ENGLISH FOR ADVERTISING

Fitrotul Maulidiyah

CERDAS ULET KREATIF
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English for Advertising

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PREFACE

In many countries English is considered a second language, and it is generally the lingua franca of certain industries, including the life in a general and specific way, including industry as specific as advertising industry. Advertising is a means of communication with the users of a product or service.

The book introduces intellectual perspectives on advertising and promotion from cultural and social studies within a detailed account of how and why contemporary advertising is created. The study of advertising gives students, regardless of their major field of study, many valuable tools to use in any subsequent profession. It teaches them to think and plan strategically; gather and analyze primary and secondary research data; compute and evaluate alternative courses of action; cooperate with a team in developing creative solutions to a problem; analyze competitive proposals; understand why people behave the way they do; express themselves and their ideas with clarity and simplicity; defend their point of view with others; appreciate and assess the quality of different creative endeavors; and use data to speak with knowledge, confidence, and conviction.

This book cannot be completed without the help from other teachers and colleagues. The help is in the form of fruitful discussion and sharing of necessary books. No matter how hard the writer has tried to compose this book, but many weaknesses are easily visible. For the betterment, any comment or suggestion is welcome.

Author

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CHAPTER 1
ADVERTISING TODAY

Advertising is any paid form of communication from an identified sponsor or source that draws attention to ideas, goods, services or the sponsor itself. Most advertising is directed toward groups rather than individuals, and advertising is usually delivered through media such as television, radio, newspapers and, increasingly, the Internet. Ads are often measured in impressions (the number of times a consumer is exposed to an advertisement).

Advertising is a very old form of promotion with roots that go back even to ancient times. In recent decades, the practices of advertising have changed enormously as new technology and media have allowed consumers to bypass traditional advertising venues. From the invention of the remote control, which allows people to ignore advertising on TV without leaving the couch, to recording devices that let people watch TV programs but skip the ads, conventional advertising is on the wane. Across the board, television viewership has fragmented, and ratings have fallen.

Print media are also in decline, with fewer people subscribing to newspapers and other print media and more people favoring digital sources for news and entertainment. Newspaper advertising revenue has declined steadily since 2000.[1] Advertising revenue in television is also soft, and it is split across a growing number of broadcast and cable networks. Clearly companies need to move beyond traditional advertising channels to reach consumers. Digital media outlets have happily stepped in to fill this gap. Despite this changing landscape, for many companies advertising remains at the forefront of how they deliver the proper message to customers and prospective customers.

A. The Purpose of Advertising

Advertising has three primary objectives: to inform, to persuade, and to remind.

Figure 1. The Purpose of Advertising

When people think of advertising, often product-focused advertisements are top of mind—i.e., ads that promote an organization's goods or services. Institutional advertising goes beyond products to promote organizations, issues, places, events, and political figures. Public service announcements (PSAs) are a category of institutional advertising focused on social-welfare issues such as drunk driving, drug use, and practicing a healthy lifestyle. Usually PSAs are sponsored by nonprofit organizations and government agencies with a vested interest in the causes they promote.

As a method of marketing communication, advertising has both advantages and disadvantages. In terms of advantages, advertising creates a sense of credibility or legitimacy when an organization invests in presenting itself and its products in a public forum. Ads can convey a sense of quality and permanence, the idea that a company isn't some fly-by-night venture. Advertising allows marketers to repeat a message at intervals selected strategically. Repetition makes it more likely that the target audience will see and recall a message, which improves awareness-building results. Advertising can generate drama and human interest by featuring people and situations that are exciting or engaging. It can introduce emotions, images, and symbols that stimulate desire, and it can show how a product or brand compares favorably to competitors. Finally, advertising is an excellent vehicle for brand building, as it can create rational and emotional connections with a company or offering that translate into goodwill. As advertising becomes more sophisticated with digital media, it is a powerful tool for tracking consumer behaviors, interests, and preferences, allowing advertisers to better tailor content and offers to individual consumers. Through the power of digital media, memorable or entertaining advertising can be shared between friends and go viral—and viewer impressions skyrocket.

The primary disadvantage of advertising is cost. Marketers question whether this communication method is really cost-effective at reaching large groups. Of course, costs vary depending on the medium, with television ads being very expensive to produce and place. In contrast, print and digital ads tend to be much less expensive. Along with cost is the question of how many people an advertisement actually reaches. Ads are easily tuned out in today's crowded media marketplace. Even ads that initially grab attention can grow stale over time. While digital ads are clickable and interactive, traditional advertising media are not. In the bricks-and-mortar world, it is difficult for marketers to measure the success of advertising and link it directly to changes in consumer perceptions or behavior. Because advertising is a one-way medium, there is usually little direct opportunity for consumer feedback and interaction, particularly from consumers who often feel overwhelmed by competing market messages.

B. Developing Effective Ads: The Creative Strategy

Effective advertising starts with the same foundational components as any other IMC campaign: identifying the target audience and the objectives for the campaign. When advertising is part of a broader IMC effort, it is important to consider the strategic role advertising will play relative to other marketing communication tools. With clarity around the target audience, campaign strategy, and budget, the next step is to develop the creative strategy for developing compelling advertising. The creative strategy has two primary components: the message and the appeal.

The message comes from the messaging framework discussed earlier in this module: what message elements should the advertising convey to consumers? What should the key message be? What is the call to action? How should the brand promise be manifested in the ad? How will it position and differentiate the offering? With advertising, it's important to remember that the ad can communicate the message not only with words but also potentially with images, sound, tone, and style.

Marketers also need to consider existing public perceptions and other advertising and messages the company has placed in the market. Has the prior marketing activity resonated well with target audiences? Should the next round of advertising reinforce what went before, or is it time for a fresh new message, look, or tone?

Along with message, the creative strategy also identifies the appeal, or how the advertising will attract attention and influence a person's perceptions or behavior. Advertising appeals can take many forms, but they tend to fall into one of two categories: informational appeal and emotional appeal.

The informational appeal offers facts and information to help the target audience make a purchasing decision. It tries to generate attention using rational arguments and evidence to convince consumers to select a product, service, or brand. For example:

- More or better product or service features: Ajax "Stronger Than Dirt"
- Cost savings: Wal-Mart "Always Low Prices"
- Quality: John Deere "Nothing runs like a Deere"
- Customer service: Holiday Inn "Pleasing people the world over"
- New, improved: Verizon "Can you hear me now? Good."

The emotional appeal targets consumers' emotional wants and needs rather than rational logic and facts. It plays on conscious or subconscious desires, beliefs, fears, and insecurities to persuade consumers and influence their behavior. The emotional appeal is linked to the features and benefits provided by the product, but it creates a connection with consumers at an emotional level rather than a rational level. Most marketers agree that emotional appeals are more powerful and differentiating than informational appeals. However, they must be executed well to seem authentic and credible to the the target audience. A poorly executed emotional appeal can come across as trite or manipulative. Examples of emotional appeals include:

- Self-esteem: L'Oreal "Because I'm worth it"
- Happiness: Coca-Cola "Open happiness"
- Anxiety and fear: World Health Organization "Smoking Kills"
- Achievement: Nike "Just Do It"
- Attitude: Apple "Think Different"
- Freedom: Southwest "You are now free to move about the country"
- Peace of Mind: Allstate "Are you in good hands?"
- Popularity: NBC "Must-see TV"
- Germophobia: Chlorox "For life's bleachable moments, there's Chlorox"

C. Exercises and Practice

Match words from each column to make collocations from the job ads. Then match the collocations to the definitions (a-g).

1	media	knowledge
2	customer	line
3	brand	mentions
4	product	relations
5	strong	responsibility
6	primary	service
7	public	strategies

a	a related series of items sold by a company (e.g. education software titles offered by a publisher)
b	the department that deals directly with consumers
c	communication with the general public
d	items where the company's name is seen in newspapers, magazines, and websites
e	main task of function
f	good understanding
g	ways of promoting a brand

CHAPTER 2
THE EVOLUTION OF MARKETING

A. Company Orientation and the Marketing Concept

In every transaction between a buyer and seller, there is an underlying dynamic that governs the parties' perception of the exchange. Sometimes the exchange is very one-sided, with one party exercising most of the power and the other only in a position to react. In some cases, deception and lying permeate the exchange. Other exchanges are more equitable, with each party receiving about the same value as the other. The customer's need is satisfied, and the business makes a reasonable profit.

With the emergence of the Internet and e-commerce, the nature of the exchange has changed dramatically for many businesses and customers. Today, people have access to far more and far better information than they did previously. They also have many more choices. To remain competitive, businesses must match or exceed the practices of competitors that are quick, smart, and open twenty-four hours a day.

A central aim of marketing is to help organizations understand and respond to customer needs and expectations, while keeping the customer informed about how the organization can address those needs. When you employ marketing correctly, you know that this process is easier if you keep in constant contact with the customer. It doesn't necessarily mean that you must write and call regularly (although it could), but that you must take steps to know a great deal about the characteristics, values, interests, and behaviors of its customers. It means that you monitor these factors and how they change over time. Although this process is not an exact science, there is evidence that marketers who do this well tend to succeed.

1. The marketing concept

   An organization adopts the marketing concept when it takes steps to know as much about the consumer as possible, coupled with a decision to base marketing, product, and even strategy decisions on this information. These organizations start with the customers' needs and work backward from there to create value, rather than starting with some other factor like

production capacity or an innovative invention. They operate on the assumption that success depends on doing better than competitors at understanding, creating, delivering, and communicating value to their target customers.

2. The product concept
   Both historically and currently, many businesses do not follow the marketing concept. For many years, companies such as Texas Instruments and Otis Elevator have followed a product orientation, in which the primary organizational focus is technology and innovation. All parts of these organizations invest heavily in building and showcasing impressive features and product advances, which are the areas in which these companies prefer to compete. This approach is also known as the product concept. Rather than focusing on a deep understanding of customer needs, these companies assume that a technically superior or less expensive product will sell itself. While this approach can be very profitable, there is a high risk of losing touch with what customers actually want. This leaves product-oriented companies vulnerable to more customer-oriented competitors.
3. The sales concept
   Other companies follow a sales orientation. These businesses emphasize the sales process and try to make it as effective as possible. While companies in any industry may adopt the sales concept, multilevel-marketing companies such as Herbalife and Amway generally fall into this category. Many business-to-business companies with dedicated sales teams also fit this profile. These organizations assume that a good salesperson with the right tools and incentives is capable of selling almost anything. Sales and marketing techniques include aggressive sales methods, promotions, and other activities that support the sale. Often, this focus on the selling process may ignore the customer or view the customer as someone to be manipulated. These companies sell what they make, which isn't necessarily what customers want.
4. The production concept
   The production concept is followed by organizations that are striving for low-production costs, highly efficient processes, and mass distribution (which enables them to deliver low-cost

goods at the best price). This approach came into popularity during the Industrial Revolution of the late 1800s, when businesses were beginning to exploit opportunities associated with automation and mass production. Production-oriented companies assume that customers care most about low-cost products being readily available and less about specific product features. Henry Ford's success with the groundbreaking assembly-line–built Model T is a classic example of the production concept in action. Today this approach is still widely successful in developing countries seeking economic gains in the manufacturing sector.

B. Customer Relationshiop Management: A Strategic Imperative

We have stated that the central purpose of marketing is to help organizations identify, satisfy, and retain their customers. These three activities lay the groundwork for what has become a strategic imperative in modern marketing: customer relationship management.

To a student of marketing in the digital age, the idea of relationship building between customers and companies may seem obvious and commonplace. It certainly is a natural outgrowth of the marketing concept, which orients entire organizations around understanding and addressing customer needs. But only in recent decades has technology made it possible for companies to capture and utilize information about their customers to such a great extent and in such meaningful ways. The Internet and digital social media have created new platforms for customers and product providers to find and communicate with one another. As a result, there are more tools now than ever before to help companies create, maintain, and manage customer relationships.

Central to these developments is the concept of customer lifetime value. Customer lifetime value predicts how much profit is associated with a customer during the course of their lifetime relationship with a company. One-time customers usually have a relatively low customer lifetime value, while frequent, loyal, repeat-customers typically have a high customer lifetime value.

How do companies develop strong, ongoing relationships with customers who are likely to have a high customer lifetime value? Through marketing, of course. Marketing applies a customer-

oriented mindset and, through particular marketing activities, tries to make initial contact with customers and move them through various stages of the relationship—all with the goal of increasing lifetime customer value. These activities are summarized in the table below.

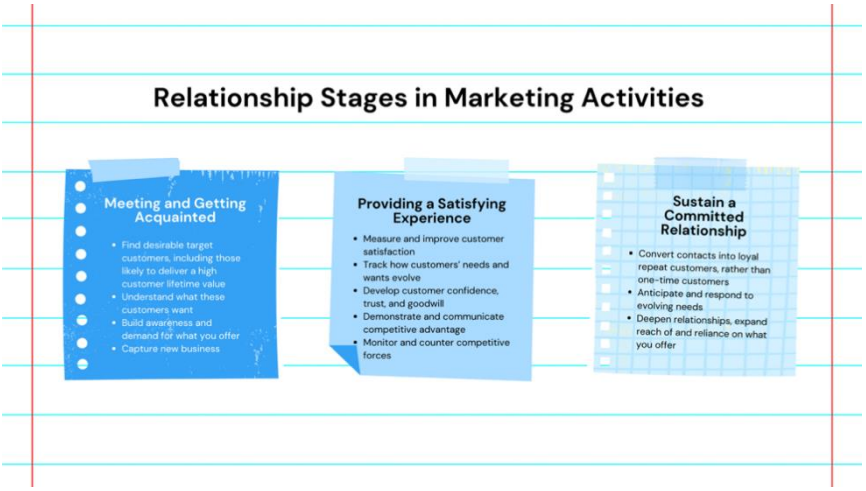

Figure 2. Relationship Stages in Marketing Activities

Another benefit of effective customer relationship management is that it reduces the cost of business and increases profitability. As a rule, winning a new customer's business takes significantly more time, effort, and marketing resources than it does to renew or expand business with an existing customer.

C. Customer Relationship as Competitive Advantage

As the global marketplace provides more and more choices for consumers, relationships can become a primary driver of why a customer chooses one company over others (or chooses none at all). When customers feel satisfaction with and affinity for a specific company or product, it simplifies their buying choices.

For example, why might a woman shopping for a cocktail dress choose to go to Nordstrom rather than Macy's or Dillard's, or pick from an army of online stores? Possibly because she prefers the selection of dresses at Nordstrom and the store's atmosphere. It's much more likely, though, that thanks to Nordstrom's practices, this shopper has a relationship with an attentive sales associate who has helped her find great outfits and accessories in the past. She

also knows about the store's customer-friendly return policy, which might come in handy if she needs to return something.

A company like Nordstrom delivers such satisfactory experiences that its customers return again and again. A consistently positive customer experience matures into a relationship in which the customer become increasingly receptive to the company and its products. Over time, the customer relationship gives Nordstrom a competitive advantage over other traditional department stores and online retailers.

Customer testimonials and recommendations have always been powerful marketing tools. They often work to persuade new customers to give something a try. In today's digital media landscape there is unprecedented opportunity for companies to engage customers as credible advocates. When organizations invest in building strong customer relationships, these activities become particularly fruitful.

For example, service providers like restauranteurs, physical therapists, and dentists frequently ask regular patrons and patients to write reviews about their real-life experiences on popular recommendation sites like Yelp and Google+. Product providers do the same on sites like Amazon and CNET.com. Although companies risk getting a bad review, they usually gain more by harnessing the credible voices and authentic experiences of customers they have served. In this process they also gain invaluable feedback about what's working or not working for their customers. Using this input, they can retool their products or approach to better match what customers want and improve business over time.

