8th Edition

Advertising and Integrated Brand Promotion

O'Guinn • Allen • Close Scheinbaum • Semenik

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Thomas Clayton O'Guinn

Professor of Marketing
Research Fellow,
Center for Brand and Product Management
University of Wisconsin—Madison

Chris T. Allen

Arthur Beerman Professor of Marketing
University of Cincinnati

Angeline Close Scheinbaum

Associate Professor
The University of Texas at Austin
Stan Richards School of Advertising & Public Relations

Richard J. Semenik

Professor Emeritus of Marketing
Montana State University

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Advertising and Integrated Brand Promotion,
Eighth Edition
Thomas Clayton O'Guinn,
Chris T. Allen, Angeline Close Scheinbaum,
Richard J. Semenik

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Product Manager: Heather Mooney

Project Manager: Julie Dierig

Content Developer: Tara Slagle, MPS

Product Assistant: Tawny Schaad

Content Project Manager: Nadia Saloom

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Sr. Art Director: Michelle Kunkler

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Analyst: Diane Garrity

Project Manager: Nick Barrows

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To Marilyn

Thomas Clayton O'Guinn

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

Chris Allen

To my family and students.

Angeline Close Scheinbaum

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

About the Authors

Thomas Clayton O'Guinn is Professor of Marketing at the University of Wisconsin–Madison. He is also Research Fellow in the Center for Brand and Product Management, also at UW–Madison. Before joining the University of Wisconsin–Madison faculty, he was on the faculty of the University of Illinois at Urbana–Champaign. He has also taught at UCLA and Duke and was a visiting professor at Georgetown University. Tom has published widely. His research is about brands and the sociology of consumption. Tom has served on many editorial and advisory boards, and his research has won several awards. He has assisted several major marketers with their advertising and marketing. Professor O'Guinn's Ph.D. is from the University of Texas at Austin.

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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 *Journal of Consumer Research*, *Journal of Marketing Research*, *Journal of Marketing*, *Journal of Public Policy & Marketing*, *Journal of Business Research*, *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 *Journal of Consumer Research, Journal of Consumer Psychology, Journal of Marketing and Journal of Advertising* 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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Angeline Close Scheinbaum is Associate Professor at The University of Texas at Austin at the Stan Richards School of Advertising & Public Relations. Scholarship is in consumer-based branding strategy with a focus on sponsorship/event marketing and social media. Her research explains how events interact with social media, informing and persuading 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*, and *Journal of Business Research,* among others. Other books include *Consumer Behavior Knowledge for Effective Sports and Event Marketing*, *Online Consumer Behavior: Theory and Research in Social Media*, *Advertising, and E-Tail*, and *The Dark Side of Social Media: A Consumer Psychology Perspective*. She teaches integrated communication management, psychology of advertising, and campaigns. Service includes leadership with American Marketing Association and Academy of Marketing Science and for editorial review boards (*Journal of the Academy of Marketing Science*, *Journal of Advertising*, *Cornell Hospitality Quarterly*, and *Sport Marketing Quarterly*). Her doctorate is from the University of Georgia's Terry College of Business.

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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 as 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

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Preface

David Ogilvy, named by Advertising Age as one of the 100 most influential people in advertising history, 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." Our big idea for *Advertising and Integrated Brand Promotion 8e* is to showcase the role of branding (rather than the mere integrated marketing communications) while highlighting the concept of integration and synergy among branding efforts.

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 *Advertising and Integrated Brand Promotion.* We have evolved our brand along with the evolving advertising and promotion environment. We have made extensive updates to advertising and integrated brand promotion processes, increasing the emphasis on leveraging synergy among all elements for planning and implementing successful campaigns. This book is based on extensive feedback from faculty, students, and practitioners.

Advertising and Integrated Brand Promotion 8e focuses on integration of various brand communication tools and strategies. It is not just a book on advertising or branding; we emphasize the importance of synergy for advertising with public relations, social media, digital, experiential marketing, event marketing, sponsorship, and celebrity endorsement among others. *Advertising and Integrated Brand Promotion 8e* is full of social, digital, and mobile media content. You can find this in both the main discussions and in the "Insights Online" features, which direct readers to online content from real brand examples. You will notice many new key terms, coverage of automated media buying, social media strategy for brands, new disruptive product categories and brands, and new perspectives on critical issues such as privacy and social responsibility. The book is direct while remaining comprehensive. *Advertising and Integrated Brand Promotion 8e* represents the world of advertising and integrated brand promotion as it is evolving over time.

Despite all the changes and the tighter focus, there is one point we want to make emphatically: *Advertising and Integrated Brand Promotion 8e* 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 (2009). In the past two editions, we pioneered coverage of branded entertainment, the rise of influencer marketing, and the challenges of modern media strategies. *Advertising and Integrated Brand Promotion 8e* continues the tradition of breaking new ground, introducing an innovative framework diagramming the context, environment, and steps in the overall process of advertising and integrated brand promotion.

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 stem from hard work and careful planning. Creating good advertising is an enormous

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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 feel that other books on the market do not emphasize enough a focus on the *brand* and *integration* 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 professors with ample 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.

We respect our academic and practitioner colleagues. This book is completely real world, but the real world is also explained in terms of some really smart academic scholarship. You will notice many current theory-based insights from leading journals in marketing and advertising. This book copies no one yet pays homage to many. More than anything, we seek to be honest, thoughtful, and imaginative. We acknowledge the complexity of human communication and consumer behavior.

Students love this book—they tell us so over and over. 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 have devoted pages and pictures, ideas, and intelligence to creating a place for student and professor to meet and discuss one of the most important and intrinsically interesting phenomena of contemporary times: advertising and promotion in the service of brands.

Unique Framework Diagram Highlights Relevant, Intelligent Organization

One of the most important updates to this edition is the addition of a unique framework diagram that guides students through the background, environment, and steps of advertising and integrated brand promotion. This valuable new diagram showcases the thoughtful and well-paced five-part organization, helping students understand the way each part and chapter of the book fits with other parts and chapters. As a result, students will be able to visualize exactly how each topic builds on the previous topic to provide a well-rounded, practical picture of advertising and promotion today.

Over the years, we have found that the organization of the text is so popular because it lays out the advertising and integrated brand promotion 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 plan and 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 can 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 even more powerful business and societal forces 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: The Media Process. Part 4 focuses on the use and application of all media—including traditional and

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. Programmatic media buying is an industry game changer. It is in this section that you will learn not just about the traditional mass media but also about the array of emerging 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 20 percent of the book's pages are devoted to IBP tools beyond advertising because of the opportunities to leverage multiple tools for synergy in communicating with, engaging, and influencing consumers and business customers.

Integrated Brand Promotion in Action

The most successful brands understand that effective campaigns must leverage multiple elements for synergy and optimal impact. That's why this eighth edition introduces a new feature, "Integrated Brand Promotion in Action," demonstrating how 18 advertisers use different promotional presentations to reach target audiences. Chapter by chapter, here are the advertisers showcased in this new feature:

Chapter 1	Panera
Chapter 2	Colorado (tourism)
Chapter 3	Coca-Cola
Chapter 4	REI
Chapter 5	Target
Chapter 6	Hilton
Chapter 7	IKEA
Chapter 8	KitKat
Chapter 9	Hotels.com
Chapter 10	Blendtec
Chapter 11	Mountain Dew
Chapter 12	Graeter's
Chapter 13	Absolut
Chapter 14	Zappos
Chapter 15	M&M's
Chapter 16	Monster Energy
Chapter 17	L.L. Bean
Chapter 18	Gatorade

Compelling Fundamentals

We fully expect our book to continue to set the standard for coverage of new branding topics and industry 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. We simply cannot appreciate the role of the emerging media or technologies without a solid understanding of the fundamentals from traditional media. 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,* eighth edition, is the only book on the market that ensures the deep economic roots of advertising and promotion are fully understood in the context of brand integration in today's social media and digital business environment (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. In fact, we introduce some of these issues starting in Chapter 1 and integrate coverage throughout for an unusually well-rounded examination of priorities, challenges, and trends.

