over a specified period of time. Integrated brand promotion (IBP) is the use of many promotional tools, including advertising, in a coordinated manner to build and maintain brand awareness, identity, and preference.

② Discuss a basic model of communication.

Advertising cannot be effective unless some form of communication takes place between the company and the audience. But advertising is about mass communication. There are many models that might be used to help explain how advertising works or does not work as a communication platform. The model introduced in this chapter features basic considerations such as the message-production process versus the message-reception process, and this model says that consumers create their own meanings when they interpret advertisements.

③ Describe the different ways of classifying audiences for advertising and IBP.

Although it is possible to provide a simple and clear definition of what advertising is, it is also true that advertising takes many forms and serves different purposes from one application to another. One way to appreciate the complexity and diversity of advertising is to classify it by audience category or by geographic focus. For example, advertising might be directed at households or government officials. Using another perspective, it can be global or local in its focus.

④ Understand advertising as a business process.

Many different types of organizations use advertising to achieve their business purposes. For major multinational corporations, such as Procter & Gamble, and for smaller, more localized

businesses, such as the San Diego Zoo, advertising is one part of a critical business process known as marketing. Advertising is one element of the marketing mix; the other key elements are the firm's products, their prices, and the distribution network. Advertising must work in conjunction with these other marketing mix elements if the organization's marketing objectives are to be achieved. It is important to recognize that of all the roles played by advertising in the marketing process, none is more important than contributing to building brand awareness and brand equity. Similarly, firms have turned to more diverse methods of communication beyond advertising that we have referred to as integrated brand promotion. That is, firms are using communication tools such as public relations, sponsorship, direct marketing, and sales promotion along with advertising to achieve communication goals.

⑤ Understand the various types of advertising.

There are six fundamental types of advertising described in contrasting pairs:

a.   Primary versus selective demand stimulation. Primary demand stimulation is the attempt to stimulate demand for an entire product category—milk, toothpaste, automobiles, computers. Selective demand stimulation is the attempt to stimulate demand for a brand within a product category—Dairygold Milk, Crest toothpaste, Nissan Altima automobile, Dell computer. While primary demand has been attempted in various industries (the milk industry being the most prominent example), advertising is not powerful enough to stimulate demand for a product category—only broad influences like demographics, cultural values, or technology can stimulate primary demand. Selective demand is what advertising does and can be very effective at doing. It is the type of advertising that firms spend billions of dollars a year on to build brand awareness and preference.

b.   Direct versus delayed response advertising. Direct response advertising asks consumers to act immediately upon receipt of the advertising message—call this toll-free number, click through to order now, and so on. Delayed response advertising develops awareness, preference, and an image for a brand that takes much longer to affect consumer choice.

c.   Corporate versus brand advertising. Corporate advertising features an entire corporation rather than any brand marketed by that corporation. GM can run corporate advertising to increase recognition of the firm itself. Or, GM can run brand advertising for Chevrolet or Buick or GM trucks.

KEY TERMS

mobile marketing
advertising
client, or sponsor
integrated brand promotion (IBP)
advertisement
advertising campaign
audience
target audience
household consumers
members of business organizations
members of a trade channel
professionals
trade journals
government officials and employees
global advertising
international advertising

national advertising
regional advertising
local advertising
cooperative advertising, or co-op
    advertising
marketing
marketing mix
brand
brand extension (variant)
brand loyalty
brand equity
market segmentation
differentiation
positioning
external position
internal position

repositioning
economies of scale
inelasticity of demand
primary demand stimulation
selective demand stimulation
direct response advertising
delayed response advertising
corporate advertising
brand advertising
institutional advertising
gross domestic product (GDP)
value
symbolic value
social meaning
integrated marketing
    communications (IMC)

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CHAPTER 2

The Structure of the Advertising and Promotion Industry: Advertisers, Agencies, Media, and Support Organizations

After reading and thinking about this chapter, you will be able to do the following:

1 Discuss important trends transforming the advertising and promotion industry.

2 Describe the advertising and promotion industry's size, structure, and participants.

3 Discuss the role played by advertising and promotion agencies, the services provided by these agencies, and how the agencies are compensated.

4 Identify key external facilitators who assist in planning and executing advertising and integrated brand promotion campaigns.

5 Discuss the role played by media organizations in executing effective advertising and integrated brand promotion campaigns.