Additionally, smart marketers know that when people take a public stance on a product or issue, they tend to become more committed to that position. Thus, customer relationship management can become a virtuous cycle. As customers have more exposure and positive interaction with a company and its products, they want to become more deeply engaged, and they are more likely to become vocal evangelists who share their opinions publicly. Customers become an active part of a marketing engine that generates new business and retains loyal customers for repeat business and increased customer lifetime value.

D. Engagement Marketing: Making Customers Part of the Brand

A further step beyond customer evangelism is engagement marketing, the practice of reaching out to customers and encouraging them to become full participants in marketing activity and the growth of a brand. Sometimes called “live marketing,” this approach is becoming more common as media and technology provide more interactive, visible, and sharable ways for consumers to connect with brands and companies.

A mind shift is under way, away from one-way, company-to-consumer communication toward marketing activities that invite consumers to shape and become part of the value a brand provides. In an increasingly crowded marketplace, many organizations find that they can distinguish themselves and their products by creating “tribes” of fans who not only advocate for the brand, but also actively make it part of their daily activities and lifestyle. Customers might even become involved in developing marketing programs, producing content that can be used for marketing purposes, and cultivating one-on-one relationships with a company or brand.

Creative marketers have invented many ways to foster engagement marketing. The self-promotional mindset and proliferating tools of social media are a natural fit for making customers part of a brand. People “check in” at their favorite restaurants and post photos to communicate with friends when they are having fun. Bloggers routinely name-check favorite products, review them, and carry on conversations about them in their posts.

The phenomenon of engagement marketing helps explain the meteoric rise in popularity of GoPro cameras. When company leaders realized that their customers had an unquenchable appetite for sharing videos of amazing outdoor adventures (shot with GoPro cameras, of course), they built the company brand and marketing strategy around engaging customers in viral sharing. The following video, produced by YouTube, explains this engagement marketing success story.

E. Exercises and Practice

Here are some more jobs and companies involved in marketing and advertising. Match them to the descriptions.

ad agency	art director	copywriter
graphic designer	market research firm	PR officer

1. One of this person's resposibilities is to create logos.
2. This company is responsible for creating advertisement.
3. This company might conduct a survey to find out more about your customer.
4. This person supervises the design staff.
5. This person interacts with the media to communicate important company information to the public.
6. This person writes the text for advertisements.

How many expressions with brand do you know? Match the terms in the box with their definitions.

brand awareness	brand equity	brand extension
brand image	brand loyalty	brand name
derived brand	off-brand	brand identity
branding		

1 What a brand is called.
2 How much people are aware of a brand.
3 What a company wants people to think about a brand.
4 What people actually think about a brand.
5 When a product doesn't fit the company's brand.
6 The value (either monetary or not) that a brand adds to a product or service.
7 When people like a brand and buy it again and again.
8 When a product or service is associated with a brand.
9 When an existing brand is used to support a new range of products.
10 When a component of a product becomes a brand in its own right (e.g. Intel in PCs).

CHAPTER 3
THE SCOPE OF ADVERTISING

A. The Organization in Advertising

The advertising business has evolved into four distinct groups. The two main ones are the advertisers and the agencies. The advertisers (or clients) are the companies—like McDonald's, Coca-Cola, or the local shoe store—that sponsor advertising for themselves and their products. Advertisers range in size from small independent businesses to huge multinational firms, and in type from service organizations to industrial manufacturers to local charities and politi- cal action committees. The second group, advertising agencies, helps the ad- vertisers plan, create, and prepare ad campaigns and other promotional materials.

A third group, the suppliers, includes the photographers, illustrators, printers, digital service bureaus, color film separators, video production houses, Web developers, and others who assist both advertisers and agencies in preparing advertising materials. Suppliers also include consultants, re- search firms, and professional services that work with both advertisers and agencies. The fourth group, the media, sell time (on radio and TV) and space (in print, outdoor, or digital media) to carry the advertiser's message to the target audience.

B. The People in Advertising

When most people think of advertising, they imagine the copywriters and art directors who work for ad agencies. But the majority of people in advertising are actually employed by advertisers. Most companies have an advertising de- partment, even if it's just one person. Many other people work for the suppliers and the media. They're in advertising, too.

The fact is, advertising is a very broad field that employs a wide variety of people in sales, research, management, accounting, computer science, and law, as well as specialists in the various communication arts—artists, writers, pho- tographers, musicians, performers, and cinematographers.

The Advertiser (The Client)

While every company has some sort of advertising department, its importance depends on the company's size and industry, the size of the advertising pro- gram, the role advertising plays in the company's marketing mix, and most of all, the involvement of top management.

To get a sense of the diversity of companies that advertise, we'll look first at local advertisers to see how they operate. Then we'll examine the regional and national advertisers. Finally, we'll look at the companies that market their products globally.

Local Advertising: Where the Action Is

Not long after graduating from San Diego State, Ralph Rubio opened his first Mexican restaurant. He offered an unusual specialty: fish tacos—lightly battered and fried whitefish served in soft-shelled corn tortillas with white sauce, salsa, cabbage, and a wedge of lime. At the time, very few other Mexican eateries offered fish tacos, and none featured them. So Rubio found fish tacos hard to sell, even with his secret batter recipe (which he'd gotten from a street vendor in San Felipe, Mexico). The first month's sales at the restaurant averaged only $163 a day.

Rubio started using small newspaper ads with coupons to lure coura- geous customers. It worked. As business picked up, he expanded his advertis- ing to radio and TV, targeting his market further with ads on Hispanic stations (whose listeners knew what fish tacos were). And he went after younger, venturesome customers aged 18 to 34 by advertising at local movie theaters. Business picked up some more. Rubio soon opened another restaurant, and then another.

With each new opening, Rubio distributed direct mail flyers in the area and took free samples to nearby stores. Working with an artist, he created a cartoon character named Pesky Pescado based on the fish taco. He purchased a 15-foot inflatable Pesky to display at his restaurants. Employee T-shirts sported Pesky's picture, and Rubio sold Pesky T-shirts and sweatshirts to enthusiastic patrons. He also offered bumper stickers and antenna balls to add some fun to his promotions. To further integrate his activities, Rubio took an active part in community affairs, including tie-ins with a blood bank, a literacy program, and fund-raising activities for both a Tijuana medical clinic and a local university's athletic program.

As the popularity of the fish taco grew, so did Rubio's revenues, doubling every year for the first five years. He trademarked the phrase "Rubio's, Home of the Fish Taco," and a local restaurant critic, commenting on things San Diegans couldn't do without, called fish tacos "the food San Diegans would miss the most." After 19 years, Rubio had 137 restaurants in five states. Together they produced more than $112 million in annual sales. By, 2004, Rubio's had served more than 50 million fish tacos.

Every year, advertisers spend billions of dollars in the United States. Almost half of that is spent on local advertising by local businesses in a particular city or county targeting customers in their geographic area.

Local advertising is sometimes called retail advertising because retail stores account for so much of it. But retail advertising isn't always local; Sears and JCPenney advertise nationally. And many businesses besides retail stores use local advertising: banks, real estate developers, movie theaters, auto mechanics, plumbers, radio and TV stations, funeral homes, museums, and local politicians, to name a few. McDonald's franchises engage in local advertising too. Since many franchises are locally owned and operated, they are good examples of small businesses that use advertising to achieve marketing objectives.

Local advertising is critically important because most consumer sales are made (or lost) locally. McDonald's may spend billions advertising nationwide, but if its franchises don't make a strong effort locally, those dollars are wasted. When it comes to making the sale and dealing with customers, local advertising is where the action is—where relationships often start and truly develop.

C. Types of Local Advertisers

There are four main types of local advertisers:

1. Dealers or local franchisees of national companies (McDonald's, Mail Boxes Etc., Kinko's, H&R Block).
2. Stores that sell a variety of branded merchandise, usually on a nonexclusive basis (convenience, grocery, and department stores).
3. Specialty businesses and services (banks, insurance brokers, restaurants, music stores, shoe repair shops, remodeling

contractors, florists, hair salons, travel agencies, attorneys, accountants).

4. Governmental, quasigovernmental, and nonprofit organizations (municipalities, utility companies, charities, arts organizations, political candidates).

A small, local business—say, a hardware, clothing, or electronics store— may have just one person in charge of advertising. That person, the advertising manager, performs the administrative, planning, budgeting, and coordinating functions. He or she may lay out ads, write copy, and select the media. A man- ager with some artistic talent may even design the ads and produce them on a desktop computer.

A chain store often maintains a completely staffed advertising department to handle production, media placement, and marketing support services. The department needs artists, copywriters, and production specialists. The department head usually reports to a vice president or marketing manager.

D. Types of Local Advertisers

Most ads placed in local media are product, institutional, or classified advertising. Each serves a different purpose. Product Advertising Product advertising promotes a specific product or service and stimulates short-term action while building awareness of the business. When McDonald's promotes its premium salads, it is engaging in product advertising. Local advertisers use three major types of product ads: regular price-line, sale, and clearance. Regular price-line advertising informs consumers about services or merchandise offered at regular prices. An accounting firm might use regular price-line advertising to promote its accounting and tax services.

To stimulate sales of particular merchandise or increase store traffic, local merchants occasionally use sale advertising, placing items on sale and offering two-for-one specials or other deals. Local advertisers use clearance advertising (a special form of sale advertising) to make room for new product lines or new models and to get rid of slow-moving lines, floor samples, broken or distressed merchandise, or out-of-season items. Companies going out of business also use clearance advertising.

Institutional Advertising Institutional advertising attempts to create a favorable long-term perception of the business as a whole, not just of a particular product or service. McDonald's "I'm lovin' it"

campaign is a good example of this type. Many types of businesses (stores, restaurants, banks, professional firms, hospitals) use institutional advertising to promote an idea about the company and build long-term goodwill. It makes the public aware of what the business stands for and attempts to build reputation and image. An institutional ad might focus on convenient hours, a new credit policy, store expansion, or company philosophy.

Although readership is often lower, effective institutional ads build a favorable image for the business, attract new customers, and encourage customer loyalty.

Classified Advertising Advertisers use classified advertising in the newspa- per for many reasons: to locate and recruit new employees, offer services (such as those of an employment agency or business opportunity broker), or sell or lease merchandise (such as cars, real estate, and office equipment). Many McDonald's franchises use classifieds to recruit new employees.

E. Local Advertisers: The Original Integrators

When Ralph Rubio built his restaurant business, his promotional activities involved a lot more than just running ads. In fact, he did everything he could to develop a relationship with his customers and to promote a good word-of- mouth reputation. That meant using publicity, sales promotion, and direct response as well as media advertising—all integrated with consistently good food, reasonable prices, and excellent service. This combination constitutes integrated marketing communications (IMC)—joining together in a consis- tent manner everything that communicates with customers. Thanks to IMC, Rubio's fish taco became a local staple.

Local advertisers and the local agencies that serve them are not stuck with the traditional national view that advertising means "ads placed in the media." By necessity, local advertisers wear many hats every day. They tend the cash register, talk with customers, prepare mailers, write and place ads, evaluate suppliers' trade promotions, answer phone inquiries, spruce up the office, talk to media people, and coordinate the graphics for a seasonal promotion. By successfully combining personal selling with media advertising, direct marketing, sales promotion, and public relations, the local advertiser can be the consummate integrator of marketing communications.

F. Creating Local Advertising

Cal Worthington first pitched his car dealership on Los Angeles TV stations in 1951, and over 50 years later, he's still at it. He sponsors third-rate movies on late-night and Saturday afternoon TV. In his zany ads, he often appears in cowboy garb with a variety of domesticated wild animals, all introduced as "my dog Spot." Some low-budget, do-it-yourself advertisers like Worthington are so successful they engender a near-cult following. Others who try the same approach fail miserably.

In print advertising, many local advertisers achieve remarkable success with what professionals would call a schlock approach—heavy bold type, items crowded into ad space, loud headlines, and unsophisticated graphic design. If the message is honest, consistent, and effective and meets the advertiser's objec- tives, that may be all that matters. To direct and control the creative aspects of their ads and commercials and ensure consistency, local advertisers should develop a checklist of creative do's and don'ts. (See My Ad Campaign 4–B, "Creating Local Advertising.")

Finding big ideas for local ad campaigns can be extremely difficult. Some advertisers look to the merchandise for ideas; others look to the customer. An important goal for local advertisers is to achieve a consistent, distinctive look that makes their ads both appealing and identifiable.

Local advertisers can turn to a number of sources for creative help, including reps from the local media, local ad agencies, freelancers and consultants, creative boutiques, syndicated art services, and the cooperative advertising programs of wholesalers, manufacturers, and trade associations. McDonald's offers its franchises considerable help in designing ads and promotional materials.

G. Cooperative Advertising

As a service to their distributors and dealers, and to ensure proper reproduction of their products, wholesalers, manufacturers, and trade associations often provide local advertisers with ready-made advertising materials and cooperative advertising programs where the costs are shared.

There are two key purposes for cooperative (co-op) advertising: to build the manufacturer's brand image and to help its distributors, dealers, or retailers make more sales.3 Every year, national manufacturers give their local retailers more than $60 billion for co-

op projects. Newspapers, network and cable TV, and radio are the favored media of co-op spending, with newspapers claiming 55 percent of co-op dollars. Intel alone spends more than $800 million annually to help PC marketers who display the “Intel Inside” logo. In addition to the usual co-op marketing media, Intel wants its retail partners to be able to use billboard, transit, cinema, and direct mail advertising.

In vertical cooperative advertising, the manufacturer provides the complete ad and shares the cost of the advertising time or space. The local newspaper sets the name and address of the local advertiser, or the radio station adds a tagline with the advertiser’s name, address, and phone number. Bridgestone makes vertical co-op advertising even more customizable for its retailers. It developed templates for newspaper ads, flyers, and point-of-sale (POS) materials that retail managers can download and edit to fit their needs. After only a few minutes of training, dealers without any graphic design expertise can create local advertising that looks as polished as national advertising.

With horizontal cooperative advertising, firms in the same business (real estate agents, insurance agents, pharmacies, car dealers, or travel agents) or in the same part of town advertise jointly. Competing auto dealers, for example, might pool their dollars to advertise their common retail area as the “Mile of Cars.”

H. Regional and National Advertisers

Regional advertisers operate in one part of the country—in one or several states—and market exclusively within that region. Examples include regional grocery and department store chains, governmental bodies (such as state lotteries), franchise groups (such as the Southern California Honda dealers), telephone companies (such as SBC), and statewide or multistate banks (like Bank of America).

Other companies sell in several regions or throughout the country and are called national advertisers. These include consumer packaged-goods manufacturers (such as Procter & Gamble and Johnson & Johnson), national airlines (Delta, American), media and entertainment companies (Disney, Time Warner), electronics manufacturers (Apple, Hewlett-Packard), all the auto companies, and restaurant chains like McDonald’s. These firms make up the membership of the Association of National Advertisers (ANA) and comprise the largest advertisers in the country.

The basic principles of advertising are the same in both local and national advertising. However, local advertisers have special challenges stemming from the day-to-day realities of running a small business. As a result, local and national advertisers differ in terms of focus, time orientation, and resources.

Focus National companies are concerned about building their brands, so their advertising tends to focus on the competitive features of one brand over another, especially in conquest sales situations. Local merchants or dealers often carry hundreds of different brands or numerous models of an exclusive brand, so they focus on attracting customers to a particular point—their place of business. That's why local car dealers typically advertise their dealerships rather than the make of car. And local grocers often promote only those brands for which they receive co-op advertising or trade allowances from the national manufacturer.

In every product category, big companies battle for market share against a few competitors, and every share point is worth millions of dollars. Local adver- tisers compete with many companies, so their focus is on gross sales or volume: 60 cars a month, five new insurance policies a week, 55 oil changes a day.