Extensive Social and Digital Media Coverage

It is paramount for brands to have a synergistic social media presence and strategy that reinforces their advertising and brand image. We give you the tools to understand social media from a theoretical lens as well as some industry best practices with social media. In-depth consideration of new media vehicles is provided throughout Part 1 but is truly highlighted in Part 4 of the book, "The Media Process." Media is the main area in which the industry has changed. 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. Brands benefit from sponsorships of fitting events and other consumer experiences; we show the importance of integrating social media with experiential/event marketing. 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 many current ads, tables, and figures. 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 that 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 paths for 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 at various levels.

A Closer Look at Some Eighth-Edition Features

In Every Chapter:

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 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 learning 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.

Framework Diagram. Each part and each chapter opens with an integrative framework diagram, as discussed earlier in this preface. The purpose is to indicate how topics fit within the overall book so students have a clear and specific context for understanding the background and relevance of each chapter. Students can also use the diagram to follow the flow of individual chapters and review the relationship among chapter concepts as they study.

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. Just a few of the key terms introduced in this revised edition are: ad blocker, Big Data, click fraud, geofencing, greenwashing, event social responsibility, event sponsorship measurement, and programmatic media buying.

The Online Component. We have selected exciting content from *Advertising 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 only with examples from print media, we have selected contemporary advertisements from multiple media—including social and digital media—to provide examples and applications of concepts.

For every chapter, we have identified several articles from *Ad Age* that highlight interesting, unusual, or entertaining information as it relates to relevant concepts. 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 laypeople 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.

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.

Following is a sampling of the types of critical thinking questions found in *Advertising and Integrated Brand Promotion,* eighth 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 that 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

For *Advertising and Integrated Brand Promotion,* eighth edition, we offer an exciting alternative for users depending on how the course is to be taught, in either a hybrid print and online version or a version that provides 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.

A Full Array of Teaching/ Learning Supplementary Materials

Supplements

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 Companion Website (www.cengagebrain.com).

PowerPoint®. This edition's PowerPoint® presentation is of the highest quality possible. The PowerPoint® presentation is available on the Instructor Companion Website (www.cengagebrain.com).

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. All questions have been carefully reviewed for clarity and accuracy. The test bank Word files are available on the Instructor Companion Website (www.cengagebrain.com).

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, multimode, 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 (**www.cengagebrain.com**). The product support site features Instructor Resources that include the instructor's manual, test bank, PowerPoint®, and more.

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Jacquie Lamer
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Mary Alice LoCicero
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Deanna Mader
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Marty Matthews
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Norman D. McElvany
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John Purcell
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William E. Rice
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Maria del Pilar Rivera
The University of Texas at Austin

Ann H. Rodriguez
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Dana K. Saewitz
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Debra Scammon
University of Utah

Allen D. Schaefer
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Structure of Advertising
and Promotion Industry
(Ch. 2)

History of Advertising
and Brand Promotion
(Ch. 3)

World of
Advertising and
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Social, Ethical,
Regulatory
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Part 2: Analyzing the Environment
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Segmentation, Positioning, and Value (Ch. 6)
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Part 5: Integrated Brand Promotion
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Event Sponsorship, Product Placements, and Branded Entertainment (Ch. 16)
Integrating Direct Marketing and Personal Selling (Ch. 17)
Public Relations, Influencer Marketing, and Corporate Advertising (Ch. 18)

As the framework indicates, 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, starting with an overview of the world of advertising and IBP (Chapter 1). Next, you'll learn about the people and organizations that make up the structure of the advertising and promotion industry (Chapter 2). Understanding the history of advertising and brand promotion (Chapter 3) will give you a practical foundation for applying concepts today. Finally, you'll be introduced to key social, ethical, and regulatory aspects of advertising and promotion, including arguments for and against advertising (Chapter 4).

Part 1

Advertising and Integrated Brand Promotion in Business and Society

Advertising today is much more than the old-style mass media messages of the past—more diverse and more dynamic as part of integrated brand promotion (IBP). IBP is the process of using a variety of promotional techniques and tools—from television ads to billboards to digital media—to communicate with consumers about brands. In turn, advertising and IBP communications are part of a broader social communication process that has evolved over time with changes in culture, technology, and business strategies. Advertising is on the upswing: it's big business, with big career opportunities working with some fascinating brands that are a reflection of the world around us.

The framework depicted here shows how we will address advertising and IBP from a broad lens—and from a very important economic lens. Chapter by chapter, you can use this framework to understand how each aspect of advertising and IBP fits within the big picture. Remember, no aspect of advertising or IBP stands alone—each is connected to the environment, under the larger umbrella of business and society, and each plays a role in communicating with consumers about brands.

3

The World of Advertising and Integrated Brand Promotion

The framework in Exhibit 1.1 shows the complexity of the new world of advertising and integrated brand promotion (IBP). IBP is the modern form of IMC, or *integrated marketing communications*. The big problem with the IMC thinking of the past is that it was not brand centric, which is why IBP is the more contemporary approach.

Why IBP? Well, as a consumer, you're a real challenge for companies. You like to get your information from friends and through social media instead of from newspaper advertising and television commercials. So how are companies supposed to reach you with their advertising and brand messages? Well, that is a very real challenge. Companies *are* using traditional mass media advertising, but they are also using newer forms of communication to try to get their brand messages across and to influence your brand attitudes and decisions.[1] At the same time, companies are struggling to measure exactly how many people they're reaching and how advertising and IBP activities actually influence brand attitudes and decisions in today's cluttered communications environment.[2]

You'll still see advertising during your favorite television show or in your favorite magazine—a lot of advertising, in fact. But if you're a smartphone user, you may have noticed advertising within apps, or you may be using branded apps for fun and shopping. If you're one of the 180 million U.S. consumers who enjoy smartphone games, you've probably noticed ads in the cyberscenery, between game screens, or on reward screens.[3] Welcome to the new and increasingly dynamic world of advertising and IBP.

LEARNING OBJECTIVES

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.

Exhibit 1.1 ▶ Integrated brand promotion tool kit.
This chapter serves as an overview of the world of advertising and IBP.

Part 1: Advertising and Integrated Brand Promotion in Business and Society

Structure of Advertising and Promotion Industry (Ch. 2)

History of Advertising and Brand Promotion (Ch. 3)

World of Advertising and IBP (Ch. 1)

Social, Ethical, Regulatory Aspects (Ch. 4)

- The New World of Advertising and Integrated Brand Promotion
- What are Advertising and IBP?
- Advertising as a Communication Process
- The Audiences for Advertising
- Advertising as a Business Process
- From Advertising to Integrated Marketing Communications to Integrated Brand Promotion

1-1   The New World of Advertising and Integrated Brand Promotion

The world of advertising and IBP is going through enormous change. Marketing has become much more experiential, as seen in the sustained growth of the sponsorship and event marketing industry. Artificial intelligence–based algorithms help place ads via behavioral targeting and retargeting consumers with ads they have clicked on in the past. In short, consumer preferences and new technologies are reshaping the communication environment and the future of advertising.[4]

Because of this, we can't stress measurement and research enough. Firms expect a real return on their advertising investment. Advertising investments total both the creative and the media aspects of making and placing the content of IBP tools, respectively. Every brand-related or communication investment must be measured; IBP tools that are not yet measured as precisely as they should be will have to find ways to measure audiences and responses. For instance, *content marketing* is a hot industry term that collectively refers to the marketing of informational content such as videos or posts for target audiences online and on social media. How can firms measure their investment in content marketing? As Exhibit 1.2 indicates, businesses use content marketing in a variety of ways to support growth, so the ability to gauge results is important.