2-1 THE ADVERTISING INDUSTRY IN CONSTANT TRANSITION

There have always been power struggles in the advertising and promotion industry: brand versus brand, one agency against another agency, agency versus media company, big advertiser with lots of money versus big retailer with lots of money. But those old-style power struggles were child's play compared with the 21st-century power struggle going on now. Estimates put the number of ads the average consumer encounters in a single day at somewhere between 1,000 and 5,000![1] Guess what? Consumers are tired of the barrage of ads and are looking for ways to avoid most of them. So, the big power struggle now is about how the advertising industry can successfully adapt to the new technologies that consumers are willing and, in many cases, eager to use as they seek more control over their information environment. Stated more directly, how

can the ad industry overcome the fact that none of us is really eager to have a 30-second television ad interrupt a television program we are really enjoying? Or have our magazines be 30 percent advertising, which disrupts the flow of our reading and enjoyment? The solution, in part, seems to be that advertisers will continue in the "digital divide." That is, dividing their total advertising spending more into digital media—Web advertising, social media, and mobile marketing—and continue to move away from traditional mass media like television, newspapers, magazines, and radio.

The reason for the digital divide is that consumers, who as we saw in Chapter 1 are the primary target of most advertising and promotion, are discovering digital technologies and media options that give them more control over the communications they see and hear. From Facebook to Twitter to millions of individual blogs and specialty websites, consumers are seeking out information environments, digital information access, where *they* control their exposure to

information rather than an advertiser or media company being in control. The effects are widespread. Advertising in traditional media plunged by nearly 15 percent back in 2009 with 77 percent of advertisers surveyed saying they shifted more than 70 percent of their savings from traditional media to digital alternatives—social network media and online advertising.[2] That digital switch seems to have been sustained since today about 21 percent of media spending by advertisers in the United States is directed to Internet media including display ads, paid search, podcasts, social media ads, and mobile marketing. Analysts expect that percentage to rise to 36 percent of media spending by 2016.[3]

We are all living the new technology reality—but how did it used to work? The old system worked like this: An advertiser, like Nike or Hewlett-Packard, would work with an advertising agency, like Leo Burnett or Omnicom, and think of really creative television, radio, newspaper, magazine, or billboard ads. Then, the advertiser and its agency would work with a media company, like NBC television or Hearst newspapers, and buy time or space to place the ad so that you, as the consumer, would see it when you watched television or read your morning newspaper. Don't get us wrong, this still happens—a lot. Major media like television, radio, and magazines still rake in about $300 billion worldwide in a year, and individual media companies like Hearst Corp. generate several billion dollars annually in revenue.[4] But much has changed about the way advertisers, agencies, and media companies are trying to reach control-seeking consumers. And some very smart people think that we are truly heading into a totally new age with the industry on the cusp of even more dramatic changes.[5] As Michael Mendenhall, chief marketing officer at Hewlett-Packard, put it, "Marketers want to move from interruptive to engagement. They can do that more effectively in the digital space."[6] By that, Mendenhall means that digital media allow interaction between consumer and advertiser where traditional media have not and cannot.

Let's explore what's going on in the structure of the industry in some greater detail. First, from the consumer side. With the large number of digital media options available for news, information, and entertainment, "media fragmentation" is a boon to consumers and a huge headache for advertisers and their advertising agencies. The new "control seeking" generation of consumers is behaving very differently from the cable-TV generation that preceded it. Today's consumers are insisting on the convenience and appeal (and control) of their PC, smartphone, iPad, and DVR. There is some large degree of irony in the control that consumers are starting to exert, however. Even though the traditional

structure of the advertising and media industry may be changed forever, the *goal* of that old traditional structure has not changed—the brand still needs to be highlighted with persuasive communications. In fact, the change in consumer orientation will make product branding even *more* important as consumers choose what persuasive messages they want to be exposed to and where they want to see them.

Change in the advertising industry is nothing new, as the following section highlights. But the pace of change and the complexity of the change are more challenging than any the industry has ever faced. We'll spend our time in this chapter considering the structure in the industry and all the "players" that are creating and being affected by change. This chapter also highlights how the industry and its structure is changing now and has changed over time. While we consider the change and its effects, we need to keep in mind that the fundamental *process* of advertising and the role it plays in organizations remains steadfastly the same: persuasive communications directed at target audiences—no matter what is happening with technology, economic conditions, society, or business philosophies. The underlying role and purpose of advertising and promotion has not changed and will not change.

The section that follows highlights trends affecting change. Then, we will turn our attention to understanding how advertising and other promotional tools are managed in the communications industry. Along the way, we'll consider all the different participants in the process, particularly the advertisers and their advertising and promotion agencies.

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2-2 TRENDS AFFECTING THE ADVERTISING AND PROMOTION INDUSTRY

The following are trends affecting the advertising and promotion industry. Many have to do with new technologies and how their application has changed the structure and the very nature of the way communications occur. Others have to do with consumer culture and what sort of communication makes sense to the modern consumer. But in the end, what is important is the critical need to focus on the brand, its image, and a persuasive, integrated presentation of that brand to the target market.