National advertisers plan strategically to launch, build, and sustain brands. Local advertisers think tactically. Will a new $15,000 sign bring more people into the store? Should we stay open Labor Day? Can we attract more lunchtime customers by reducing our prices or by offering free refills on soft drinks? The relationship with the customer may be the greatest difference between national and local advertisers. National advertisers' marketing executives rarely see retail customers; instead, they traditionally think in terms of large groups of people—segments, niches, target markets—with various geographic, demographic, or psychographic descriptions. They design their strategies and campaigns to appeal to these large groups.

But local advertisers deal with individual customers every day. They also interact with customers in nonbusiness ways; they may be neighbors, friends, or schoolmates. The local advertiser gets feedback every day—on the company's advertis- ing, prices, product performance, employee service, store decor, and the new sign out front. The national marketer gets occasional feedback—from surveys and from customer complaint lines.

Time Orientation National and local advertisers also have different time orientations. National companies think long-term. They

develop five-year strategic plans and budget for annual advertising campaigns. Local advertisers worry that this week's ad in the Pennysaver didn't pull (a term rarely used by national marketers) as well as last week's; a New York advertiser may have months to develop a network TV campaign; the coffee house downtown may have to churn out a new newspaper ad every week to reach its local customers.

Resources Finally, national advertisers have more resources available—both money and people. A local adver- tiser that spends $100,000 a year has a relatively large budget. A national advertiser needs to spend at least $5 million a year just to get started. (Walt Disney, by the way, spends $2.3 billion.) The national advertiser has an army of specialists dedicated to the successful marketing of its brands. The local advertiser may have a small staff or just one person—the owner—to market the business. So, the local entrepreneur has to know more about every facet of marketing communication.

I. How Large Companies Manage Their Advertising

In large companies, many people are involved in advertising. Company owners and top corporate executives make key advertising decisions; sales and market- ing personnel often assist in the creative process, help choose the ad agency, and evaluate proposed ad programs; artists and writers produce ads, brochures, and other materials; product engineers and designers give input to the creative process and provide information about competitive products; administrators evaluate the cost of ad campaigns and help plan budgets; and clerical staff members coordinate various promotional activities, including advertising.

A large company's advertising department may employ many people and be headed by an advertising manager who reports to a marketing director or marketing services manager. The exact department structure depends on many variables. Most large advertisers tend to use some mix of two basic management structures: centralized and decentralized.

Centralized Organization Companies are concerned with cost efficiency and continuity in their communications programs. Thus, many embrace the cen- tralized advertising department because it gives the greatest control and of- fers both efficiency and continuity across divisional boundaries. In centralized departments, an advertising manager typically reports to a marketing vice presi-

dent. In addition, companies may organize the department in any of five ways:

- By product or brand.
- By subfunction of advertising (copy, art, print production, media buying).
- By end user (consumer advertising, trade advertising).
- By media (radio, TV, newspapers, outdoor).
- By geography (western advertising, eastern advertising, European advertising).

The cereal giant General Mills, for example, is one of the nation's largest advertisers. It operates a vast advertising and marketing services department with some 350 employees. It spends more than $920 million annually on adver- tising alone, along with millions more on other promotional activities.

General Mills' Marketing Services is really many departments within a de- partment. Its centralized structure enables it to administer, plan, and coordinate the promotion of more than 60 brands. It also supervises five outside ad agencies and operates its own in-house agency for new or smaller brands.

Organized around functional specialties (market research, media, graphics), Marketing Services helps General Mills' brand managers consolidate many of their expenditures for maximum efficiency. The media department, for example, prepares all media plans for the marketing divisions. The production and art department designs the packages for all brands and the graphics for the company's in-house agency. From one spot, Marketing Services handles a wide variety of brands efficiently and effectively.

Decentralized Organization As companies become larger, diversify their product lines, acquire subsidiaries, and establish divisions in different regions or countries, a centralized advertising department can become impractical.

In a decentralized system, the company sets up separate ad departments for different divisions, subsidiaries, regions, brands, or other groups. The general manager of each division or brand is responsible for that group's advertising.

For large companies with many divisions, decentralized advertising offers flexibility. Campaigns and media schedules can be adjusted faster. New approaches and creative ideas can be introduced more easily, and sales results can be measured independently of other divisions. In effect, each division is its own marketing department, with the advertising manager reporting to the division head.

A drawback, though, is that decentralized departments often concentrate on their own budgets, problems, and promotions rather than the good of the whole company. Across divisions, ads typically lack uniformity, diminishing the power of repetitive corporate advertising. Rivalry among brand managers may even escalate into unhealthy competition.

Companies advertising abroad typically face markets with different value systems, environments, and languages. Their customers have different purchasing abilities, habits, and motivations. Media customary to U.S. and Canadian advertisers may be unavailable or ineffective. The companies will therefore likely need different advertising strategies. But they face a more basic problem: How should they manage and produce the advertising? Should their U.S. agency or in-house advertising department do it? Should they use a foreign agency or set up a local advertising department?

As advertisers enter international markets, they may start by simply export- ing their existing products. At first, the home office controls all foreign market- ing and advertising. Everything is centralized. Then, as companies get more involved in foreign markets, they may form joint ventures or invest in foreign facilities. Advertisers typically view such operations as foreign marketing divi- sions and use a decentralized international structure, in which the divisions are responsible for their own product lines, marketing operations, and profits, and create customized advertising for each market.

Procter & Gamble, for example, is a 170-year-old company with annual sales of $56 billion. It sells more than 300 consumer brands to more than 5 billion consumers in 140 countries. These brands include such market leaders as Tide, Ivory soap, Pampers, Folgers, Pringles, and Crest.

P&G is one of the biggest and most influential consumer advertisers in the world; its expenditures in the United States alone exceed $4.9 billion annually. But more than half its sales come from abroad.12 Each overseas division is set up almost like a separate company with its own research and development department, manufacturing plant, advertising department, sales force, and finance and accounting staff. Every brand within a division has a brand manager who oversees a brand group and directs his or her own ad agency to create the brand’s media advertising. Brand managers work under a marketing manager, who reports to a category manager. Each division also has an advertising department to help coordinate sales promotion and merchandising

programs across brands. The corporate advertising department provides statistical information and guidance.

While the brand manager's primary goal is to use advertising and promotion to build market share, the category manager focuses on sharpening overall strategy and building profits. In recent years, P&G has streamlined the system by eliminating extra layers of management and redundant facilities. This ensures that each brand has the single-minded drive needed for success and gives more authority to the individual responsible for the brand.

As companies continue to grow and prosper around the world, they may invest directly in many countries. True multinational corporations strive for full, integrated participation in world markets.16 Foreign sales often grow faster than domestic sales. Multinationals such as Exxon and IBM earn about 50 per- cent of their sales abroad; Kodak and Xerox, about 25 percent. Typically, the top 25 U.S. multinational corporations earn more than 40 percent of their revenues and two-thirds of their profits overseas.

A multinational usually exerts strong centralized control over all its market- ing activities. Multinational firms such as Microsoft get strong direction and co- ordination from headquarters and have a standardized product line and marketing structure.

Multinationals that use a standardized approach to marketing and advertis- ing in all countries are global marketers, and they create global brands. They assume that the way the product is used and the needs it satisfies are universal. Estée Lauder, for example, markets its cosmetics globally. In 2005, Gwyneth Paltrow became the latest in a long line of international actresses to promote the company's products. Estée Lauder's Pleasures is the world's fourth largest fragrance brand. Global advertisers include Coca-Cola, British Airways, British Petroleum, TGI Friday's, FedEx, and of course, McDonald's.

Companies must research extensively before attempting a global advertising strategy. So much depends on the product and where they try to sell it. A "no" answer to any of the following questions means the attempt will probably fail:

1. Has each country's market for the product developed in the same way? A Ford is a Ford in most markets. On the other hand, many Europeans use clotheslines, so they don't need fabric softeners for dryers.
2. Are the targets similar in different nations? Chinese consumers like PCs and Microsoft Windows. The same is true in Europe

and the United States. But when Chinese Web users search the Internet, they prefer BAIDU, a home-grown search engine, to Google.

3. Do consumers share the same wants and needs? Breakfast in Brazil is usually a cup of coffee. Kellogg's corn flakes won't be served the same way there as in the United States, where people commonly eat cereal for breakfast.

According to J. Walter Thompson, the secret to success in global advertising is knowing how to tap into basic human emotions and uncover universal ap- peals that don't depend solely on language. Sports competition has broad ap- peal around the world, which is one reason McDonald's was a major sponsor of the 2008 Olympics.

Ultimately, the advertising direction a company takes depends on many variables: breadth of product line, quality of management, ability to repeat marketing strategies across countries, costs, and the decision to operate internationally, multinationally, or globally. Every organization operates in a slightly different environment. This alters the search for an ideal structure into a search for a suitable structure. Most companies blend aspects of centralized and decentralized structures to fit their own needs.

CHAPTER 4
THE ADVERTISING AGENCY

A. The Role of Advertising Agency

Why does a company such as McDonald's hire an advertising agency in the first place? Couldn't it save money by hiring its own staff and creating its own ads? How does Leo Burnett win such a large account? Must an agency's accounts be that big for it to make money? This section sheds some light on these issues and gives a clearer understanding of what agencies do and why so many advertisers use agencies.

The American Association of Advertising Agencies (AAAA) defines an adver- tising agency as an independent organization of creative people and business- people who specialize in developing and preparing marketing and advertising plans, advertisements, and other promotional tools. The agency also purchases advertising space and time in various media on behalf of different advertisers, or sellers (its clients), to find customers for their goods and services.

This definition offers clues to why so many advertisers hire ad agencies. First, an agency like Leo Burnett is independent. The agency isn't owned by the advertiser, the media, or the suppliers, so it can bring an outside, objective viewpoint to the advertiser's business—a state the advertiser can never attain.

Second, like all agencies, Leo Burnett employs a combination of business- people and creative people, including administrators, accountants, marketing executives, researchers, market and media analysts, writers, and artists. They have day-to-day contact with outside professional suppliers who create illustrations, take photos, retouch art, shoot commercials, record sound, and print brochures.

The agency provides yet another service by researching, negotiating, arranging, and contracting for commercial space and time with the various print, electronic, and digital media. Because of its media expertise, Leo Burnett saves its clients time and money.

Agencies don't work for the media or the suppliers. Their moral, ethical, financial, and legal obligation is to their clients. Just as a well-run business seeks professional help from attorneys, accountants, bankers, or management specialists, advertisers use agencies out of self-interest because the agencies can create more effective advertising and select more effective media than the advertisers can themselves. Today, almost all sizable advertisers rely on an ad agency for expert, objective counsel and unique creative skills—to be the "guardian of their brands."

Finally, a good agency serves its clients' needs because of its daily exposure to a broad spectrum of marketing situations and problems both here and abroad. As technology has enabled companies to work across borders with relative ease, the advertising business has boomed worldwide. All the large U.S. agencies, for example, maintain offices in many foreign countries.

B. Types of Agencies

Why does a company such as McDonald's hire an advertising agency in the first place? Couldn't it save money by hiring its own staff and creating its own ads? How does Leo Burnett win such a large account be that big for it to make money? This section sheds some light on these issues and gives a clearer understanding of what agencies do and why so many advertisers use agencies.

Advertising agencies are typically classified by their geographic scope, the range of services they offer, and the type of business they handle.

Local Agencies

Every community of any size has reputable small ad agencies that offer expert assistance to local advertisers. A competent local agency can help:

- Analyze the local advertiser's business and the product or service being sold.
- Evaluate the markets for the business, including channels of distribution.
- Evaluate the advertiser's competitive position and offer strategic options.
- Evaluate media alternatives and offer rational recommendations.

- Devise an integrated communications plan and implement it with consistency and creativity.
- Save the advertiser valuable time by taking over media interviewing, analysis, checking, billing, and bookkeeping.
- Assist in other aspects of advertising and promotion by implementing sales contests, publicity, grand openings, and other activities.

Unfortunately, local advertisers use ad agencies less extensively than national advertisers. Many advertisers simply don't spend enough money on advertising to warrant hiring an agency. And some large agencies don't accept local advertisers because their budgets are too low to support the agency's overhead.

Regional and National Agencies

Every major city has numerous agencies that can produce and place the quality of advertising suitable for national campaigns. Regional and national agencies typically participate in a regional trade group such as the Western States Advertising Agency Association (WSAAA). The Standard Directory of Advertising Agencies (the Red Book) lists these agencies geographically, so they're easy to find.

International Agencies

The largest national agencies are also international agencies. That is, they have offices or affiliates in major communication centers around the world and can help their clients market internationally or globally as the case may be. Likewise, many foreign-based agencies have offices and affiliates in the United States. For example, the largest advertising agency organization in the world today, WPP Group, is based in London. But it owns several of the top agencies in the United States, such as Ogilvy & Mather and Grey Worldwide.

Full-Service Agencies

The modern full-service advertising agency supplies both advertising and nonadvertising services in all areas of communications and promotion. Advertising services include planning, creating, and producing ads; performing research; and selecting media. Nonadvertising functions run the gamut from packaging to public relations to producing sales promotion materials, annual reports, and trade show exhibits. With the trend

toward IMC, many of the largest agencies today are in the forefront of the emerging interactive media.

Full-service agencies may specialize in certain kinds of clients. Most, though, can be classified as either general consumer agencies or business-to-business agencies.

General Consumer Agencies

A general consumer agency represents the widest variety of accounts, but it concentrates on consumer accounts—companies that make goods purchased chiefly by consumers (soaps, cereals, cars, pet foods, toiletries). Most of the ads are placed in consumer media (TV, radio, magazines, and so on) that pay a commission to the agency. General agencies often derive much of their income from these commissions.

General agencies include the international superagency groups headquartered in communication capitals such as New York, London, Paris, and Tokyo, as well as many other large firms in New York, Chicago, Los Angeles, Minneapolis, Montreal, and Toronto. A few of the better-known names in North America are McCann-Erickson; Ogilvy & Mather; BBDO; DDB Worldwide; Y&R; Draft FCB; and Cossette Communications-Marketing (Canada). But general agencies also in- clude the thousands of smaller entrepreneurial agencies located in every major city across the country (Crispin Porter 1 Bogusky, Miami; Rubin/Postaer, Los Angeles; Fallon Worldwide, Minneapolis; Wieden & Kennedy, Portland, Oregon). Profit margins in entrepreneurial agencies are often slimmer, but these shops are often more responsive to the smaller clients they serve. They offer the hands-on involvement of the firm's principals, and their work is frequently startling in its creativity. For these very reasons, many large agencies are spinning off smaller subsidiaries. Gotham, Inc., for example, is a hot creative shop in New York that was spun off by the Interpublic Group to do work for a variety of clients its bigger sister agencies couldn't serve. Some entrepreneurial agen- cies, such as Zubi Advertising in Coral Cables, Florida, carve a niche for them- selves by serving particular market segments.

Business-to-business Agencies

A business-to-business (or high-tech) agency represents clients that market products to other businesses. Examples are elec- tronic components for computer manufacturers, equipment used in

oil and gas refineries, and MRI equipment for radiology. High-tech advertising requires some technical knowledge and the ability to translate that knowledge into pre- cise, as well as persuasive, communications.

Most business-to-business advertising is placed in trade magazines or other business publications. These media are commissionable, but their circulation is smaller, so their rates are far lower than those of consumer media. Because commissions usually don't cover the cost of the agency's services, business agencies typically charge their clients service fees. They can be expensive, espe- cially for small advertisers, but failure to obtain a business agency's expertise may carry an even higher price in lost marketing opportunities.

Business and industrial agencies may be large international firms such as MacLaren/Lintas in Toronto or HCM/New York, or smaller firms experienced in areas of recruitment, biomedical, or electronics advertising.

Specialized Service Agencies

Many agencies assist their clients with a variety of limited services. In the early 1990s the trend toward specialization blossomed, giving impetus to many of the small agency-type groups called creative boutiques and other specialty busi- nesses such as media-buying services and interactive agencies.