Measurement is crucial for the field of marketing and, in particular, for the vitality of advertising and IBP, in the context of how organizations finance and evaluate their investments in marketing activities. Also critical is the ability to understand how to measure the wider scope of social shifting that events, sponsorships, or ad campaigns can bring. For instance, organizations may want to evaluate event sponsorship effectiveness on the basis of event social responsibility as well as on the economic impact to local communities.

The lines between information, entertainment, networking, and commercial messages are blurring. Content marketing and influencer marketing have changed digital marketing environments. Now companies are turning to branded entertainment, the Internet, influencer marketing (i.e., social networks), and other communication techniques to reach consumers and get their brand messages integrated into consumers' lifestyles.

Advertising, IBP, and marketing overall are rapidly becoming more digital, more interactive, and more social. If you're among the 77 percent of American consumers who use a smartphone, you're a prime target audience for **mobile marketing**, communicating branded messages via mobile devices like smartphones and tablet devices.[5] 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.

Source: curata.com

Exhibit 1.2 ▶ An infographic of content marketing.

fundamental challenge and opportunity—communicating effectively about the brand, its values, and its benefits (see Insights Online [Exhibit 1.3] for an interesting example).

> ### INSIGHTS ONLINE
>
> **1.3** Go online to see the AdAge feature, "Fiat Branding via Social Drive—A Voice-Activated Feature Giving Social Media Updates."

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. 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. Remember, too, 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. This creates opportunity for brands to communicate about meeting those needs.

However, established brands in particular face the challenge of maintaining an updated market-driven image and communicating the brand's contemporary identity to the target audience. 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—a tremendous loss. What happened to the Cadillac brand? It wasn't the advertising. A series of product missteps confused the market's perception of the upscale brand: the 1986 Cimarron, for example, used a Chevy chassis and looked cheap. Formidable competitors like Lexus and Infiniti entered the market with powerful and stylish alternatives that were effectively advertised. To regain momentum, GM has been spending heavily to reshape perceptions of Cadillac as a high-end, high-tech brand. The company has redesigned its vehicles, introducing new features and special options for today's car

1-1a OLD MEDIA/NEW DIGITAL MEDIA—IT'S ALL ABOUT THE BRAND

No matter how much technology changes or how many new media options and opportunities are available for delivering messages, advertising and IBP are still all about the brand![6] Just because an advertiser offers consumers the opportunity to "follow" it on Instagram or visit the brand's Facebook page, these communications options do not change the

Source: General Motors

Exhibit 1.4 ▶ Cadillac's "Dare Greatly" campaign included video and other media to shape the brand's image.

buyers. It has also boosted spending on digital platforms and launched a "Dare Greatly" campaign in multiple media to connect the brand with bold, creative people and places (see Exhibit 1.4).[7]

— 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.

Source: The American Express Company
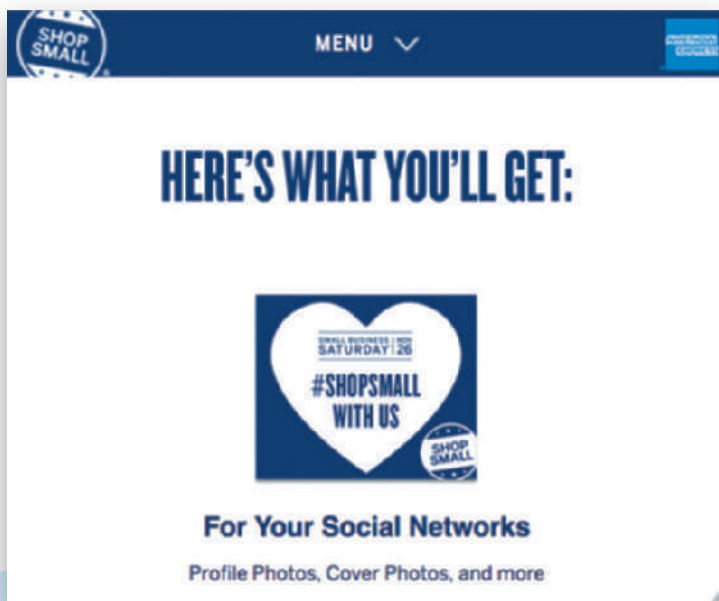
Exhibit 1.5 ▶ Small Business Saturday, founded by American Express, is a day promoting the idea of buying from small and local businesses, using the hashtag #ShopSmall as a unifying slogan.

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, as shown in Exhibit 1.5. 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 with 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, some people have significant misperceptions about advertising and what it's supposed to do, what it can do, and what it can't do. 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 economically and socially impactful and powerful; at other times, it's annoying. 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 1.6] 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.*

First, as this definition states, 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 a talk show to promote his newest movie. Is this advertising? No, because the producer or film studio did not pay the talk show for airtime. In this example, the show gets an interesting and popular guest, the guest star gets exposure, and the film gets plugged. This is public relations, not advertising. But when the film studio creates and runs ads for the newest movie, this is advertising because the studio is paying for the messages. For the same reason, public service announcements (PSAs) are not advertising either.

Second, advertising is *mass mediated,* 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 television, radio, newspapers, magazines, direct mail, billboards, video games, social media, and other media. The mass-mediated nature of advertising creates a communication environment in which 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.* 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.

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 (paid, mass mediated,

persuasive). When Delta Air Lines and dentists 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 1.7] for another interesting example). When Apple advertises, it usually means the launch of an innovation, such as its Apple Watch, part of the ever-expanding wearable-technology category (see Exhibit 1.8).

1-2b INTEGRATED BRAND PROMOTION DEFINED

Integrated brand promotion is related to and yet distinct from advertising. Here is how it is defined:

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

Just as the definition of advertising was loaded with meaning, so too is the definition of IBP. First, IBP is a process 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 in Exhibit 1.9.

Source: Apple Inc.

Exhibit 1.8 ▶ Apple Watch as an example of showcasing an innovative product.

Exhibit 1.9 ▶ IBP tool kit checklist.

INTEGRATED BRAND PROMOTION (IBP) TOOL KIT	*DIGITAL -TRADITIONAL # BOTH/EITHER
Advertising in traditional media (television, radio, newspapers, magazines, billboards)	-
Advertising in digital media (mobile, websites, social media)	*
Sponsorship (cash or in-kind partnerships or sponsored content)	#
Event marketing/experiential marketing	#
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/professional sales	-
Internet advertising (banners, pop-ups/pop-unders, websites)	*
Social media or digital media sponsored content	*
Podcasting/smartphone messaging	*
Video advertising/blogs	*
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	-
Guerilla marketing/street-level marketing/ambush sponsorship	-
Advergaming (advertising embedded in video games)	*
Celebrity endorsement	#
Content marketing	#

Source: Adidas AG

Exhibit 1.10 ▶ Adidas has an ad that incorporates IBP within it.

Notice that this long list of IBP tools includes various types of advertising but goes well beyond traditional advertising forms. 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. The best advertising can accomplish integration *within an ad*. For instance, if Adidas is able to feature the celebrity endorsement IBP tool and reinforce this or activate a sponsorship or endorsement within an image as seen in Exhibit 1.10, that integration adds to the power.

Third, the definition of IBP highlights that all of these tools need to work together to create a consistent and compelling impression of the brand. The brand will suffer if its image is presented one way in a magazine ad and not authentically, differently, in a Snapchat post. We, as consumers, can spot authenticity in a brand, and one signal of that is if the brand seems true to its roots and its core across all types of media. For effectiveness and efficiency, all the messages and all the tools must be integrated to support a clear and coordinated brand impression. The integration brings synergy.

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 communicates 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.