To understand the change that is affecting the advertising and promotion industry and the use of promotional tools, let's consider five broad trends in the marketplace.

2-2a **Consumer Control: From Social Media to Blogs to DVRs**

Yep, top of the list. As we have highlighted so far, consumer control is at the top of the list of trends affecting the advertising and promotion industry. As featured at the outset of the chapter, consumers are now in greater control of the information they receive about product categories and the brands within those categories. Collectively, individuals' sharing and creating content through blogs, social media, wikis, and video sites like YouTube are referred to as Web 2.0—the second generation of Web–based use and services that emphasize online collaboration and sharing among users; Web 3.0 is just around the corner, where computers and tablets will understand and interpret information from the Web as quickly and correctly as humans can.

The simplest and most obvious example of Web 2.0 is when consumers log on to the Internet and visit sites *they* choose to visit for either information or shopping. But it gets a lot more complicated from there. **Social media,** those highly accessible Web–based media that allow the sharing of information between individuals and between individuals and groups (like Facebook and Yelp), have emerged as the most significant form of consumer control over information creation and communication. You will examine the breadth and intensity of use of social media in Chapter 14—"Media Planning: Advertising and IBP in Digital and Social Media," but for now it is important to have a perspective on the digital side of advertising and communications. Facebook has about 1 billion users worldwide sharing 100 billion connections collectively.[7] Twitter has more than 50 million users who post 8 billion tweets a year.[8] Honda launched a Facebook page in August of 2009 and three months later had 2 million friends on the site (see Exhibit 2.1) and currently has over 3 million "likes."[9] While firms are not *exactly* sure of the value and impact of engaging consumers through social media sites like Facebook, no firm wants to be absent from the social media scene. As such, firms are already spending nearly $2.2 billion on social media, and that number is expected to rise to nearly $5 billion by 2016.[10]

EXHIBIT 2.1 Firms of all types are trying to use social media effectively to engage and communicate with consumers. When Honda launched its Facebook page, the firm immediately had 2 million "friends" on the site and now has nearly 3 million "likes." Do you think having a social media presence affects consumers' attitudes toward a brand positively?

Another way consumers control their information is through blogs. **Blogs,** websites frequented by individuals with common interests where they can post facts, opinions, and personal experiences, have emerged as sophisticated (although typically not very objective) sources of product and brand information. Once criticized as the "ephemeral scribble" of 13-year-old girls and the babble of techno-geeks, blogs are gaining greater recognition and organization with two-thirds of U.S. Internet users reading blogs on a regular basis. Web-based service firms like Blogdrive and Blogger are making blogs easier to create, use, and make accessible to the masses. Advertisers should pay attention not only to the popularity of social media sites and blogs but also to the power of their communications. Research has shown that such "word of mouth" communication between consumers results in longer lasting impressions and greater new customer acquisition effects than traditional marketing efforts.[11]

As discussed earlier, another dramatic example of consumer control is the growth in use of digital video recorders (DVRs) like TiVo. Analysts expect that the use of DVRs could ultimately reduce ad viewership by as much as 30 percent. That translates into taking $100 billion out of U.S. advertising industry revenue. Currently, DVR usage stands at about 8 percent of all television viewing.[12]

Obviously, advertisers and their agencies are trying to adapt to the concept that consumers are gaining greater control over the information they choose to receive. How will they adapt? Creativity is one answer. The more entertaining and informative an ad is, the more likely consumers will want to actually watch the ad. Another technique, less creative but certainly effective, is to run advertising messages along the bottom of the programming. You know the ones we're talking about—those annoying, jumpy little messages in the lower right- or lower left-hand corner of your screen. This way, even the ad-skipping DVR users have to see messages since they are embedded in the broadcast.

2-2b Media Proliferation, Consolidation, and "Multiplatform" Media Organizations

At another level of the industry, the media level, proliferation and consolidation have been taking place simultaneously. The proliferation of cable television channels, direct marketing technology, Web options, and alternative new media (mobile marketing, for example) have caused a visible proliferation of media options. Diversity of media options and the advertising dollars they can attract has always been a driving force for many media companies

(see Insights Online [Exhibit 2.2] for an interesting example).