Creative Boutiques Some talented artists—such as graphic designers and copywriters—set up their own creative services, or creative boutiques. They work for advertisers and occasionally subcontract to ad agencies. Their mission is to develop exciting creative concepts and produce fresh, distinctive advertising messages. In the 1990s, Creative Artists Agency (CAA), a Hollywood talent agency, caused a stir on Madison Avenue (the collective term for New York agencies) by taking on the role of a creative boutique, using its pool of actors, directors, and cinematographers to create commercials for Coca-Cola. McCann-Erickson Worldwide remained Coke's agency of record, but the majority of the creative work came from CAA. Since that time, Coke has allowed numerous other smaller shops to work on its account. At one point, Coke employed more than 20 differ- ent agencies, and the company continues to use the multiagency approach.

Advertising effectiveness depends on originality in concept, design, and writing. However, while boutiques may be economical, they usually don't provide the research, marketing, sales expertise, or deep customer service that full-service agencies offer. Thus, boutiques tend to be limited to the role of creative suppliers.

McDonald's uses the creative ideas of their partner agencies to come up with clever executions like this interactive out-of-home ad.

Media-Buying Services Some years ago, a few experienced agency media people started setting up organizations to purchase and package radio and TV time. The largest media-buying service (or media agency) is Starcom Mediavest. Based in Chicago, it is owned by the Publicis Group, has offices around the world, and places more than $25 billion worth of advertising annually for a wide variety of clients.

Media time and space are perishable. A 60-second radio spot at 8 PM can't be sold later. So radio and TV stations presell as much time as possible and discount their rates for large buys. The media-buying service negotiates a special discount and then sells the time or space to agencies or advertisers.

Media-buying firms provide customers (both clients and agencies) with a detailed analysis of the media buy. Once the media package is sold, the buying service orders spots, verifies performance, sees that stations "make good" for any missed spots, and even pays the media bills. Compensation methods vary. Some services charge a set fee; others get a percentage of what they save the client. Media agencies have experienced so much growth in the last decade that they have become major players on the advertising stage.

Interactive Agencies With the stunning growth of the Internet and the height- ened interest in integrated marketing communications has come a new breed of specialist—the interactive agency. Avenue A/Razorfish and Digitas are just two of the many firms that specialize in designing Web pages and creating fun, in- volving, information-rich, online advertising. In 2008, McDonald's introduced a CD-ROM game in its Happy Meals titled "Fairies and Dragons." Its advertising partner in this effort was the digital shop Fuel Industries. Other specialists, such as direct-response and sales promotion agencies, are also growing in response to client demands for greater expertise and accountability.

C. Exercises and Practice

Use the words in the box to complete the following list of ways to learn about your customers.

clients	competitors	find out	listening
new trends	sales record	loyal customers	searh terms

1 Email _____ directly with one or two questions.
2 Examine the _____ that people type into your website's search function. Which items are people looking for?
3 Schedule a social event, such as a wine tasting, for existing or potential _____, and use this as an opportunity to _____ more about what they want.
4 Compare your marketing approach with that of your _____. What areas are they targeting that you aren't?
5 Read trade journals to learn about _____. This will help you stay ahead of the competition.
6 Study your _____ to see what facts you already have about the people who buy from you.
7 Spend time in a shop or a trade fair _____ to people. What do they talk about? What questions do they ask?

CHAPTER 5
MARKETING AND CONSUMER BEHAVIOR: FOUNDATIONS OF ADVERTISING

A. Recognize Needs

Do you remember Finn, the newest little consumer who arrived at the beginning of this module? Let's suppose that Finn's parents decide they want him to grow up with an animal friend. This gives us a chance to apply what we've been discussing about consumer behavior and see what happens as they go through the consumer decision process to buy a pet. Since finding a pet is definitely a high-involvement decision for them, these are the steps they will go through:

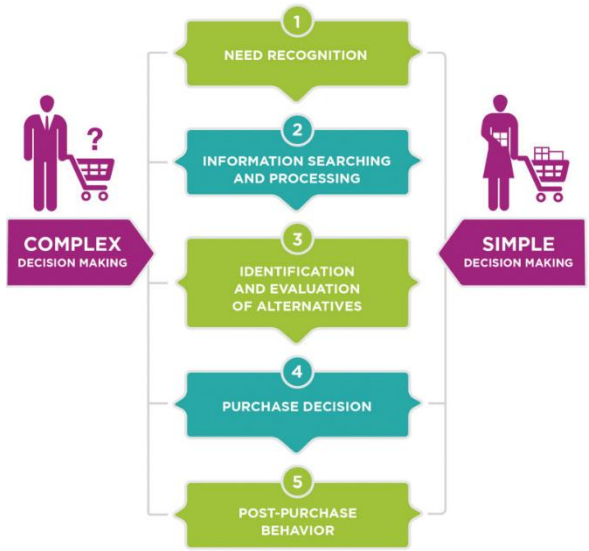

Figure 3. Consumer Decision-Making Process

The Consumer Perspective: Finn's parents, Robert and Amanda, know they want a pet. They're not sure what kind of pet. They're pretty sure they want it to be cuddly and lovable—something a child can interact with and not get too wet, bitten, or diseased (or maybe just a little). They also want a pet with some longevity, so that Finn can grow up with his animal friend. Although they are busy getting used to a new infant in their lives, Robert and Amanda are both on leave from their jobs for eight weeks, so it could be a good time to

get used to a new animal, too. They decide it's time to get serious about finding a pet.

The Marketer's Perspective and Tactics: You manage marketing for an animal rescue organization in your local community. Somehow you need to get in front of Finn's family to let them know about your animals and why they should start their search with you. Fortunately, you've been working with Google to get a paid placement for your organization near the top of Google searches for kittens and puppies in your area, so when Robert does his first search, he sees your listing. You also routinely post fliers on information boards around your community, and you've been working on your Web site to make sure it is search optimized for people searching for pets in your area.

B. Search for Information

The Consumer Perspective: Robert has grown skilled at searching the Internet while rocking Finn to sleep at the same time. He and Amanda need to research a few questions:

- What kind of pet should they get: dog, cat, guinea pig, ferret, something else?
- Where should they get the pet: pet shop, breeder, online provide, animal rescue, someplace else?
- How much should they expect to pay for the pet?
- How should they take care of the pet once they get it?

Robert is already leaning strongly toward getting a dog. His family had dogs when he was growing up, and he loves the idea of his son having the same experience. Amanda is on the fence, until they start reading about best pets for kids in parenting articles online, and they start talking to friends. Robert's family preference for dogs is validated in articles claiming that dogs are good pets for children and that potential problems (allergies, behavior issues) can be minimized by having the dog around children from a young age. As they begin to investigate places to get a dog, Amanda and Robert are disturbed to read about puppy mills and warnings against buying dogs from unscrupulous online sellers. They agree that they should stay local and check out pet shops, breeders, or animal rescue organizations in their area. Animal rescue would probably be the cheapest option, but they want to shop around and see what's available.

The Marketer's Perspective and Tactics: One of your organization's board members is a well-known mommy blogger who feels passionately about pets and kids. At your request, she's written a few posts over the past several months providing advice for parents who are considering a pet, and recommending animal rescue as the way to go. You've cross-posted her pieces on the rescue organization's Web site blog, and she's linked to your Web site in her posts. You know from Google Analytics that you're getting pretty good traffic to your Web site from that link and her posts. The Web site also contains information to educate people about the advantages of adopting rescue animals, reinforcing how rewarding it is to offer these pets a loving home. You know from research that families tend to get interested in pets when they have young children, so you update the Web site with adorable recent-adoption photos showing young families welcoming their new pets. You also know that people have lots of questions when they're looking for pets, so you prominently feature "Adopting a Pet: What To Expect" on your Web site.

C. Evaluate Alternatives

The Consumer Perspective: Now that Robert and Amanda know they want a dog, they are honing in on what type of dog and where to get it. They've been reading dog owner sites about different breeds, and they've been reading Yelp reviews about people's experiences with the local pet shops, breeders, and rescue organizations. They are keeping an eye on Craigslist to see what shows up there, and they've made a couple of visits to see some of the breeds they are considering. Robert is really charmed by a local breeder's labradoodles, and online communities rave about how good these dogs are with children, but there is a yearlong waitlist for the puppies and they cost upwards of $1,500. Amanda has joined a mothers' group, and two of the moms have dogs. One has a golden retriever. She bought the dog at a local pet shop and loves him, but she has been surprised by the number of health problems he's had. The other mom has a friendly terrier mix she got from a local rescue organization, and she was very happy with the experience.

The Marketer's Perspective and Tactics: You're trying to do more with word-of-mouth and social media promotion, so you've started

asking each family that adopts one of your animals to post about their experience on Yelp and Google reviews. You've been doing more with Facebook and Instagram, building up followers and posting pictures of some of the sweet rescue animals people can meet and adopt. Since it's free, you also post regularly in the "Pets" area of Craigslist and you've found that is a great way to connect with local area families looking for pets. Craigslist shoppers tend to be good candidates for adopting rescue animals. When people come in to the center, you find out what they are looking for, and you make sure they learn about the advantages of adopting a rescue animal and how simple the process can be. You also get their contact information so you can stay in touch with them electronically and let them know when a new animal arrives that might be a good fit for their family.

D. Make a Purchase

The Consumer Perspective: Amanda is very moved by their visit to the local animal rescue center. She is impressed with several of the dogs they met, and she loves the idea of adopting an already-house-trained pet, instead of starting from scratch with a puppy. Robert's heart is still with the labradoodles, but they agree that the yearlong wait and hefty price tag probably aren't worth it. Although the pet store puppies are adorable, Amanda keeps thinking about her friend's golden retriever and health problems, which are probably linked to overbreeding. After thinking things over, they decide to return to the rescue center with Finn and meet the dogs there again. This time, one of the dogs is a standout: a smart little Scottish terrier mix named Bonnie who makes Finn's eyes light up every time she comes near. The choice is made, and the James family is delighted.

The Marketer's Perspective and Tactics: Once a family comes to the center a second time, you know from experience that they're hooked. You need to make sure they fall in love with an animal that will be a good fit for their children and living situation. You've designed the application process to make sure that it helps you screen people and also match them with the best pets. But it's also a thoughtful, informative experience for the people who come in, so they can learn about what it takes to be a good pet owner. Once a new pet owner finds "The One," you snap photos for the happy

family bulletin board at the center and ask permission to share the pictures on your Web site and social media. You also invite them to post the picture on social media and share their experience with the center in a Yelp or Foursquare review. A going-home packet includes useful information about caring for their new animal and contact information in case they have questions or concerns.

The Consumer Perspective: The new addition to the James family is everything Amanda and Robert had hoped for. Bonnie is sweet-tempered, playful, gentle with Finn, and smart as a whip. For Robert, Bonnie brings back the joy and companionship he remembers from his childhood pets. Amanda is so delighted that she tells everyone who will listen about their wonderful experience adopting a rescue animal. Next time they are considering a pet, they'll know exactly where to go.

The Marketer's Perspective and Tactics: You've developed a process for checking in on adoption families after a couple of weeks to make sure things are working out. If they haven't done so already, you nudge them to write a review about their adoption experience on Yelp or another review site, assuming their experience has been good. If they aren't doing so well, you try to find out why and suggest some tips and strategies for turning things around. If red flags come up during these conversations, you make a note for one of the center's volunteers to do a wellness check on the owner and animal, so that the center can intervene and avoid serious problems. Fortunately the follow-up process usually results in happy stories about how much the animals and their new families love each other. And that's a major reason why you keep doing this job.

Individual consumers are not the only buyers in a market. Companies and other organizations also need goods and services to operate, run their businesses, and produce the offerings they provide to one another and to consumers. These organizations, which include producers, resellers, government and nonprofit groups, buy a huge variety of products including equipment, raw materials, finished goods, labor, and other services. Some organizations sell exclusively to other organizations and never come into contact with consumer buyers.

B2B markets have their own patterns of behavior and decision-making dynamics that are important to understand for two major

reasons. First, when you are a member of an organization, it's helpful to appreciate how and why organization buying decisions are different from the decisions you make as an individual consumer. Second, many marketing roles focus on B2B rather than B2C marketing, or they may be a combination of the two. If you have opportunities to work in B2B marketing, you need to recognize how the decision-making process differs in order to create effective marketing for B2B customers and target segments. Unlike the consumer buying process, multiple individuals are usually involved in making B2B buying decisions. A purchasing agent or procurement team (also called a buying center) may also be involved to help move the decision through the organization's decision process and to negotiate advantageous terms of sale.

Organizations define and enforce rules for making buying decisions with purchasing policies, processes, and systems designed to ensure the right people have oversight and final approval of these decisions. Typically, more levels of consideration, review, and approval are required for more expensive purchases. For anyone involved in B2B marketing or selling, it is important to know:

- Who will take part in the buying process?
- What criteria does each person use to evaluate prospective suppliers?
- What level of influence does each member of the process have?
- What interpersonal, psychological, or other factors about the decision team might influence this buying process?
- How well do the individuals work together as a group?
- Who makes the final decision to buy?

Because every organization is unique, the answers to these questions will be different for every organization and every sale. Marketers should understand their target segments well enough to identify commonalities where they exist and then create effective marketing to address the common roles and decision makers identified.

For example, a technology company selling a travel- and expense-management system should expect decision makers from several departments to be involved in the purchasing decision: the HR department (to ensure the system is user-friendly for employees and compatible with company travel policies), the accounting department (to ensure the system is a good complement to the

company's accounting and finance systems), and the IT department (to ensure the system is compatible with the other systems and technologies the company uses). Marketers should focus first on managers in the group most responsible for travel and expense policy—typically the HR department. As the company generates serious interest and leads, marketing and sales staff should take the time to learn about decision dynamics within each organization considering the system. Marketing and sales support activities can focus on getting each of the essential decision makers acquainted with the product and then convincing them to make it their final selection.

E. Exercises and Practice

Which words in the box are used to talk about which P? Sort them into the correct category.

advertising	appearance	channels of distribution	discount
financing	list price	location	logistics
media	public relations	quality	service

CHAPTER 6
MARKET SEGMENTATION AND MARKETING MIX

A. The Market Segmentation Process

Marketing and advertising people constantly scan the marketplace to see how consumers and businesses might be better satisfied. The process of market segmentation involves two steps: identifying groups of people (or organizations) with certain shared needs and characteristics and aggregating (combining) these groups into larger market segments according to their interest in the prod-uct's utility. This process should result in market segments large enough to tar-get and reachable through a suitable mix of marketing activities—including advertising.

The concept of shared characteristics is critical to market segmentation. Marketing and advertising people know that consumer needs and wants can be identified from consumer "footprints in the sand"—the telltale signs of where they live and work, what they buy, and how they spend their leisure time. By following these footprints, marketers can locate and define groups of consumers with similar needs and wants, create messages for them, and know how and where to send their messages. The goal is to find that particular niche, or space in the market, where the advertiser's product or service will fit.

Marketers group these shared characteristics into categories (behavioristic, geographic, demographic, and psychographic) to identify and segment consumer markets. The marketers' purpose is twofold: first, to identify people who are likely to be responsive; and second, to develop rich descriptions of them in order to better understand them, create marketing mixes for them, and reach them with meaningful advertising or other communications.

B. Behavioristic Segmentation

One of the best ways to segment markets is to group consumers by purchase behavior. This is called behavioristic segmentation. Behavioral segments are determined by many variables, but the most important are user status, usage rate, purchase occasion,

and benefits sought. These categories tell us who our customers are now, when and why they buy, and how much they consume.