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 or other tools, for example, they create an IBP. Integrated brand promotion, by definition, requires careful coordination and sequencing of different promotional efforts.[8] (See Insights Online [Exhibit 1.11] for a key example.)

Exhibit 1.12 ▶ Some Taco Bell campaigns have become part of pop culture, such as the campaign with the talking dog. Even people who don't speak Spanish can remember the slogan, "Yo Quiero Taco Bell."

Source: Yum! Brands

> ### INSIGHTS ONLINE
> **1.11** Go online to see the AdAge feature, "*The Walking Dead* Gets an Online Following from Facebook Fans."

Taco Bell has lots of experience with well-coordinated IBP. It uses television commercials and other advertisements to reach mass audiences, showcasing the fast-food brand, new menu items, and, in many cases, a value message about pricing. When Taco Bell introduced the Quesalupa, it orchestrated a vast campaign including a $5 million Super Bowl commercial seen coast to coast and regional television commercials supported by print advertising, in-store promotions, and a multipronged social media campaign with hashtags like #BiggerThanEverything. The goal of this was to build anticipation for the new product, put the brand in the national spotlight, and encourage purchasing. The result: 71,000 consumers preordered the Quesalupa even before it was available. Taco Bell continues to add cutting-edge IBP tools, highlighting the brand's contemporary image and appeal. "It's about investing in places where you know you'll get big results and then leaving room around the fringes to find new, buzzy and interesting new places to play," explains the chief marketing officer.[9] Notice, too, how Taco Bell—like every smart advertiser—evaluates the results of its advertising and IBP efforts by analyzing sales, brand awareness and so on. Exhibit 1.12 shows a classic campaign.

1-2d A FOCUS ON ADVERTISING

Integrated brand promotion will be a key concept throughout our discussion of advertising because of 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. You will learn more about the features and application of other IBP tools 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.

1-3a A MODEL OF MASS-MEDIATED COMMUNICATION

Because advertising is mass-mediated communication, it often occurs not face to face but through a medium (such as television, on the side of a building, or on your smartphone). Although there are many valuable models of mass
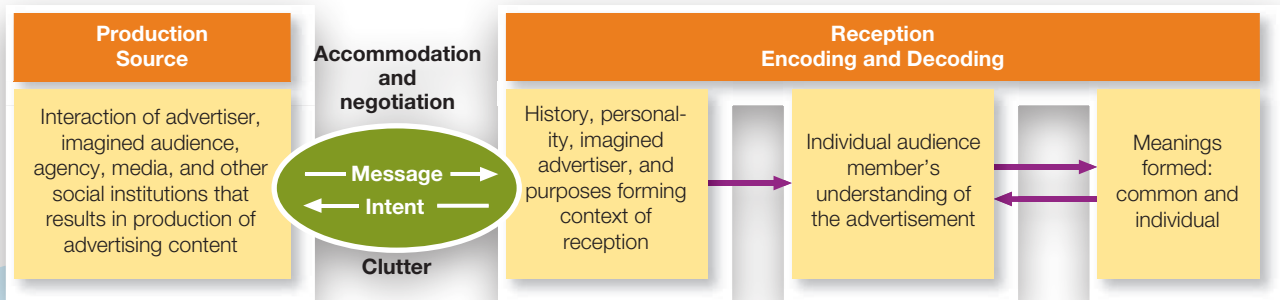
Exhibit 1.13 ▶ A model of mass-mediated communication.

communication, a contemporary model of mass-mediated communication is presented in Exhibit 1.13. This model shows mass communication as a process in which 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.

The first point about the model is that it is fluid and not unidirectional. Notice the feedback loop from meanings formed back to the audience, illustrating how we gain understanding of a brand or an ad. Moving from left to right in the model, you first see the process of communication production, where the content of a mass communication is created.

The **source** is the originator or creator of the content. 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 digital ad, print ad, television ad, radio ad, podcast, Pinterest image, or the 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 to the right, notice that the mediating processes of accommodation and negotiation lie between the production and reception phases. Accommodation and negotiation are the ways in which consumers interpret ads, *decoding* what the source has *encoded*. 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 that 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 that person individually,

serves his or her needs, and fits his or her personal history with a product category and a set of brands.

Reception also takes place in the context of potential interference such as "clutter"—the sheer number and diversity of brand messages to which you're exposed every day in every medium. In fact, digital advertisers consider clutter the biggest challenge they face in trying to get messages across to consumers.[10] 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 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 communication is inherently a *social* process: What a message means to any given consumer is a function not of an isolated thinker but of an inherently social being responding to what he or she knows about the producers of the message (the companies), other receivers (peer groups, for example), and the social world in which the brand and the message exists. Now, admittedly, all this interpretation happens very fast and without much contemplation. 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.

Consider what a receiver might think and feel about the Panera messages in Exhibit 1.14 (Integrated Brand Promotion in Action). To demonstrate the vital importance of IBP, each chapter has a modern "Integrated Brand Promotion in Action" featuring a brand that is using strategic IBP. We present two examples of an advertiser's IBP activities and pose a question for you to consider.

The communication model underscores a critical point: No ad contains a single meaning or even the same meaning for each audience member. Ads are interpreted

Exhibit 1.14 ▶ Integrated Brand Promotion in Action: Panera

Panera Bread includes its green and white brand logo with mouth-watering food photos in its advertising and integrated brand promotions. *How does the logo's color combination help associate the brand with its message of "clean food" with no preservation of artificial additives?*
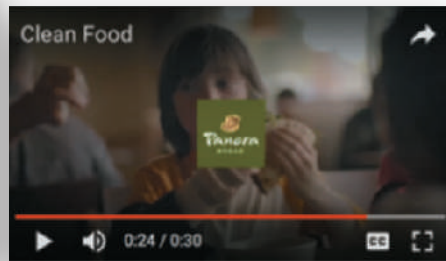
Source: Panera Bread Company

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

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. Each audience member decides what meaning to take away from a communication.

LO 3

1-4 The Audiences for Advertising

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 businesspeople, 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. Targeting audiences means that a company wants to reach individuals or groups with a message. Even though companies can identify dozens of different target audiences, many specifically target these categories: 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, Toyota, Forever 21, Progressive Insurance, and Apple have products and services designed for the consumer market, and so their advertising targets household consumers.

According to the U.S. Census Bureau, there are more than 321 million household consumers who spend trillions of dollars a year on retail goods and services.[11] 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 has used advertising during the U.S. Open tennis tournament to reach chief marketing officers within organizations, because this audience is becoming more influential regarding hardware and software decisions within corporations. The company is also targeting decision makers at businesses like Campbell's Soup and Unilever with messages about Watson Ads, branded advertising for consumer products designed for interactivity powered by IBM's Watson.[12] 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 1.15 ▶ Absolut nights.
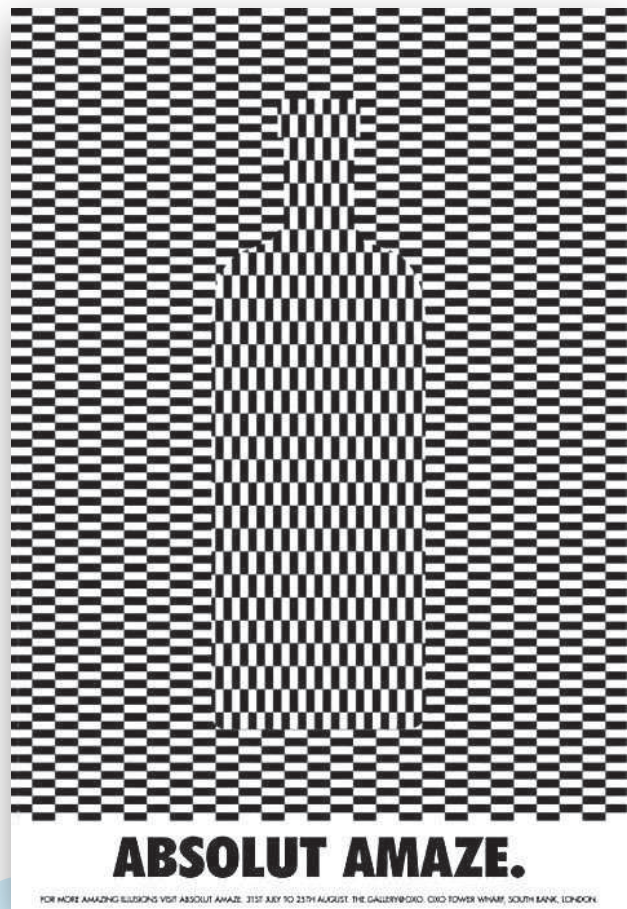
Exhibit 1.16 ▶ Absolut in a stunning black and white rendition of the iconic bottle.