Media companies of all types tend to pursue more and more "properties" if they are allowed to

legally, thus creating what are now referred to as "multiplatform" media organizations.[13] The ultimate multiplatform may be Walt Disney Co., which owns the ABC broadcasting network and the ESPN cable network group, plus multiple other cable stations, 15 radio stations, a couple of dozen websites, eight podcasting operations, video on demand, books, and magazines—you name it, Disney uses it to reach audiences and generates $40 billion in worldwide revenue.[14]

Not to be outdone, the Web has its own media conglomerates. InterActiveCorp (IAC) has amassed a media empire of Internet sites that are as diverse as they are successful. IAC is an Internet conglomerate with a grab bag of online offerings, including search engine Ask.com, online dating service Match.com, and various Internet start-ups and smaller properties. Together, these sites generate about $2 billion in worldwide revenue. Other Internet merchants like Google are even bigger at about $37 billion in worldwide revenue and even more diversified with all sorts of search (Chrome), entertainment (YouTube), and service sites (like Blogger mentioned earlier). One commercial service offered by Google is DoubleClick, which provides advertisers and agencies services designed to simplify complex online campaigns using a proprietary digital ad management platform (see Exhibit 2.3).

The point is that media companies, in an effort to effectively "cover all the bases" in reaching audiences, have been wheeling and dealing during the last decade to engage consumers in as many ways as possible, from traditional media—broadcast television, newspapers, radio, and magazines—to cable and satellite broadcast and all forms of Internet-based and mobile communication.

2-2c Media Clutter and Fragmentation Means More IBP

Even though the media and agency levels of the industry may be consolidating into fewer and fewer large firms, this does not mean that there are fewer media options. Quite the contrary is true. There are *more* ways to try to reach consumers than ever before. In 1994,

EXHIBIT 2.3 Media proliferation and fragmentation, caused mostly by new technologies, has given rise to specialized media organizations. Double Click, now part of the Google organization, specializes in digital marketing and advertising solutions as well as tracking services.

Doubleclick

the consumer had access to about 27 television channels. Today, the average U.S. household has access to more than 100 channels. In 1995, it took three well-placed TV spots to reach 80 percent of women television viewers! Today, it takes multiple times more spots across a variety of media to achieve the same effect. From television ads to virtual billboards to banner ads on the Internet to podcasts of advertising messages, new and increased media options have resulted in so much clutter that the probability of any one advertisement breaking through and making a real difference continues to diminish. Advertisers are developing a lack of faith in advertising alone, so promotion options such as online communication, brand placement in film and television, point-of-purchase displays, and sponsorships are more attractive to advertisers. For example, advertisers on the Super Bowl, notorious for its clutter and outrageous ad prices (about $2.5 million to $3 million for a 30-second spot), have turned instead to promotional tie-ins to enhance the effect of the advertising. To combat the clutter and expense at one Super Bowl, Miller Brewing distributed thousands of inflatable

Miller Lite chairs by game day. The chairs were a tie-in with a national advertising campaign that began during the regular season before the Super Bowl.

Given the backlash against advertising that clutter can cause, advertisers and their agencies are rethinking the way they try to communicate with consumers. Fundamentally, there is a greater focus on integrating more tools within the overall promotional effort in an attempt to reach more consumers in more different ways. This approach by advertisers is wreaking havoc on traditional media expenditures. Starting several years ago, Johnson & Johnson began shifting $250 million in spending from traditional media—television, magazines, newspapers—to "digital media," including the Internet and blogs.[15]

Advertisers are shifting spending out of traditional media and are looking to the full complement of promotional opportunities in sales promotions (like the Miller chairs), event sponsorships, new media options, and public relations as means to support and enhance the primary advertising effort for brands. In fact, some advertisers are enlisting the help of Hollywood talent agencies in an effort to get their brands featured in television programs and films. The payoff for strategic placement in a film or television show can be huge. Getting Coca-Cola cups placed on the desk in front of the judges on *American Idol* is estimated to be worth up to $20 million in traditional media advertising.[16] This strategy of placing brands with television shows, movies, and video games is covered in Chapter 16 when we consider branded entertainment (advertainment) in detail.

2-2d **Crowdsourcing**

Crowdsourcing (and the related concept of user-generated content) is a fairly simple concept. **Crowdsourcing** involves the online distribution of certain tasks to groups (crowds) of experts, enthusiasts, or even consumers.[17] Dell launched the "Idea Storm" website to solicit computing ideas from the public. Starbucks' "MyStarbucksIdea" asks Starbucks customers to recommend new products and services for Starbucks' outlets. The idea behind crowdsourcing is to get consumers more involved with and committed to a brand in a way that passive, intrusive advertising simply cannot. Consumers help "build the brand" with recommendations for features or even advertising campaign images. They also can communicate about the brand to audiences in ways that seem natural and credible—something corporate-launched advertising struggles with. Consider the elaborate crowdsourcing effort conceived by Visa International. As part of Visa's promotional effort at the 2012 London Olympic Games, the firm's ad agencies came up with the idea of "Cheer" as