User-status Variables Many markets can be segmented by the user status of prospective customers. Researchers Stephan and Tannenholz have identified six categories of consumers based on user status. Sole users are the most brand loyal and require the least amount of advertising and promotion. Semi-sole users typically use Brand A but have an alternative selection if it is not available or if the alternative is promoted with a discount. Discount users are the semi-sole users of competing Brand B. They don't buy Brand A at full price but perceive it well enough to buy it at a discount. Aware nontriers use competitive products in the category but haven't taken a liking to Brand A. A different advertising message could help, but these people rarely offer much potential. Trial/rejectors bought Brand A's advertising message but didn't like the product. More advertising won't help; only a reformulation of Brand A will bring them back. Repertoire users perceive two or more brands to have superior attributes and will buy at full price. They are the primary brand switchers and respond to persuasive advertising based on their fluctuating wants and desires. Therefore, they should be the primary target for brand advertising.

Usage-rate Variables It's usually easier to get a heavy user to increase usage than a light user. In volume segmentation, marketers measure people's usage rates to define consumers as light, medium, or heavy users of products. Often, 20 percent of the population consumes 80 percent of the product. Marketers want to define that 20 percent and aim their advertising at them. By finding common characteristics among heavy users of their products, marketers can define product differences and focus ad campaigns more effectively.

Purchase-occasion Variables Buyers can also be distinguished by when they buy or use a product or service—the purchase occasion. Air travelers, for example, may fly for business or vacation, so one airline might promote business travel while another promotes tourism. The purchase occasion might be affected by frequency of need (regular or occasional), a fad (candy, computer games), or seasons (water skis, raincoats). The Japan Weather Association tracked buying patterns on 20,000 items and correlated them to the outside temperature. Not surprisingly, when

the temperature goes up, people buy more sunshades, air conditioners, watermelons, and swimwear. When there's a chill in the air, sales of suits, sweaters, and heaters take off. A marketer who discovers common purchase occasions for a group has a potential target segment and can better determine when to run specials and how to promote certain product categories.

Benefits-sought Variables Marketers may segment consumers on the benefits being sought. Consumers seek various benefits in the products they buy—high quality, low price, status, sex appeal, good taste, health consciousness. Hardee's customers may value the size and taste of Thickburgers, or they may prefer the low-carb, bunless chicken sandwich that has only half the fat. In addition to tangible benefits, customers are often motivated by symbolism—what the brand name means to them, to associates, or to some social reference group. Benefit segmentation is the prime objective of many consumer attitude studies and the basis for many successful ad campaigns.

C. Geographic Segmentation

One simple way to define markets is by using geographic segmentation. People in one region of the country (or the world) have needs, wants, and purchasing habits that differ from those in other regions. People in Sunbelt states, for example, buy more suntan lotion. Canadians buy special equipment for dealing with snow and ice—products many Floridians have never seen in stores.

When marketers analyze geographic data, they study sales by region, county size, city size, specific locations, and types of stores. Many products sell well in urban areas but poorly in suburban or rural ones, and vice versa. This information is critical in developing advertising media schedules because, with limited budgets, marketers want to advertise in areas where their sales potential is best.

Even in local markets, geographic segmentation is important. For example, a local progressive politician might send a mailer only to precincts where voters typically support liberal causes, and a local retail store rarely draws customers from outside a fairly limited trading area.

One of the most respected geographic segmentation systems is Prizm NE, a product of Claritas. Marketers have used the Prizm system for more than 30 years, and it is updated every 10 years with census results, most recently in 2000. Prizm NE analyzes urbanization measures, as well as household and neighborhood characteristics, in order to assign zip codes to one of 66 geographic segments with vivid descriptors that include “Young Digerati,” “Money and Brains,” “Bohemian Mix,” and “American Dreams.”

D. Demographic Segmentation

Demographic segmentation is a way to define population groups by their statistical characteristics: sex, age, ethnicity, education, occupation, income, and other quantifiable factors. Demographics are often combined with geographic segmentation to select target markets for advertising. This is called geodemographic segmentation. For example, research shows that people who identify themselves as “strongly Hispanic” tend to be very loyal to certain brands. And, the numbers of Americans with Hispanic ancestry are expected to grow at a rate much faster than that of the overall population well into the next century. This has meant a surge in advertising dollars allocated to Hispanic media. Many blue-chip advertisers, such as Procter & Gamble, AT&T, McDonald’s, and General Motors, now aim a significant portion of their advertising specifically at this market, which hit the $928 billion mark in 2007 and is expected to reach $1.2 trillion by 2010. To do so efficiently, they measure the size of the “strongly Hispanic” community in each marketing area they plan to target, as well as its income, age distribution, and attitudes.

As people grow older their responsibilities and incomes change, and so do their interests in various product categories. The auto industry didn’t forget that over half of America’s consumers are now young adults. In fact, as the opening vignette discussed, generation Y, the 63 million children of baby boomers, is expected to represent 25 percent of new car sales by 2010. To reach out to this group, Toyota promoted its Yaris sedan with a campaign that includes a mobile phone series, a profile page on MySpace.com, and skits featuring the Yaris on the TV show MADtv. 17 Similarly, Ford targeted 25- to 35-year-olds with a series of “rockumentary” films about its Fusion sedan. The films, which featured the Norwegian

rock group Hurra Torpedo, are available online and represent an attempt by the automaker to reach younger consumers.

Demographic segmentation has long been understood in the fast-food industry, or QSR (quick-serve restaurant) industry, as it now prefers to be called. McDonald's, the industry's creator and perpetual frontrunner, runs the table. Once stigmatized as unsanitary meat fit only for poor people, chains like White Castle and McDonald's used advertising to change the hamburger's image, fashioning it into the national cuisine by the 1950s. 19 Now, children are McDonald's primary target consumers. Decades of ads for Happy Meals and toys have made an impression. Among fictional characters, Ronald McDonald's cultural penetration is surpassed only by Santa Claus: 96 percent of schoolchildren in the United States can identify the yellow-jumpsuited clown. Against this giant's brand value and advertising expenditures, competitors have returned to the hamburger's traditional consumer, the young male. In the segment where McDonald's is slightly weaker, Hardee's intends to be strong. Thickburger TV spots proclaim that the burgers "don't come with toys, because they're not for little boys.

Geographic and demographic data provide information about markets but little about the psychology of individuals. Marketers want to reach people who are current or prospective customers, but people in the same demographic or geographic segment have widely differing product preferences and TV viewing habits. Rarely can demographic criteria alone predict purchase behavior. That's why marketers developed the study of psychographics.

E. Psychographic Segmentation

For certain products, appeals to emotions and cultural values may be persuasive. So, some advertisers use psychographic segmentation to define con- sumer markets. With psychographics, marketers group people by their values, attitudes, personality, and lifestyle. Psychographics enables marketers to view people as individuals with feelings and inclinations. Then they can classify people according to what they feel, what they believe, the way they live, and the products, services, and media they use.

Perhaps the best-known psychographic classification system is VALS, a product of SRI Consulting Business Intelligence (SRIC-

BI). VALS assigns con- sumers to one of eight groups based on two dimensions: primary motivation and resources. According to SRIC-BI, individuals are primarily motivated to buy by one of three things: ideals (or basic principles), achievement (tangible markers of success or accomplishment), or self-expression (a desire for experi- ences or to take risks). In addition, people possess varying levels of resources, which include money, education, or self-confidence. Those with the fewest re- sources are placed near the bottom of the VALS typology, while those with the most are at the top.

According to SRIC-BI, the purpose of VALS is to help marketers identify whom to target, uncover what the target group buys and does, locate where concentrations of the target group live, identify how best to communicate with them, and gain insight into why the target group behaves the way it does. The system has been applied to a variety of areas: new product development and design, target marketing, product positioning, advertising message development, and media planning, to name a few.

In one case, for example, a foreign car manufacturer used VALS to reposition its sports utility vehicle after its award-winning but ineffective television campaign failed to result in higher sales. Using VALS, the company targeted a new “rebellious” consumer group with a new campaign using a “breaking the rules” theme. Nothing changed but the advertising. But sales increased 60 percent in six months.

Later, SRIC-BI developed additional VALS products: Japan-VALS to determine the consumer effect of changing values and social behavior in Japan, and GeoVALS to determine where target customers live and show why they behave the way they do. This helps advertisers select the best site locations, target direct mail campaigns effectively, and maximize advertising dollars.

In Europe and Asia, numerous lifestyle studies have produced a variety of other classification systems intended to help marketers understand the product use of different target groups across national boundaries. The research company RISC investigated how people react to social changes in 12 European countries. The basis of the research was the belief that when individuals share similar values, perceptions, and sensitivities, their purchasing behavior will also show consistent similari- ties.30 Most recently,

Roper Starch Worldwide has developed its ValueScope service to help marketers find “shared pat- terns of market space behavior” around the world in order to conduct global campaigns. The Roper model uses three drivers of consumer behavior—nationality, lifestage, and values—to define six consumer segments that sound re- markably similar to VALS: creatives, fun seekers, intimates, strivers, devouts, and altruists. An interesting aspect of Roper’s research was the discovery of the top 10 values shared by people around the world.

Must

CHAPTER 7
ADVERTISING AND THE PRODUCT ELEMENT

A. Product Life Cycles

Marketers theorize that just as humans pass through stages in life from in- fancy to death, products (and especially product categories) also pass through a product life cycle. A product's position in the life cycle influences the target market selected and the kind of advertising used. The product life cycle has four major stages: introduction, growth, maturity, and decline.

When a company introduces a new product category, nobody knows about it. By using market segmentation, though, the company may try to identify those prospects who are known to be early adopters—willing to try new things—and begin promoting the new category directly to them. The idea is to stimulate primary demand—consumer demand for the whole product category, not just the company's own brand.

During the introductory (pioneering) phase of any new product category, the company incurs considerable costs for educating customers, building wide- spread dealer distribution, and encouraging demand. It must spend significant advertising sums at this stage to establish a position as a market leader and to gain a large share of market before the growth stage begins.

When cellular telephones were introduced in the late 1980s, advertisers had to first create enough consumer demand to pull the product through the channels of distribution (called a pull strategy). Advertising communications educated consumers about the new product and its category, explaining what cellular phones are, how they work, and the rewards of owning one. Sales promotion efforts aimed at the retail trade (called a push strategy) encouraged distributors and dealers to stock, display, and advertise the new product.

When sales volume begins to rise rapidly, the product enters the growth stage. This period is characterized by rapid market expansion as more and more customers, stimulated by mass advertising and word of mouth, make their first, second, and third purchases. Competitors jump into the market, but the company that

established the early leadership position reaps the biggest rewards. As a percentage of total sales, advertising expenditures should decrease, and individual firms will realize their first substantial profits.

During the early 1990s, the demand for cellular phones exploded, and cat- egory sales quadrupled every year. Many competitors suddenly appeared. With increased production and competition, prices started to fall, which brought even more people into the market. By 2005, 70 percent of all U.S. families owned mobile phones.

In the maturity stage, the marketplace becomes saturated with competing products and the number of new customers dwindles, so industry sales reach a plateau. Competition intensifies and profits diminish. Companies increase their promotional efforts but emphasize selective demand to impress customers with the subtle advantages of their particular brand. At this stage, companies increase sales only at the expense of competitors (conquest sales). The strategies of market segmentation, product positioning, and price promotion become more important during this shakeout period as weak companies fall by the way- side and those remaining fight for small increases in market share. By the mid-1990s, for example, cell phones that once sold for $1,500 were suddenly advertised regularly for $100 to $200. Ads emphasized features and low prices, and the product became a staple of discount merchandisers. Today, of course, one can get a cell phone for free just by signing up for the service.

Late in the maturity stage, companies may have to scramble to extend the product's life cycle. Without innovation or marketing support, name brands eventu- ally see their sales erode. If the advertised brand has no perceived advantage, peo- ple will buy whatever is cheapest or most convenient. Professor Brian Wansink, who directs the Food and Brand Lab at Cornell University, suggests that the rea- son many old brands die is less for life cycle reasons and more for marketing neglect. He points out that aging brands often pack plenty of brand equity. The challenge for marketers is to determine which brands can be revitalized and then decide how to do it. But with today's high price tag on introducing new products (often $100 million or more), revitalization should be the strategy of choice when- ever possible. Marketers

may try to find new users for the brand, develop new uses for the product, change the size of packages, design new labels, improve quality, or use promotion to increase frequency of use.

If they're not revitalized, products will finally enter the decline stage be- cause of obsolescence, new technology, or changing consumer tastes. At this point, companies may cease all promotion and phase the products out quickly, as in the case of record turntables and LP albums, or let them fade slowly with minimal advertising, like most sheer hosiery brands.

B. Product Classifications

The way a company classifies its product is important in defining both the product concept and the marketing mix. There are many ways to classify tangible goods: by markets, by the purchasing habits of buyers, by the consumption rate or degree of tangibility, or by physical attributes.

Unlike tangible goods, a service is a bundle of intangible benefits that satisfy some need or want, are temporary in nature, and usually derive from completion of a task. Rail service, for example, is transitory, used and priced by time and distance. It offers the functional benefits of transporting people, livestock, and freight. But it can also offer psychological benefits. Just think of the romance and leisure of a train trip across Europe aboard the Orient Express. The railroad relies on the use of specialized equipment—vehicles able to pull huge loads over a unique track. This makes it an equipment-based service.

In contrast, an ad agency, like a law firm or a bank, is a people-based service; it relies on the creative talents and marketing skills of individuals. As one agency CEO said, "My inventory goes up and down the elevators twice a day."

C. Product Positioning

Once an advertising person understands a product's stage in the life cycle, how it's classified, and how it's currently perceived by the marketplace, the first strategic decision can be made: how to position the product. The basic goal of positioning strategy is to own a word that ranks the product in the prospect's mind. Levi's

owns “jeans.” FedEx owns “overnight.” And Volvo owns “safety.” By developing a unique position for the brand in the consumer’s mind, the marketer helps the consumer remember the brand and what it stands for.

Products may be positioned in many different ways. Generally, they are ranked by the way they are differentiated, the benefits they offer, the particular market segment to which they appeal, or the way they are classified. Xerox has repositioned itself as “The Document Company,” moving from the narrow, glutted, copier market to the broader, growing, document-handling market. With one stroke, Xerox redefined the business it is in, differentiated itself from the competition, and created a new number one position for itself.

D. Product Differentiation

Product differentiation creates a product difference that appeals to the preferences of a distinct market segment. In advertising, nothing is more important than being able to tell prospects truthfully that your product is new and different. Unfortunately, in response to increased competitive pressures, burgeoning innovation and technology, and various constraints on distribution, new product development cycles have shortened dramatically. As a result, many brand managers find them- selves launching new products that are “only 85 percent there.” So it’s not surprising that most “new” products fail to impress consumers. Simply adding new colors might differentiate a product enough to attract a new set of customers, but not all product differences need be that obvious. Differences between products may be perceptible, hidden, or induced. Hank Seiden says every successful product must have a “unique advantage.” Bob Pritikin humorously calls that differentiating quality the AMAZING NEW!

Differences between products that are readily apparent to the consumer are called perceptible differences. Snapple, for example, received its initial impetus because of its unique taste, and to advertise this difference to consumers nation-wide, the company employed a variety of nontraditional marketing techniques, including sole sponsorship of a Boston radio station for 40 days. Hidden differences are not so readily apparent. Trident gum may look and taste the same as other brands, but it is differentiated by

the use of artificial sweeteners. While hidden differences can enhance a product's desirability, advertising is usually needed to let consumers know about them.

For many product classes, such as aspirin, salt, gasoline, packaged foods, liquor, and financial services, advertising can create induced differences. Banks, brokerage houses, and insurance companies, for example, which offer virtually identical financial products and services, use advertising and promo- tion to differentiate themselves. However, few have yet discovered the image asset of branding as used by the national packaged goods marketers. That is created through the accumulation of consistent advertising campaigns, favor- able publicity, special event sponsorship, and good word of mouth.

As Sunkist has so successfully demonstrated, the ability to create the per- ception of differences in functionally similar products and services depends on the consistent, effective use of branding, packaging, and advertising.

E. Product Branding

The fundamental differentiating device for all products is the brand—that combination of name, words, symbols, or design that identifies the product and its source and distinguishes it from competing products. Without brands, consumers couldn't tell one product from another, and advertising them would be nearly impossible.