Absolut is an icon in advertising, with stylish messages targeting consumers. There has been very little change to the shape depicted in the ads over the years. See examples in Exhibits 1.15, 1.16, and 1.17 of this classic campaign.

Members of a trade channel include retailers (like Best Buy for consumer electronics), wholesalers (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. The promotional tool used most often to communicate with this group is personal selling, because this audience represents a relatively small, easily identifiable group. Other IBP tools, including sales promotion, are also used when targeting this audience. When advertising is 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 *Food Technology*, are magazines (and websites) published specifically for members of a trade and carry technical articles of interest to that audience.

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.

Source: Pernod Ricard

Exhibit 1.17 ▶ Absolut Animal is visually stunning.

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 brands 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 Samsung television or taking a trip on Singapore Airlines doesn't change much from culture to culture and geographic location to geographic location. Firms that market brands with global appeal, like Singapore Airlines, IBM, Apple, 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 1.18] 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 might 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 don't have the same needs or household situations. 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.

Regional advertising is carried out by producers, wholesalers, distributors, and retailers that concentrate their efforts in a relatively large but not national geographic region, to reach customers and potential customers. Finally, **local advertising** is directed at an audience in a single trading area, either a city or a 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**). As more companies step up their online branded advertising and support co-op advertising for their retail partners, coordinating these efforts is vital for both efficiency and effectiveness.[13]

INSIGHTS ONLINE

1.18 Go online to see the AdAge feature, "Heineken Hosts Contest to Meet the World in One Day."

LO 4

1-5 Advertising as a Business Process

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.

The role of advertising relates to four important aspects of the marketing process undertaken by every organization: (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

As you can see from this formal definition, advertising (as a part of communication) plays a vital role in marketing:

> **Marketing** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.[14]

Within an organization, four main areas of responsibility and decision making in marketing are conceiving, pricing, promoting, and distributing goods and services, referred to as the **marketing mix.** The word *mix* describes 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—a mix that 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* only one of many 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 noncleated 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.[15]

Exhibit 1.19 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. It must also support the organization's broader social purpose, as you'll see later in this section.

Exhibit 1.19 ▶ 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/PayPal/Apple Pay	Number and type of wholesalers
Credit:	Inventories—extent and location
Extended	Services provided by distribution:
Restricted	Credit
Interest charges	Delivery
Lease/rental	Installation
	Training

The Role of Advertising in Brand Management

Advertising also plays a critical role in brand development and management. A formal definition of **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.[16] A brand is in many ways the most precious business asset owned by a firm.[17] 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? Yes, because a brand name is often worth much more than the annual sales of the brand. Coca-Cola, one of the world's most valuable brands,

is estimated to be worth about $78 billion even though the Coca-Cola company's annual revenues amount to only about $44 billion. Within the portfolio of the Coca-Cola company are 20 brands that *each* generate more than $1 billion in annual sales, including Coca-Cola Zero, Dasani, Fanta, Sprite, and Minute Maid.[18] Using advertising and IBP to build and maintain those brands is a good investment for Coca-Cola, as it is for other businesses.

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 soft-drink industry, where Coca-Cola and Pepsi compete with Dr Pepper and many other brands. Advertising, with its ability to use images and emotionally appealing messages, can distinguish a brand like Dr Pepper from competing brands even when there are few true functional differences—because consumers have taste and brand preferences. Advertising helps brands stand out by providing information such as caloric content and persuading consumers based on tangible or intangible benefits.

Introduction of New Brand or Brand Extensions (Variants)

Advertising is absolutely critical when organizations introduce a new brand or extensions of existing brands. Consider the case of the new brand Snuggie— that somewhat funny-looking blanket with sleeves. Snuggie used low-budget direct-response ads on low-ratings cable programs to introduce the brand. Now, Snuggie is distributed in Lord & Taylor, college bookstores, and pet stores.[19]

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 line of Ben & Jerry's nondairy frozen desserts is a brand extension of the original Ben & Jerry's ice cream product line. 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 "managers should favor the brand extension with a greater allocation of the ad budget."[20] This is often accomplished with advertising working in conjunction with other promotional activities such as sales promotions and point-of-purchase displays.

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.

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. When a firm creates and maintains positive associations with the brand in the mind of consumers and builds brand loyalty, 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.[21] Advertising activities and integrated communications are both very important for long-term success in building brand equity.[22] A brand such as Nike can leverage its brand equity—backed by advertising and IBP—to achieve ambitious goals such as ringing up $50 billion in worldwide revenues within only a few years. Also adding to the brand equity is the unique retail environment created and fully controlled by Nike in its flagship stores. Here, Nike offers *branded experiences*, such as seen in Exhibit 1.20. The brand is inviting consumers to test products, walk or run on treadmills, participate in sports drills, and shop while surrounded by brand cues such as the famous Nike swoosh.[23]

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.

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 in which support can be given. Marketers can provide the

Source: Nike, Inc.

Exhibit 1.20 ▶ Nike's advertising ranges from abstract to advertising that is based on athlete image and meanings of going the extra mile and to just do it.

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, pays to be the official battery of NASCAR racing. Exide's vice president of marketing and product management explains: "Both our distributors and our distributors' customers, for the most part, are race fans, so it's the place we want to be."[24]

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. 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.[25]

The Role of Advertising in Market Segmentation, Differentiation, and Positioning

Another 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 pickup 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.

Ford, for example, targets different segments for different vehicles and creates advertising and IBP messages suited to each segment's needs and wants. It paid to have its F-series Super Duty pickup trucks named "Official Truck of the NFL" as a way to link its "Built Ford Tough" trucks with the toughness of football—reaching a key target audience while reinforcing a key benefit. For Ford's sporty Mustang car, the company targeted buyers interested in performance and design with its "Powerful, By Design" ads.[26] These ads are reinforced by Ford's interactive social media as seen in Exhibit 1.21.

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 any actual differences do 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

Source: Ford Motor Company

Exhibit 1.21 ▶ This is an example of how Ford combines advertising and social media for IBP.

higher prices for the "better" or "more meaningful" brand. Think about bottled water (Coca-Cola's Dasani and PepsiCo's Aquafina) and other formerly undifferentiated product categories, in which marketers are using advertising and IBP strategies to highlight points of differentiation.

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. **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. 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 top of their competitive product category, such as Acura's NSX, among the most

costly cars built in America, starting at about $156,000. Other brands seek a position at the low end, such as the Nissan Versa sedan, with a base price below $13,000.[27]

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. Ben & Jerry's has a somewhat easier task in meeting this challenge, since each of the ice creams it needs 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.

Finally, **repositioning** occurs when a firm believes that a brand needs to be revived or updated to address changing market or competitive conditions. 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 brand representation. 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 discussed in Chapter 6.