Branding decisions are difficult. A manufacturer may establish an individual brand for each product it produces. Unilever, for example, markets its toothpastes under the individual brand names Aim, Pepsodent, and Close-Up. Such companies designate a distinct target market for each product and develop a separate personality and image for each brand. However, this strategy is very costly.

On the other hand, a company might use a family brand and market differ- ent products under the same umbrella name. When Heinz promotes its ketchup, it hopes to help its relishes too. This decision may be cost effective, but one bad product in a line can hurt the whole family.

Because it is so expensive for manufacturers to market national brands (also called manufacturer's brands), some companies use

a private-labeling strategy. They manufacture the product and sell it to resellers (distributors or dealers), who put their own brand on the product. Private labels, typically sold at lower prices in large retail chain stores, include such familiar names as Kenmore, Craftsman, Cragmont, Kroger, and Party Pride. They now account for almost 20 percent of grocery purchases. The responsibility for creating brand image and familiarity rests with the distributor or retailer, who is also the principal benefactor if the brand is successful. Recent trends have moved toward premium private labels, such as President's Choice, which has enjoyed immense success. These products feature better packaging, superior quality, and a higher price, comparable to national brands.

Branding decisions are critical because the brands a company owns may be its most important capital asset. Imagine the value of owning a brand name such as Coca-Cola, Nike, Porsche, or Levi's. BusinessWeek's annual brand value report ranks Coca-Cola as the most valuable brand in the world, followed by Microsoft, IBM, GE, Nokia, and Toyota. Some companies pay a substantial fee for the right to use another company's brand name. Thus, we have licensed brands such as Sunkist vitamins, Coca-Cola clothing, Porsche sunglasses, and Mickey Mouse watches.

F. The Role of Branding

For consumers, brands offer instant recognition and identification. They also promise consistent, reliable standards of quality, taste, size, or even psychological satisfaction, which adds value to the product for both the consumer and the manufacturer. In a survey conducted by TWICE/Campaigners, 44 percent of consumers ranked brand name as the most important factor when making a major electronics purchase. Price, by the way, ranked second.

Brands must be built on differences in images, meanings, and associa- tions. It's up to manufacturers to differentiate their products clearly and de- liver value competitively. The product has to taste better, or get clothes cleaner, or be packaged in a more environmentally friendly container. Advertising for an established brand, particularly a well-differentiated one, is much more effective if it exploits the brand's positioning. Ideally, when consumers see a brand on the shelf, they instantly comprehend the brand's promise and have confidence in its quality. Of course, they

must be familiar with and believe in the brand's promise (a function of advertising effectiveness). The goal is brand loyalty—because it serves both the con- sumer and the advertiser. For the consumer, it reduces shopping time. For the advertiser, it builds brand equity, the totality of what consumers, distributors, dealers—even competitors—feel and think about the brand over an extended period of time. In short, it's the value of the brand's capital.

High brand equity offers a host of blessings to the product marketer: cus- tomer loyalty, price inelasticity, long-term profits. A loyal customer can be nine times as profitable as a disloyal one.60 But building brand equity requires time and money. Brand value and preference drive market share, but share points and brand loyalty are usually won by the advertisers who spend the most. And increasing brand loyalty requires a spending increase of 200 to 300 percent to affect loyalty dramatically. Charlotte Beers, the former head of J. Walter Thompson, points out the importance of "brand stewardship." She believes companies must maintain consistency in their message by integrating all their marketing communications—from packaging and advertising to sales promotion and publicity—to maintain and reinforce the brand's personality in a real-life context and avoid doing something stupid such as changing the distinctive color of a Ryder rental truck.

G. Product Packaging

The product's package is a component of the product element and is also an exhibitive medium that can determine the outcome of retail shelf competition. In fact, packaging may be a brand's one differential advantage—and it's the marketer's last chance to communicate at the point of sale. Package designers (who sometimes work in agencies) must make the package exciting, appealing, and at the same time functional. The four considerations in package design are identification; containment, protection, and convenience; consumer appeal; and economy. These functions may even become copy points—copywriting themes—in the product's advertising.

Identification

Packaging is such an important identification device that some companies use the same package and label design for years. Why? Because the unique combi- nation of trade name, trademark,

or trade character, reinforced by the package design, quickly identifies the product's brand and differentiates it from competitors. For example, the traditional contoured Coke bottle was so unusual and popular that in the 1990s Coca-Cola reintroduced it to U.S. markets. The company never stopped using it in many international markets because it differenti- ated Coke so well from other cola products.

Packages must offer high visibility and legibility just to penetrate shoppers' physiological screens. Product features must be easy to read, and color combina- tions must provide high contrast to differentiate the product. To penetrate consumers' psychological screens, the package design must reflect the tone, image, and personality of the product concept. In many product categories (wine, cos- metics), the package quality largely determines the consumer's perception of the product's quality.

Containment, Protection, and Convenience

The basic purpose of any package is to hold and protect the product and make it easy to use. While marketers must de- sign an interesting package, they must also make sure it will keep the product fresh and protect its contents from shipping damage, water vapor (for frozen goods), grease, infestation, and odors. And packages must adhere to legal protection requirements.

Retailers want packages that are easy to stack and dis- play; they also want a full range of sizes to fit their custom- ers' needs. Consumers want packages that are easy to carry, open, and store, so these are important design consider- ations. But convenience can't interfere with protection. Spouts, for example, make pouring easier, but they may also limit a package's physical strength.

Consumer Appeal

Consumer appeal in packaging is the result of many factors: size, color, material, and shape. Certain colors have special meanings to consumers. It's not uncommon for even a subtle change in color to result in as much as a 20 percent change in sales.

In this age of environmental awareness, green marketing is an important issue for many companies and consumers alike. New technology has made ecologically safe packaging available and affordable for many product categories. Many companies now advertise their packages as environmentally responsible.

A package's shape also offers an opportunity for consumer appeal based on whimsy, humor, or romance. Heart-shaped packages of Valentine's Day candy instantly tell what the product is. Some companies design packages with a secondary use in mind. Kraft's cheese jar, once emptied, can be used for serving fruit juice. Some tins and bottles even become collectibles (Chivas Regal). These packages are really premiums that give buyers extra value for the dollars they spend.

Economy

The costs of identification, protection, convenience, and consumer appeal add to basic production costs, but this increase may be more than offset by increased customer appeal. These benefits may make a considerable difference to the consumer and affect both the product concept and the way it is advertised.

CHAPTER 8
ADVERTISING AND THE PRICE, PLACE AND PROMOTION ELEMENTS

A. Key Factors Influencing Price

Many companies, especially small ones, request input from their advertising people about pricing strategies. That's because, as we all know, the price element of the marketing mix influences consumer perceptions of the brand dramatically.

Companies typically set their prices based on market demand for the product, costs of production and distribution, competition, and corporate objectives. Interestingly, though, a company often has relatively few options for determining its price strategy, depending on the desired product concept.

Market Demand

If the supply of a product is static but the desire (demand) for it increases, the price tends to rise. If demand drops below available supply, the price tends to fall. This may affect advertising messages in a major way.

In the last recession, many auto manufacturers faced a glut of unsold new cars and declining demand. Several companies offered substantial factory rebates—price cuts—to motivate prospective buyers. Dealers immediately sold more cars. No amount of image or awareness advertising would have had the same effect. But, of course, advertising was essential to communicate the price cut. Some marketing researchers theorize that for new durable goods, adver- tising works with word-of-mouth communication to generate awareness of and belief in the product's attributes. Once consumers perceive that the prod- uct's value warrants the purchase price, sales occur. As product experience and information spread, the risks typically associated with new products diminish, which effectively increases consumers' willingness to purchase at a higher price.

Production and Distribution Costs

The price of goods depends to some extent on the costs of production and distribution. As these costs increase, they must be passed on to the consumer, or the company will be unable to meet its overhead and will be forced out of business. One common advertising strategy is to tout the materials used in manufac- turing a product. This can also help justify the prices manufacturers must charge to cover their production costs.

Competition

Marketers believe that, in many product categories, consumers are less concerned with a product's actual price than with its perceived price relative to competitors. For the advertiser, maintaining the value perception during periods of intense price competition and fluctuation is challenging and critically important. But this is one of the prime attributes of good advertising—maintaining the value perception.

Corporate Objectives and Strategies

A company's objectives also influence price. When introducing new products, companies often set a high price initially to recover development and start-up costs. In other cases, if the objective were to position the brand as an inexpen- sive convenience item aimed at a broad target market, ads would stress the product's economy.

Price also depends on the company's marketing strategy, and image advertising may be used to justify a higher price. Many premium-priced brands, such as L'Oréal, are touted for the very fact that they do cost more. The important thing is that the price be consistent with the brand image; you can't charge a Rolex price for a Timex watch.

As products enter the maturity stages of their life cycles, corporate objectives tend to aim at increasing, or at least maintaining, market share. To accomplish this, competitive advertising and promotion heat up, and prices tend to drop.

Variable Influences

Economic conditions, consumer income and tastes, government regulations, marketing costs, and other factors also influence prices and thus advertising. Marketing management must consider

all these to determine an appropriate pricing strategy and then create advertising that justifies the product's price.

B. Distribution (Place) Elements

Before the first ad can be created, the distribution element, or place, must be decided. It is important for marketers to understand that the method of distribution, like the price, must be consistent with the brand's image. People will not pay Nordstrom prices at Kmart. Companies use two basic methods of distribution: direct or indirect.

Direct Distribution

When companies sell directly to end users or consumers, they use direct distri- bution. Avon, for example, employs sales reps who work for the manufacturer rather than for a retailer and sell directly to consumers. Encyclopedia publishers and insurance companies often sell and distribute their products and services directly to customers without the use of wholesalers or retailers. In these cases, the advertising burden is carried entirely by the manufacturer.

One of the fastest-growing methods of direct distribution today is network marketing (also called multilevel marketing), in which individuals act as independent distributors for a manufacturer or private-label marketer. These people sign up friends and relatives to consume the company's products and recruit others to join. Through a gradual, word-of-mouth process, they form a "buying club" of independent distributors who buy the products wholesale directly from the company, use them, and tout them to more and more friends and acquaintances.

If successful, the rewards for the network marketing company (and many of the distributors) can be staggering. Amway International, the granddaddy of network marketing, now boasts international sales in excess of $6 billion, and many of its longtime distributors became multimillionaires in the process. Other companies have broken the billion-dollar sales mark, too, among them Nikken (Japan), Herbalife, and Shaklee. These companies brag about the fact that they do no media advertising. Because they usually sell consumer products (which would typically carry a heavy advertising and sales promotion burden), they save a tremendous amount of money. Most marketing communi- cations are simply word-of-

mouth. The companies do provide attractive prod- uct packaging, catalogs, brochures, and other sales material—which the distributors typically pay for at cost. Today, companies using this distribution method include subsidiaries or spinoffs of well-known public corporations such as Gillette and U.S. Sprint.

Indirect Distribution

Manufacturers usually don't sell directly to end users or consumers. Most compa- nies market their products through a distribution channel that includes a network of resellers. A reseller (also called a middleman) is a business firm that operates between the producer and the consumer or industrial purchaser. It deals in trade rather than production. Resellers include both wholesalers and retailers, as well as manufacturers' representatives, brokers, jobbers, and distributors. A distribution channel comprises all the firms and individuals that take title, or assist in taking title, to the product as it moves from the producer to the consumer.

Indirect distribution channels make the flow of products available to customers conveniently and economically. Appliance companies, for example, contract with exclusive regional distributors that buy the products from the factory and resell them to local dealers, who then resell them to consumers. Many industrial companies market their products through reps or distributors to original equipment manufacturers (OEMs). These OEMs may use the product as a component in their own product, which is then sold to their customers.

The advertising a company uses depends on the product's method of distribution. Much of the advertising we see is not prepared or paid for by the manufacturer, but by the distributor or retailer. Members of a distribution channel give enormous promotional support to the manufacturers they represent.

A part of marketing strategy is determining the amount of coverage neces- sary for a product. Procter & Gamble, for example, distributes Crest toothpaste to virtually every supermarket and discount, drug, and variety store. Other prod- ucts might need only one dealer for every 50,000 people. Consumer goods manufacturers traditionally use one of three distribution strategies: intensive, selective, or exclusive.

Intensive Distribution

Soft drinks, candy, Timex watches, and other convenience goods are available at every possible location because of intensive distribution. In fact, consumers can buy them with a minimum of effort. The profit on each unit is usually very low, but the volume of sales is high. The sales burden is usually carried by the manufacturer's national advertising. Ads in trade magazines push the product into the retail "pipeline," and in mass media they stimulate consumers to pull the products through the pipeline. As a manufacturer modifies its strategy to more push or more pull, special promotions may be directed at the trade or at consumers to build brand volume.

Selective Distribution

By limiting the number of outlets through selective distribution, manufacturers can cut their distribution and promotion costs. Many hardware tools are sold selectively through discount chains, home improvement centers, and hardware stores. Levi Strauss sells through better department and chain stores. Manufacturers may use national advertising, but the sales burden is normally carried by the retailer. The manufacturer may share part of the retailer's advertising costs through a cooperative advertising program. For example, a Levi's retailer may receive substantial allowances from the manufacturer for advertising Levi's clothing in its local area. In return, the retailer agrees to advertise and display the clothing prominently.

Exclusive Distribution

Under an exclusive distribution agreement, selected wholesalers or retailers are granted exclusive rights to distribute a particular product. For example, in 2005, coffee retailer Starbucks was the exclusive seller of a CD of previously unreleased Bob Dylan songs.68 This is also common in high fashion, major appliances, and furniture lines. What is lost in market coverage is often gained in the ability to maintain a prestige image and premium prices. Exclusive distribution agreements also force manufacturers and retailers to cooperate closely in advertising and promotion programs.

C. Communication (Promotion) Element

Once it determines product, price, and distribution, a company is ready to plan its marketing communications, of which advertising is

just one component. The communication element includes all marketing-related communications between the seller and the buyer. A variety of marketing communications tools comprise the communications mix. These tools can be grouped into per- sonal and nonpersonal communication activities. Personal communication includes all person-to-person contact with customers. Nonpersonal communication activities—which use some medium as an intermediary for communicating—include advertising, direct marketing, certain public relations activities, collateral materials, and sales promotion. Today, successful marketing managers blend all these elements into an integrated marketing communications program.

Personal Selling

Some consumer products are sold by clerks in retail stores, others by salespeople who call on customers directly. Personal selling is very important in business-to-business marketing. It establishes a face-to-face situation in which the marketer can learn firsthand about customer wants and needs, and customers find it harder to say no.

Advertising

Advertising is sometimes called mass or nonpersonal selling. Its usual purpose is to inform, persuade, and remind custom- ers about particular products and services. In some cases, like mail order, advertising even closes the sale.

Certain products lend themselves to advertising so much that it plays the dominant communications role. The following factors are particularly important for advertising success:

- A high primary demand trend.
- The chance for significant product differentiation.
- Hidden qualities that are highly important to consumers.
- The opportunity to use strong emotional appeals.
- The availability of substantial sums to support advertising.

Where these conditions exist, as in the cosmetics industry, companies spend large amounts on advertising, and the ratio of advertising to sales dollars is often quite high. For completely undifferentiated products, such as sugar, salt, and other raw materials or commodities, price is usually the primary influence, and advertising is minimally important. Sunkist is an interesting exception. This farmers' cooperative successfully brands an

undifferentiated commodity (citrus fruit) and markets it internationally.

Direct Marketing

Direct marketing is like taking the store to the customer. A mail-order house that communicates directly with consumers through ads and catalogs is one type of company engaged in direct marketing. It builds its own database of customers and uses a variety of media to communicate with them.