The Role of Advertising in Contributing to Revenue and Profit Generation

There are many who believe that the fundamental purpose of marketing (and advertising) is 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. Now take that one step further: publicly traded companies are concerned not just with revenues but also with customer satisfaction—because higher satisfaction is linked to higher stock prices.[30]

Helping create sales to generate revenue 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. 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 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 toothpaste sold. Advertising contributes to demand stimulation by communicating to the market about the features and availability of a brand. This, in turn, 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 that build strong brands and raise prices are more profitable than companies that cut costs as a way to increase profits—by nearly twice the profit percentage. Luxury brands are a good example. Hugo Boss, which makes premium menswear ($600 per suit or more), enjoys an operating margin of 64 percent supported by the brand image created and maintained via advertising.[31]

The Role of Advertising in Contributing to Social Purpose

Advertising is trending toward having more social purpose and can reinforce aspects of corporate or event social responsibility. More than ever before, consumers are looking carefully at the differences between brands—and seeking out brands with a purpose, such as in Exhibit 1.22. Advertising, as part of the broader marketing effort, can help organizations make a difference to society. So **purpose-driven marketing** is marketing (including advertising and IBP) that helps the organization achieve its long-term social purpose. Doing good can actually help a company do well, as businesses like Unilever have found. Unilever is taking concrete steps, through its brands and through corporate actions, to save the planet. This social purpose appeals to consumers interested in environmental causes. "For our brands, we are seeing particular growth in sales for those that have built purpose and sustainability into their brand mixes," confirms Unilever's chief marketing and communications officer. Another business benefit of purpose-driven marketing is the ability to recruit and motivate talented employees. A Unilever sustainability executive explains, "We know that one reason young people want to join us is that we are a business with a clearly defined purpose," as reflected in the company's advertising and IBP messages.[32]

1-5b TYPES OF ADVERTISING

To truly understand advertising, you should be familiar with the basic typologies that categorize advertising according to fundamental approaches to communication.

Source: World Wildlife Fund

Exhibit 1.22 ▶ Notice the purpose in this WWF ad featuring a polar bear asking us, "What on earth are we doing to our planet?"

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—not brand extensions or product categories that have been around a long time (known as mature products).

For organizations that have tried to stimulate primary demand in mature product categories (including milk, orange juice, beef, and pork), 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, yet milk consumption continues to decline year after year.[33] Only broad influences on society, like demographics, cultural values, or technology, can affect primary demand for a long-established product category such as milk.

The true power of advertising is realized when it functions to stimulate demand for a particular company's brand. 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 and IBP, and it is effective for individual brands, even those within

mature product categories. For example, Trickling Springs Creamery in Pennsylvania is building sales for its ice cream and milk products by promoting the local nature of its dairy farms and the organic ingredients. The creamery's marketing director observes, "Customers want to learn the story behind the food to see if it's the values they hold."[34] Advertising and IBP are excellent ways to communicate the story behind specific brands and products.

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 "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 or mobile marketing campaigns that provide detailed information and direct online ordering, coupled with the widespread use of credit cards and *mobile payment methods* like Apple Pay, 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.

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. **Brand advertising**, as we have seen throughout this chapter, communicates the specific features, values, and benefits of a particular brand marketed 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. When shareholders see good corporate advertising, it instills confidence and, ideally, long-term commitment to the firm and its stock. We'll consider this type of advertising in 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 or buy on their websites. Although these retailers may feature a particular manufacturer's brand in the advertising (Nordstrom often features Clinique cosmetics, for example), the main purpose of the advertising is to attract shoppers. Sometimes Nordstrom uses its advertising and IBP to show appreciation to its customers, as shown in this holiday headline on the store's YouTube channel (see Exhibit 1.23).

1-5c THE ECONOMIC EFFECTS OF ADVERTISING

Advertising can have a powerful influence across the entire economic system of a country—the macro effects.

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 alternative energy sources. As demand for these new products grows, this consumer spending fuels retail sales, housing starts, and corporate investment in finished goods and capital equipment—all part of a nation's GDP.[35]

Advertising's Effect on Competition

Can advertising stimulate competition, motivating firms to strive for better products, better production methods, and other competitive advantages that benefit the economy as a whole? Certainly, when advertising serves as a way to enter new markets, competition across the economic system is fostered. However, advertising is not

Thank you for making us who we are.

Love,

NORDSTROM

Source: Nordstrom, Inc.

Exhibit 1.23 ▶ At holiday time, Nordstrom thanks its customers on YouTube.

universally hailed as a way to stimulate competition. Critics point out that the amount of advertising dollars needed to compete effectively in many industries can act as a barrier to entry. In other words, a firm may have the capability to compete in an industry in every way *except* being unable to afford the advertising expense needed to really compete. Thus, some argue that advertising can decrease competition.

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. Would these products and services cost a lot less if firms did no advertising? Not necessarily.

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 for luxury products like perfume. Remember that 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. Procter & Gamble, with total annual revenues of $65 billion, spends upward of $8 billion every year to advertise its diverse brands, which face fierce competition in the global marketplace. P&G's advertising outlay is more than ten times that of Luxottica, the global maker and retailer of eyewear. Luxottica spends less than $700 million on advertising (and rings up more than $9 billion in annual revenue).[36] 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.

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.

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, Ralph Lauren, or The North Face can symbolize self-concept for some consumers. 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 have long argued that objects (brands included) are never just objects. They take on meaning from culture, society, and consumers.[37] 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 Toyota Prius, or a Four Seasons hotel is valued by consumers, then consumers will pay a premium to acquire that value (see Insights Online [Exhibit 1.24] for a related example).

> ### ▶ INSIGHTS ONLINE
>
> **1.24** Go online to see the AdAge feature, "Mercedes Uses Web Films to Tell a Story on TV and Social Media Video."

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.
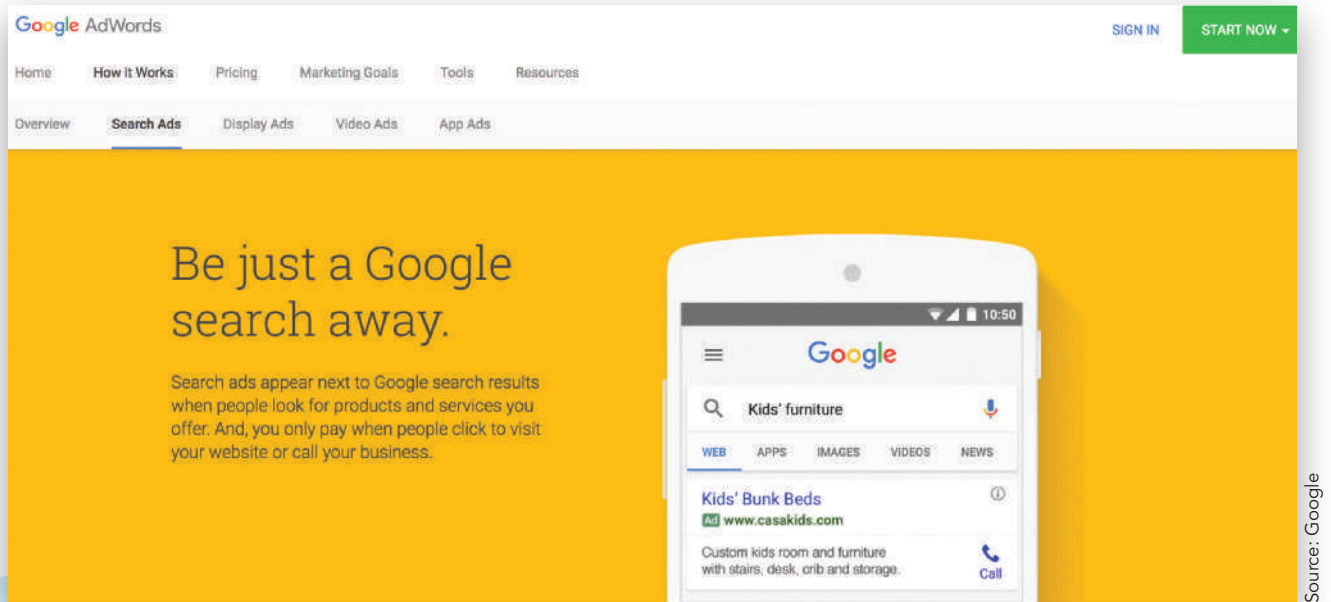
Source: Google

Exhibit 1.25 ▶ An overview of Google AdWords.

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.

Source: McDonald's

Exhibit 1.26 ▶ This is a creative example literally reminding us that french fries are potato products.

The future of advertising and IBP is exciting. Content will be more personal and, ideally, more useful to target audiences. Onscreen ads will seem to "magically" appear for things you really are interested in because you have searched online for them before (*retargeting*). It is common with digital marketing and web and mobile platforms for brands such as Nordstrom to employ retargeting ads based on previous online consumer behavior. Eyeballs and clicks represent money as advertising incorporates innovative pricing models based on bidding wars for key search words and cost-per-click models as well as those still based on more traditional measures like how many people were exposed to an ad. While we get deeper into digital and content marketing in Chapter 14, which covers digital and social media, see Exhibit 1.25 for an idea of how Google AdWords operates.

The industry structure will also change, as you'll see in Chapter 2. Most change relates with technological advances. For instance, virtual agencies will be on the rise. Freelance work is going to be crowdsourced. Advertising revenue models are also in transition, as many must coexist with other business models such as subscriptions to digital services or online communities. Constants are that advertising and IBP, along with marketing, will continually change. A need for strategic and creative brand messaging, such as seen in the ad in Exhibit 1.26 will also remain constant.

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. 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. A message has a source, and the audience (consumer) accommodates and negotiates the message and its intent. The model includes encoding and decoding of the message, with meanings formed during the interplay with the individual person's comprehension of the content. Reception takes place in the context of potential interference such as clutter that might disturb the process.

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 IBP. That is, firms are using communication tools such as public relations, sponsorship, direct marketing, and sales promotion along with advertising to achieve communication goals. Organizations also use advertising and IBP as part of their plans for purpose-driven marketing.

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. Selective demand stimulation is the attempt to stimulate demand for a particular brand within a product category.

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 for building brand awareness and preference.

b. Direct- versus delayed-response advertising. Direct-response advertising asks consumers to act immediately upon receipt of the advertising message. 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 focusing on any one brand marketed by that corporation.

Key Terms

advertisement
advertising
advertising campaign
audience
brand
brand advertising
brand equity
brand extension (variant)
brand loyalty
client, or sponsor
cooperative advertising, or co-op advertising
corporate advertising
delayed-response advertising
differentiation
direct-response advertising
economies of scale

external position
global advertising
government officials and employees
gross domestic product (GDP)
household consumers
inelasticity of demand
institutional advertising
integrated brand promotion (IBP)
integrated marketing communications (IMC)
internal position
international advertising
local advertising
marketing
marketing mix
market segmentation
members of a trade channel

members of business organizations
mobile marketing
national advertising
positioning
primary demand stimulation
professionals
purpose-driven marketing
regional advertising
repositioning
selective demand stimulation
social meaning
source
symbolic value
target audience
trade journals
value

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

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 competing 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. Consumers are tired of the barrage of ads on every screen, in every store, in every inbox, and they are actively looking for ways to avoid most of them. So the 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.[1] The solution, in part, seems to be that advertisers must integrate advertising investments more into targeted digital media, online advertising, social media, and mobile marketing—and synergize the social media and digital content with appropriate traditional mass media like television, magazines, and radio.
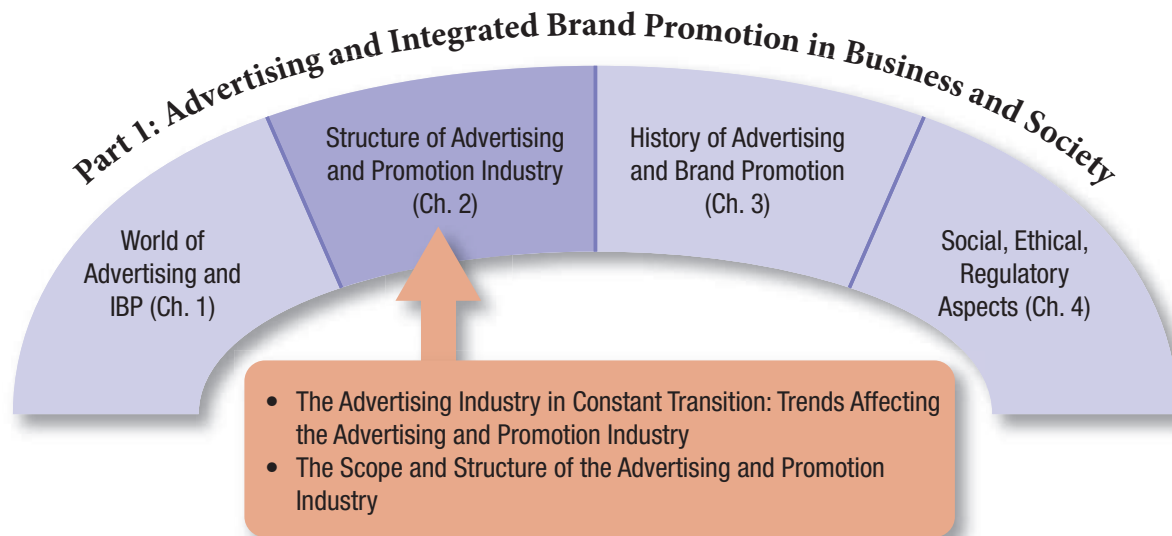
Consumers are discovering technologies and media options that give them more control over the communications they see and hear. From Facebook to Twitter to Snapchat and specialty websites, consumers are seeking out information environments, digital and mobile information access, where *they* control their exposure to information rather than an advertiser or media company being

Exhibit 2.1 ▶   The framework of the Chapter 2 diagram shows now that the World of Advertising Overview is complete, we are focusing on the industry's structure. There are two perspectives. One is industry transition and trends. The other perspective is industry scope and structure.

Part 1: Advertising and Integrated Brand Promotion in Business and Society

World of Advertising and IBP (Ch. 1)

Structure of Advertising and Promotion Industry (Ch. 2)

History of Advertising and Brand Promotion (Ch. 3)

Social, Ethical, Regulatory Aspects (Ch. 4)

- The Advertising Industry in Constant Transition: Trends Affecting the Advertising and Promotion Industry
- The Scope and Structure of the Advertising and Promotion Industry

in control. The effects are widespread (see Exhibit 2.1). Back in 2009, advertising in traditional media plunged by nearly 15 percent, with most 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]

Today, U.S. advertisers are continuing to increase their use of digital media, including online display ads, paid search ads, branded video content, social media ads, and mobile marketing. Why? Because digital media are attracting and engaging ever-larger audiences, increasing efficiency and providing better possibilities for target marketing.[3] Procter & Gamble says it can reach 70 to 80 million Facebook users through careful targeting—that's a sizeable audience for any advertiser and well worth the investment (see Exhibit 2.2).[4]

We are all living the new digital reality—but how did it used to work? In the past, 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 a newspaper. This still happens. Major media like television, radio, and magazines still rake in billions of dollars worldwide in a year. But in today's world, much has changed about the way advertisers, agencies, and media companies are trying to reach and engage with control-seeking consumers. As just one example, a growing percentage of media buys are made by software-driven systems programmed for pinpoint, cost-effective targeting to make the most of the advertiser's media budget.[5]

Let's explore the industry structure from the consumer's perspective first. 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 of a laptop, tablet computer, smartphone, or various on-demand streaming media services.