The field of direct marketing is growing rapidly as companies discover the benefits of control, cost efficiency, and accountability. For example, many companies such as Levi Strauss use telemarketing (a direct marketing technique) to increase productivity through person-to-person phone contact. By using the phone to follow up direct mail advertising, a company can increase the response rate substantially. Moreover, through telemarketing, it can develop a valuable database of customers and prospects to use in future mailings and promotions.

Public Relations

Many firms supplement (or replace) their advertising with various public relations activities such as publicity (news releases, feature stories) and special events (open houses, factory tours, VIP parties, grand openings) to inform various audiences about the company and its products and to build corporate trustworthiness and image. As Al and Laura Ries point out, through decades of overuse and overpromising, advertising today has lost much of its effectiveness and credibility.

Collateral Materials

Collateral materials are the many accessory items companies produce to integrate and supplement their advertising or PR activities. These include booklets, catalogs, brochures, films, sales kits, promotional products, and annual reports. Collateral materials should always be designed to reinforce the company's image or the brand's position in the minds of customers.

Sales Promotion

Sales promotion is a special category of communication tools and activities. Designed to supplement the basic elements of the marketing mix for short periods of time, sales promotion is aimed at stimulating customers or members of the distribution channel to some immediate, overt behavior. This broad category includes

trade deals, free samples, displays, trading stamps, sweepstakes, cents-off coupons, and premiums, among others. Reader's Digest, for example, is famous for its annual sweepstakes designed to increase circulation. And the Promotion Marketing Association Coupon Council reports that 76 percent of U.S. shoppers use coupons, saving $3 billion annually.

Some promotions are linked mainly to the communications function of the marketing mix (displays, events, trade shows), while others are linked more to the product element (free samples, premiums) or the price element (coupons, volume discounts, end-of-month sales). And some complement the distribution element (trade deals, sales contests). Sales promotion (often referred to simply as promotion) is used primarily as a tactical adaptation to some external situation such as competitive pressure, changing seasons, declining sales, or new product introductions. Because advertising people are frequently called on to solve a variety of marketing problems, it is critical that they understand and know how to integrate the whole mix of communications techniques.

CHAPTER 9
GATHERING INFORMATION AND ADVERTISING PLANNING

A. What Is Marketing Research?

Every year companies spend millions of dollars creating ads and promotions that they hope their customers and prospects will notice and relate to. Then they spend millions more placing their communications in print and electronic media, hoping their customers will see and hear them and eventually respond. Advertising is expensive. In the United States the cost of a single 30-second commercial on prime-time network TV averages around $130,000. Likewise, a single, full-page color ad in a national business magazine average $100 to reach every thousand prospects. That's too much money to risk unless advertis- ers have very good information about who their customers are, what they want and like, and where they spend their media time. And that's why advertisers need research. Research provides the information that drives marketing and advertising decision making. Without that information, advertisers are forced to use intuition or guesswork. In today's fast-changing, highly competitive, global economy, that invites failure.

To help managers make marketing decisions, companies develop systematic procedures for gathering, recording, and analyzing new information. This is called marketing research (it should not be confused with market research, which is information gathered about a particular market or market segment). Marketing research does a number of things: It helps identify consumer needs and market segments; it provides the information necessary for developing new products and devising marketing strategies; and it enables managers to assess the effectiveness of marketing programs and promotional activities. Marketing research is also useful in financial planning, economic forecasting, and quality control.

Research has become big business. Worldwide, the top 10 research companies had revenues of more than $5.5 billion for marketing, advertising, and public opinion research. Led by The

Nielsen Co., with offices in more than 100 countries, the top 25 have corporate parents in the United Kingdom, Sweden, Brazil, France, Germany, Japan, the Netherlands, and the United States. But nearly one-half of their revenues come from operations outside their home countries.

Companies use marketing research to gather a lot of different types of information. It may be easiest to think of all these in terms of what one researcher calls the three Rs of marketing: recruiting new customers, retaining current customers, and regaining lost customers.

For example, to recruit new customers, researchers may study different market segments and create product attribute models to match buyers with the right products and services. Marketers need answers to many questions: What new products do consumers want? Which ideas should we work on? What product features are most important to our customers? What changes in the product's appearance and performance will increase sales? What price will maintain the brand's image, create profits, and still be attractive and affordable to consumers? Answers may lead to product and marketing decisions that directly affect the product's nature, content, packaging, pricing—and advertising.

On the other hand, to retain existing customers, a marketer may use customer satisfaction studies. Likewise, databases of customer transactions may identify reasons for customer satisfaction or dissatisfaction. Today, companies realize that the best sales go to those who develop good relationships with individual customers. As a result, customer satisfaction is now the fastest-growing field in marketing research.

Information gained for the first two Rs helps the third, regaining lost customers. For example, if an office equipment manufacturer discovers through research that an increase in service calls typically precedes cancellation of a service contract, it can watch for that pattern with current customers and then take preventive action. Moreover, it can review service records of former customers and (if the pattern holds true) devise some marketing action or advertising appeal to win them back.

In short, good marketing research enables the company to devise a sophisticated, integrated mix of product, price, distribution, and communication elements. It gives the advertiser and its agency the

information they need to decide which strategies will enhance the brand's image and lead to greater profits. Finally, it enables them to judge the effectiveness of past marketing programs and ad campaigns.

B. What Is Advertising Research?

Before developing any advertising campaign, a company needs to know how people perceive its products, how they view the competition, what brand or company image would be most credible, and what ads offer the greatest appeal. To get this information, companies use advertising research. While marketing research provides the information necessary to make marketing decisions, advertising research uncovers the information needed for making advertising decisions. By definition, it is the systematic gathering and analysis of information to help develop or evaluate advertising strategies, individual ads, and whole campaigns.

In this chapter, we consider the importance of information gathering to the development of advertising plans and strategies; we look at how companies use research to test the effectiveness of ads before and after they run; and we explore a number of specific research techniques.

Advertising research serves various purposes, most of which can be grouped into four categories: strategy research, creative concept research, pretesting, and posttesting.

1. Advertising strategy research. Used to help define the product concept or to assist in the selection of target markets, advertising messages, or media vehicles.
2. Creative concept research. Measures the target audience's acceptance of different creative ideas at the concept stage.
3. Pretesting of ads. Used to diagnose possible communication problems before a campaign begins.
4. Posttesting of ads. Enables marketers to evaluate a campaign after it runs.

C. Advertising Strategy Research

Companies develop an advertising strategy by blending elements of the creative mix. These include the product concept, the target audience, the communication media, and the creative message. To

seek information about any or all of these various elements, companies use advertising strategy research.

As we saw at the beginning of this chapter, advertisers need to know how consumers perceive their brands. They also want to know what qualities lead to initial purchases and, eventually, to brand loyalty.

Using this information, they try to establish a unique product concept for their brand—that bundle of values we discussed in Chapter 6 that encompasses both utilitarian and symbolic benefits to the consumer.

From its research, Fallon knew that drive-ups were interested in the kind of value that a stay at a Holiday Inn Express afforded. Researchers also knew that value translated emotionally as feeling good about being "smart" by saving money by forgoing unnecessary luxuries.

It's this kind of information that can lead to an effective positioning strategy for the brand. Advertising can shape and magnify a brand's position and image over time. In fact, this is one of the most important strategic benefits of advertising. But to use media advertising effectively, strategy research is essential to develop a blueprint for creatives to follow.

Advertising works differently for different product categories and, often, even for different brands within a category. This means that each brand must develop a template for the creative based on an understanding of its particular consumers' wants, needs, and motivations. Only if this is done correctly over time (say, one to two years) can brand equity be built.

To determine how brands are built and how they derive their strength, the Young & Rubicam ad agency developed a model called the BrandAsset Valuator. It measures brands in terms of differentiation, relevance, esteem, and familiarity, in that order. According to Y&R's theory, a brand must first develop differentiation— it must offer something unique and different—to survive. Second, it must be perceived by the target market as relevant to their needs and wants. Finally, it needs to build stature through esteem and knowledge. Once all these steps are accomplished, a brand achieves leadership status. In the mid-1990s, Y&R per- formed a study in 19 countries and found that Disney scored high on all these dimensions. In fact, it was one of

the highest-valued brands around the world— even in France, home of the troubled EuroDisney theme park.

Following Y&R's lead, other agencies have developed their own brand equity

studies. In 1998, WPP Group introduced a research tool titled "BRANDZ." Then, in 2000, DDB Worldwide introduced "Brand Capital," and Leo Burnett unveiled its brand of research dubbed "Brand Stock." All of these are aimed at understanding how consumers connect with brands before spending millions on advertising.

D. Target Audience Selection

The second element of the creative mix is the target audience. Therefore, one of the major purposes of research is to develop a rich profile of the brand's target markets and audiences. The marketer will want to know which customers are the pri- mary users of the product category and will study them carefully to understand their demographics, geographics, psychographics, and purchase behavior.

With any new product, the biggest problem is invariably the budget. There is never enough money to attack all geographic or demographic markets effec- tively at the same time. So the advertiser will often decide to employ the domi- nance concept—researching which markets (geographic or otherwise) are most important to product sales and targeting those where it can focus its resources to achieve advertising dominance.

In the case of Holiday Inn Express, Fallon believed it was important to find a target audience that would be heavy users of hotels but unlikely to stay at its sister brand, Holiday Inn. Drive-ups, consisting of independent-minded male businessmen, typically working in small companies or for themselves, fit the bill perfectly. As heavy users of hotels, they represented a highly profitable market segment. And because drive-ups believed that no hotel brand was particularly interested in them, Fallon could design ads that targeted their needs and concerns.

E. Media Selection

To develop media strategies, select media vehicles, and evaluate their results, advertisers use a subset of advertising research called

media research. Agencies subscribe to syn- dicated research services (such as ACNielsen, Arbitron, Simmons, or @plan) that monitor and publish information on the reach and effectiveness of media vehicles—radio, TV, newspapers, Internet Web sites, and so on—in every major geographic market in the United States and Canada.

For Holiday Inn Express, Fallon researched the media habits of drive-ups and discovered that this group tended to watch cable fare focused on news and sports, including such networks as ESPN, CNN, and the Weather Channel. Research also suggested that the target audience formulated travel plans early in the week, so Fallon ran the ads only on Sunday and Monday nights. While the overall ad budget was comparatively small, the concentration of ads on two evenings using a small number of networks gave the campaign a larger presence on those occasions when drive-ups would actually be watching TV and thinking about travel. In addition, because the campaign was so fresh and unusual, it got an additional boost from unpaid references to the "No, but I did stay at a Holiday Inn Express last night" slogan on ESPN, Late Night with David Letterman, NPR, and the Washington Post.

The final component of advertising strategy is the message element. Companies hope to find promising advertising messages by studying consumers' likes and dislikes in relation to brands and products. Kraft Foods, for example, was looking for ways to dissuade parents from switching to less expensive brands of processed cheese. While its Kraft Singles brand dominated the processed cheese slices category, it was concerned that the brand wasn't keeping up with overall growth in the market.

Working with several research companies and its ad agency, J. Walter Thompson, the company conducted a series of qualitative consumer attitude studies to figure out how women, particularly mothers, felt about Kraft Singles with the hope of discovering possible advertising themes. The mothers said they felt good giving their kids Kraft Singles because of the brand's nutritional value. But there was a catch—they also said they'd switch to a competitive prod- uct if it were cheaper. Fortunately, a phone survey provided some clues for solving the problem. Among these polled, 78 percent considered the brand an extra source of calcium for their

kids. And 84 percent of women with kids under 12 said they'd be motivated to buy the brand because of that added benefit.

From this information, the agency used concept testing to determine which message element options might prove most successful. This was now category 2 research aimed at developing creative advertising concepts.

F. Developing Creative Concepts

Once it develops an advertising strategy, the company (or its agency) will begin developing creative concepts for the advertising. Here again, research is helpful in determining which concepts to use.

From all their studies, Kraft researchers came up with two ad concepts that might keep mothers from defecting to competitive brands. First, show how much kids like Kraft Singles, and second, emphasize the fact that the brand provides the calcium kids need. J. Walter Thompson prepared two tentative TV spots and then conducted focus groups of mothers to get their reactions. With a discussion leader moderating the conversation, each group viewed the commercials. The groups' reactions were measured, taped, and observed by JWT and Kraft staff behind a one-way mirror. Immediately, problems surfaced. The idea that kids love the taste of Kraft Singles just didn't come across strongly enough. And the statement that Kraft provides calcium wasn't persuasive. Parents said, "Of course it has calcium, it's cheese." The agency had to find a newsier way to communicate the information.

Tweaking the commercials, JWT came up with a new spot showing youngsters gobbling gooey grilled-cheese sandwiches while a voice-over announcer stated that two out of five kids don't get enough calcium. More focus groups ensued. Now the parents agreed that the shots of kids devouring sandwiches communicated the great taste theme, but some thought the two-out-of-five statement played too much on their guilt.

To soften the message, the agency switched to a female announcer and then brought in the Dairy Fairy, a character from an earlier campaign, to lighten the whole tone of the spot. This seemed to work better, so the agency proceeded to copy testing.

Advertising is one of the largest costs in a company's marketing budget. No wonder its effectiveness is a major concern!

Companies want to know what they are getting for their money—and whether their advertising is working. And they'd like some assurance before their ads run.

Kraft was no exception. Millward Brown Research performed a number of copy tests to see how the agency's latest spot would perform. The tests showed that the spot performed significantly better than the norm on key measures such as branding and persuasion. Following the copy tests, the company aired "The Calcium They Need" commercial in five test markets to see how it would affect sales. Kraft quickly achieved a 10 percent increase in sales in those markets. Based on such a strong showing, Kraft rolled the campaign out nationally in 1999, and sales took off. Base volume soared 14.5 percent, and sales grew 11.8 percent.

The campaign was so successful that, in 2000, the Advertising Research Foun- dation named Kraft and J. Walter Thompson finalists for its prestigious David Ogilvy Research Award, given to the most effective ad campaign guided by research.

G. Basic Methods of Qualitative Research

Advertisers use quantitative research to gain reliable, hard statistics about specific market conditions or situations. Three basic research methods can be used to collect quantitative data: observation, experiment, and survey.

Observation In the observation method, researchers monitor people's ac- tions. They may count the traffic that passes by a billboard, count a TV audience through instruments hooked to TV sets, or study consumer reactions to prod- ucts displayed in the supermarket. Most observation method research is per- formed by large, independent marketing research companies, such as ACNielsen, Information Resources, Inc., and GfK NOP, whose clients subscribe to their various services. Healthtex, for example, subscribes to the services of NPD (National Panel Diary), which tracks the clothing purchases of 16,000 homes as a nationwide sample. From this, Healthtex can find out its market share and better understand statistical trends in the marketplace.

Technology has greatly facilitated the observation method. One example is the Universal Product Code (UPC) label, an identifying series of vertical bars with a 12-digit number that adorns every consumer packaged good. By reading the codes with optical

scanners, researchers can tell which products are selling and how well. The UPC label not only increases speed and accuracy at the checkout counter; it also enables timely inventory control and gives stores and manufacturers accurate point-of-purchase data sensitive to the impact of price, in-store promotion, couponing, and advertising.

For example, ACNielsen's ScanTrack service provides data on packaged- goods sales, market shares, and retail prices from more than 4,800 stores repre- senting 800 retailers in 52 markets. A companion service, Homescan, uses in-home bar-code scanners to collect data on consumer purchases and shop- ping patterns. As a result, marketers suddenly have reliable data on the effec- tiveness of the tools they use to influence consumers. With that information, they can develop empirical models to evaluate alternative marketing plans, media vehicles, and promotional campaigns.32 In one case, for instance, data might indicate that a 40-cent coupon for toothpaste would create $150,000 in profits, but a 50-cent coupon on the same item would create a $300,000 loss. Advertisers used to assume that changes in market share and brand posi- tion happen slowly. But observation shows that the packaged-goods market is complex and volatile. At the local level, weekly sales figures may fluctuate con- siderably, making it difficult to measure advertising's short-term effectiveness.