There is some irony in the control that consumers are starting to exert, however. Even though the
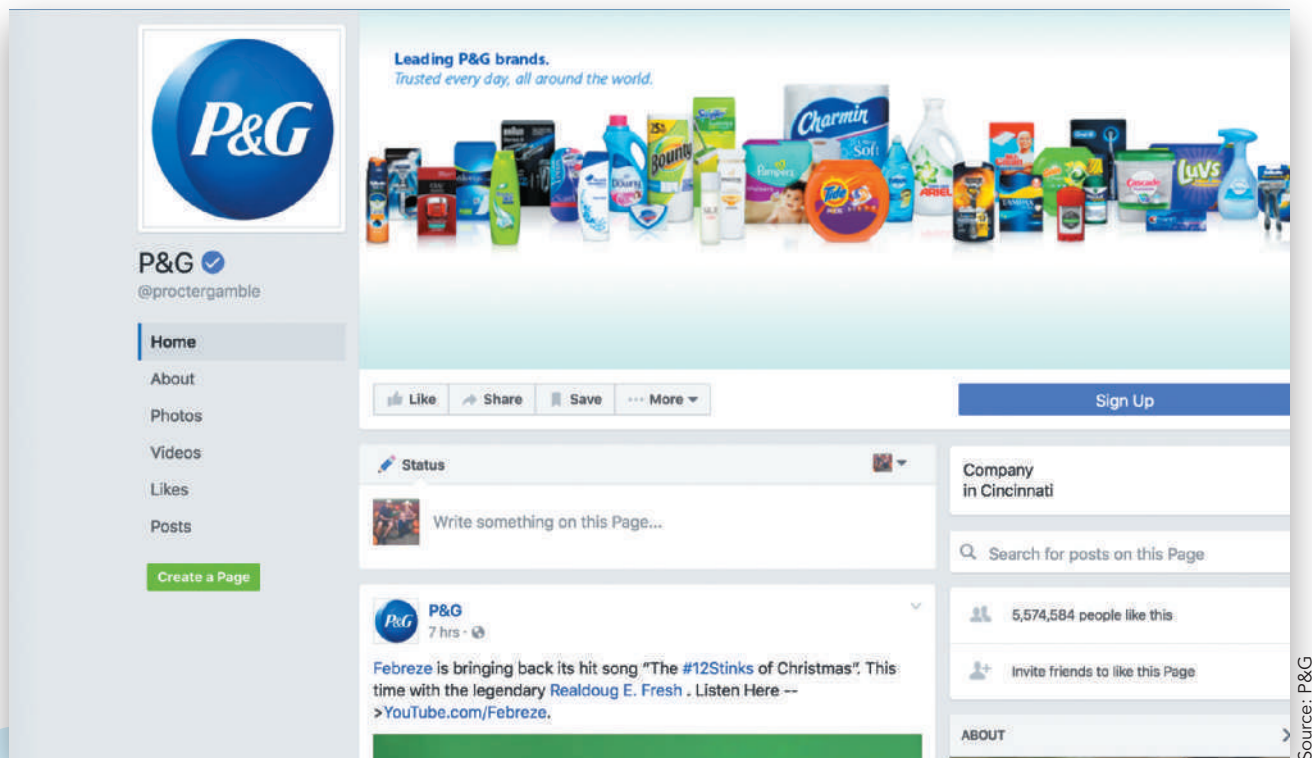
Exhibit 2.2 ▶ As seen in this screenshot of P&G's Facebook page, more than 5.5 million consumers digitally engage with the company.

traditional structure of the advertising and media industry may be changed forever, the *goal* of that old traditional structure has not changed—the brand and its differentiation still need to be highlighted with persuasive communications.[6] In fact, the change in consumer orientation and the myriad of media choices have made the combination of advertising and integrated brand promotion even *more* important as consumers choose what persuasive messages or content they want to be exposed to and where/when they want to access them.[7]

The pace of change and the complexity of the changes today are more challenging than any change the industry has ever faced. This chapter examines the structure in the industry and all the "players" that are creating and being affected by changes and trends over time. Remember that the fundamental *process* of advertising and promotion and the role they play in organizations remains the same: persuasive communications directed at target audiences—no matter what is happening with technology, economic conditions, society, or business philosophies. Later in the chapter, 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 the different participants in the process, particularly advertisers and their advertising and promotion agencies.

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2-2 Trends Affecting the Advertising and Promotion Industry

Many of the trends affecting the advertising and promotion industry have to do with new technologies and how their application has changed the structure and the very nature of the way communications occur. Other trends have to do with consumer culture and what sort of communication makes sense to today's consumers. 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.

Let's consider five broad trends in the marketplace.

2-2a CONSUMER CONTROL: SOCIAL MEDIA, ON-DEMAND STREAMING, AND CUTTING THE CORD

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—making this the top trend on our list. Collectively, individuals sharing and creating content through social media 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 (see Exhibit 2.3). Web 3.0 is just around the corner, when computers, tablets, and smartphones will understand and interpret digital data as quickly and correctly as humans can.

One indicator of Web 2.0 is when consumers log on to the Internet and visit sites *they* choose to visit for either information or shopping. **Social media**, those highly accessible Web-based media that allow the sharing of information between individuals and between individuals and groups (like Pinterest, Instagram, Snapchat, 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, Social, and Mobile Media," but for now, it is important to have a perspective on the digital side of advertising and communications and the power of these communications to make an impression and influence consumer behavior.[8]

More than 1.5 billion users worldwide log on to Facebook every month, 500 million log on to Instagram every month, and 100 million users log on to Snapchat every *day*.[9] You can be sure the next new thing in social media is being developed at this very minute, and it will gain users quickly, although how long it will remain popular is anyone's guess. Meanwhile, even though firms are not always *exactly* sure of the value and impact of engaging consumers through current and emerging social media sites, no firm wants to be absent from the digital scene. General Motors tested advertising on Facebook for a while, stopped advertising there for several years, and is once again using the site to reach millions of users with integrated promotions. As one example, it video-streamed the product introduction of its Chevy Bolt EV via Facebook Live.[10]

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 WordPress 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]

Another example of consumer control is the growth in use of on-demand streaming of entertainment through online sites like Hulu, Netflix, and Amazon, not to mention the use of digital video recorders (DVRs) like TiVo. Consumers want to watch programs at *their* convenience, sometimes with the option of skipping commercials. According to one study, 25 percent of all U.S. households are not paying for TV access—many of these have "cut the cord" by using entertainment-streaming sites to substitute for cable TV. This trend is
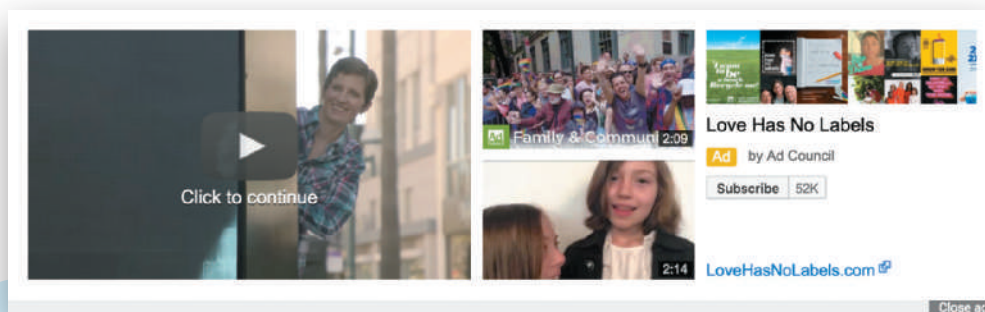

Source: Youtube

Exhibit 2.3 ▶ YouTube generates significant revenue with ads. See the top content in the screenshot of YouTube—that one is an ad.