Video cameras have also affected observation tech- niques. Envirosell, a New York–based research company, uses security-type cameras to capture consumer in-store shopping habits. To determine the effectiveness of pack- aging and displays, the company analyzes how much time people spend with an item and how they read the label.33

Experiment To measure actual cause-and-effect relation- ships, researchers use the experimental method. An ex- periment is a scientific investigation in which a researcher alters the stimulus received by a test group and compares the results with that of a control group that did not receive the altered stimulus. This type of research is used primarily for new product and new campaign introductions. As we saw in the Kraft story, marketers go to an isolated geo- graphic area, called a test market, and introduce the prod- uct in that area alone or test a new ad campaign or promotion before a national rollout. For example, a new campaign might run

in one geographic area but not another. Sales in the two areas are then com- pared to determine the campaign's effectiveness. However, researchers must use strict controls so the variable that causes the effect can be accurately deter- mined. Because it's hard to control every marketing variable, this method is difficult to use and quite expensive.

Survey A common method of gathering primary research data is the survey, in which the researcher gains information on attitudes, opinions, or motivations by questioning current or prospective customers (political polls are a common type of survey). Surveys can be conducted by personal interview, telephone, mail, or on the Internet. Each has distinct advantages and disadvantages (see Exhibit 7–6). We'll discuss some important issues regarding survey research in the last section of this chapter.

H. Basic Methods for Testing Ads

Although there is no infallible way to predict advertising success or failure, pre-testing and posttesting can give an advertiser useful insight if properly applied.

Pretesting Methods Advertisers often pretest ads for likability and comprehension by using a variety of qualitative and quantitative techniques.

For example, when pretesting print ads, advertisers often ask direct questions: What does the advertising say to you? Does the advertising tell you anything new or different about the company? If so, what? Does the advertising reflect activities you would like to participate in? Is the advertising believable? What effect does it have on your perception of the merchandise offered? Do you like the ads?

Through direct questioning, researchers can elicit a full range of responses from people and thereby infer how well advertising messages convey key copy points. Direct questioning is especially effective for testing alternative ads in the early stages of development, when respondents' reactions and input can best be acted on. There are numerous techniques for pretesting print ads, including focus groups, order-of-merit tests, paired comparisons, portfolio tests, mock magazines, perceptual meaning studies, and direct mail tests.

Several methods are used specifically to pretest radio and TV commercials. In central location tests, respondents are shown videotapes of test commercials, usually in shopping centers, and questions are asked before and after exposure. In clutter tests, test commercials are shown with noncompeting control commercials to determine their effectiveness, measure comprehension and attitude shifts, and detect weaknesses.

A company's own employees are an important constituency. Some companies, in fact, pretest new commercials by prescreening them on their in-house cable TV systems and soliciting feedback.

The Challenge of Pretesting There is no best way to pretest advertising variables. Different methods test different aspects, and each has its own advantages and disadvantages—a formidable challenge for the advertiser.

Pretesting helps distinguish strong ads from weak ones. But since the test occurs in an artificial setting, respondents may assume the role of expert or critic and give answers that don't reflect their real buying behavior. They may invent opinions to satisfy the interviewer, or be reluctant to admit they are influ- enced, or vote for the ads they think they should like.

Researchers encounter problems when asking people to rank ads. Respondents often rate the ones that make the best first impression as the highest in all categories (the halo effect). Also, questions about the respondent's buying be- havior may be invalid; behavior intent may not become behavior fact. And some creative people mistrust ad testing because they believe it stifles creativity. Despite these challenges, the issue comes down to dollars. Small advertis- ers rarely pretest, but their risk isn't as great, either. When advertisers risk mil- lions of dollars on a new campaign, they must pretest to be sure the ad or commercial is interesting, believable, likable, and memorable—all while rein- forcing the brand image.

Posttesting Methods Posttesting can be more costly and time-consuming than pretesting, but it can test ads under actual market conditions. As we saw with Kraft, some advertisers benefit from pretesting and posttesting by running ads in select test markets before launching a campaign nationwide.

As in pretesting, advertisers use both quantitative and qualitative methods in posttesting. Most posttesting techniques fall into five broad categories: aided recall, unaided recall, attitude tests, inquiry

tests, and sales tests. (See the My Ad Campaign “Methods for Posttesting Ads.”)

Some advertisers use attitude tests to measure a campaign’s effective- ness in creating a favorable image for a company, its brand, or its products. Presumably, favorable changes in attitude predispose consumers to buy the company’s product.

IAG Research has developed a syndicated data service called IAG Ad that the company administers for such clients as American Express, General Motors, and Procter & Gamble. Using more than 80,000 surveys, IAG Ad collects key data about the ads that viewers watched the night before and generates a detailed performance analysis that includes brand recall, message understanding, likability, and purchase intent. This tool helps advertisers understand the actual effectiveness of their ads.34 Similarly, Nissan interviews 1,000 consumers every month to track brand awareness, familiarity with vehicle models, recall of commercials, and shifts in attitude or image perception. If a commercial fails, it can be pulled quickly.

Children’s clothing manufacturer Healthtex conducted some posttesting and discovered that, while new mothers appreciated the information in the long copy format of their ads, more experienced mothers didn’t. For them, the head- line and one line of copy were sufficient to get the point across. They already understood the rest. As a result, the company used the shorter format and redesigned the ads aimed at experienced parents.

The Challenge of Posttesting Each posttesting method has limitations. Recall tests reveal the effectiveness of ad components, such as size, color, or themes. But they measure what respondents noticed, not whether they actually buy the product.

For measuring sales effectiveness, attitude tests are often better than recall tests. An attitude change relates more closely to product purchase, and a measured change in attitude gives management the confidence to make in- formed decisions about advertising plans. Unfortunately, many people find it difficult to determine and express their attitudes. For mature brands, brand interest may be a better sales indicator, and advertisers now measure that phenomenon.36

By using inquiry tests—in which consumers respond to an ad for information or free samples—researchers can test an ad’s

attention- getting value, readability, and under- standability. These tests also permit fairly good control of the variables that motivate reader action, particularly if a split-run test is used (split runs are covered in Chapter 15). The inquiry test is also effective for testing small-space ads. Unfortunately, inquiries may not reflect a sincere interest in the product, and responses may take months to receive.
When advertising is the dominant element or the only variable in the company's marketing plan, sales tests are a useful measure of advertising effectiveness. However, many other variables usually affect sales (competitors' activities, the season of the year, and even the weather). Sales response may not be immediate, and sales tests, particularly field studies, are often costly and time-consuming.
For consumer-packaged goods, though, the cost of sales tests has been greatly reduced thanks to grocery store scanners. Finally, sales tests are typically more suited for gauging the effectiveness of campaigns than of individual ads or components of ads.

CHAPTER 10
PLANNING MEDIA STRATEGY

A. Integrating Science with Creativity in Advertising

In today's overcommunicated society, advertising media planners need to be as anaLytically competent as top financial officers and as creative as senior art directors and copywriters. Since most money in advertising is spent on media, solid media decisions are critical to the success of the overall marketing communications plan. The purpose of media planning is to conceive, analyze, and creatively select channels of communication that will direct advertising messages to the right people in the right place at the right time. As the DRAFTFCB Web site (www.draftfcb.com) proclaims, "It's about understanding the most optimal way of connecting with the consumer at the right time, in the right place with the most compelling message." As we have seen, the agency is adept at answering the many questions involved in media planning, such as the following:

- Where should we advertise? (In what countries, states, or parts of town?)
- Which media vehicles should we use?
- When during the year should we concentrate our advertising?
- How often should we run the advertising?
- What opportunities are there to integrate our media advertising with other communication tools?

Some of these decisions require hard scientific research and detailed mathematical analysis, aided by sophisticated software programs. But understanding and interpreting what all the numbers really mean, and then conceiving and implementing a truly masterful media plan demand human intelligence and creativity.

B. Increasing Media Options

With the advent of modern technology and the natural maturation of the mar- ketplace, many more media are available to choose from today, and each offers more choices. As we mentioned earlier, it wasn't long ago that major advertisers could ensure a big audience by simply advertising on TV. Not anymore. Today it's

much more difficult to reach a big audience, even though consumers are spending more time with media than ever before—an average of over nine hours daily. As Stacey Lippman, director of corporate media at TBWA\Chiat\ Day at the time, said, “There’s too much to keep track of and too many things to explore.”

TV is now fragmented into network, syndicated, spot, and local as well as ca- ble. Specialized magazines now aim at every possible population and business segment. Even national magazines publish editions for particular regions or demographic groups. For example, in early 2009 Parent magazine became three separate magazines to better appeal to its diverse and divergent audiences: Baby Talk, Parent: The Preschool Years, and Parent: The School Years. Finally, the incredible growth of the Internet has brought with it a host of new media options. But it has also added to the complexity of media work as planners face the challenge of staying current with the constantly expanding technology and mastering a whole new lexicon of associated terminology.

Nontraditional media—from DVD and movie advertising to electronic kiosks and even shopping carts—also expand the menu of choices. In addition, many companies spend a considerable portion of their marketing budgets on specialized communications like direct marketing, sales promotion, public relations activities, and personal selling, topics we’ll discuss in the last two chapters. In fact, these “below-the-line” (noncommissionable) activities are the fastest-growing segments at some of the large agency holding companies, like WPP and Interpublic

C. Increasing Costs

At the same time that there are more media choices, the number of messages that need to be communicated has also proliferated—so much so, in fact, that they have outstripped the ability of consumers to process them. People can cope with only so many messages, so the media have to restrict the number of ads they sell. As a result, the cost of reaching target audiences is increasing for almost all media.

In the last decade, the cost of exposing 1,000 people to each of the major media (called cost per thousand) rose faster than inflation. Shows that can deliver a big audience are sold at a premium. To run a 30-second spot on American Idol, for instance, now costs

around $750,000. However, other fac- tors, such as the 2008 writer's strike, helped drive that cost to over $1 million dollars for a spot closer to the finale.18 Rising costs make media planning more challenging than ever, especially for advertisers with small budgets. Clients want proof that planners are squeezing the most they can out of every media dollar.

D. Increasing Complexity in Media Buying and Selling

As the process of buying media has become more complex, so has the process of selling media. In the constant battle for additional sales, many print and broadcast media companies developed "value-added" programs to provide extra benefits. Besides selling space or time at rate-card prices or below, these companies now offer reprints, merchandising services, special sections, event sponsorships, and mailing lists. To get a bigger share of the advertiser's budget, larger media companies are bundling the various stations, publications, or properties they own and offering them in integrated combos as further incentives. The Discovery Networks, for example, which include the Travel Channel, TLC, Animal Planet, and Discovery, offer their advertisers "multiplatform content sponsorships." What this unwieldy name means is that each advertiser gets a major Internet/TV sponsorship with four or five commercials in a special-event Discovery show and Webcast. Specially created TV spots promote the program and the Webcast, as well as Discovery's Web site and even the advertiser's Web site. Moreover, advertisers get additional off-air exposure in hundreds of Discovery Network retail stores nationwide which also run in-store videos promoting the shows and the sponsors.

Television networks work with major sports associations and professional teams to develop integrated marketing "partnerships" for sports and event sponsors. General Motors and NBC, for example, raised the bar on Olympic sponsorships in 1997 with a 12-year, $600 million deal to make GM the official domestic car and truck of the U.S. Olympic Team. The NBC portion of the deal gave GM domestic category exclusivity and media placement for the network's coverage of the 2000, 2002, 2004, 2006, and 2008 Olympics. GM spent an estimated additional $300 million to leverage its Olympics involvement. As Phil Guarasco, GM's VP/general manager of marketing and advertising, said, "This isn't

about dollars, it's about value. What we have here is a strong, cost-effective marketing initiative for the company.

Value-added packages often employ communications vehicles outside traditional media planning, such as public relations activities, sales promotion, and direct marketing. The Food Network, for instance, hosts of The Next Iron Chef International, allowed product integration for their premier sponsor, Kikkoman, into the com- petition and also recorded one of the episodes on-site at Kikkoman headquarters in Japan. These types of integrations allow advertisers, in this case Kikkoman, to gain associative value that basic advertising cannot accomplish. But placing a value on these deals is difficult because the nonmedia elements are hard to quantify.

The trend toward integrated marketing communications and relationship marketing is creating a new breed of media planner: younger, computer literate, and schooled in marketing disciplines beyond traditional media. The good media specialist today is actually a real advertising generalist. And with many of the biggest client changes happening in media-only agency reviews, it's apparent that the media professionals have finally come into their own.

E. Increasing Complexity in Media Buying and Selling

The final element making media planning more challenging today is the competitive environment, which in just a few years completely changed the structure of the advertising business. In the 1980s and early 1990s, as clients sought greater efficiency with their media dollars, independent media buying services came to the fore, attracting some of the best and brightest talent in the business to compete with agencies for what was once their private domain. Initially, the independents bought advertising space and time at lower bulk rates and then sold it at a higher rate or for a handling commission to advertisers or ad agencies that didn't have a fully staffed media department. As the media specialists grew, though, clients came to realize the virtues of scale, and financial clout emerged as a potent weapon in negotiating media buys.21 By 1994, the independents handled more than one-fourth of all national advertising media accounts.

To respond to the competitive pressure, ad agencies started unbundling their own media departments, setting them up as separate media specialist subsidiaries. These companies could compete with the independents as well as with other agencies for media-only accounts. Over time, all these firms became quite expert at the media function. With the rapid increase in billings, they were able to pour a substantial amount of money into the development of new research tools, which was critical given the continued fragmentation of the mass media into smaller and smaller niches.

At this point, the big multinational advertisers realized that they could receive greater impact from their ad dollars by consolidating their media budgets within a single large shop. Procter & Gamble, for instance, pooled $1.2 billion at TeleVest, now MediaVest. As the big media shops started winning the big accounts, the large agency holding companies went on an acquisition binge, buying up the largest of the inde- pendent media agencies and sometimes merging them with their own subsid- iaries and then, as in the case of TME, relaunching them as global media firms. By 2000 the process had gone full circle. For the most part, the agencies were again back in control of the media budgets—albeit at arm's length. And while the structure was different, so was the compensation. They were no longer getting 15 percent of the media budget. In fact, 2 to 3 percent was the norm. But the volume was so high that the business could still be quite profitable.

The top 10 media agencies today account for more than $78.5 billion in media purchasing power in the United States alone. Worldwide, they account for more than $186.64 billion.

F. Marketing Objectives and Strategy

The top-down marketing plan defines the market need and the company's sales objectives and details strategies for attaining those objectives. Marketing objectives may focus on solving a problem ("regaining sales volume lost to major competitive introductions over the past year") or seizing an opportunity ("increasing share in the female buyer segment of the athletic-shoe market").

Marketing strategies lay out the steps for meeting these objectives by blending the four elements of the marketing mix. A company

whose marketing objective is to increase sales of a particular brand in a certain part of the country has many options. For example, it can adapt the product to suit regional tastes (product); it can lower the price to compete with local brands (price); it can devise deals to gain additional shelf space in retail outlets (distribution); and it can reposition the product through intensive trade and consumer advertising (communication). Thus, advertising is just one of the many strategic tools a company may use to achieve its marketing objectives.

In the age of integrated marketing communications, many agencies have moved the task of media planning earlier in the advertising management process, because people typically make contact with the brand through some medium. Before determining what creative approach to employ, it's important to know when, where, and under what conditions contact can best be made with the customer or other stakeholder and to plan for that. This sets the strategic direction for the creative department.

Development of a media plan involves the same process as marketing and advertising planning. First, review the marketing and advertising objectives and strategies and set relevant, measurable objectives that are both realistic and achievable by the media. Next, try to devise an ingenious strategy for achieving these objectives. Finally, develop the specific tactical details of media scheduling and selection.

G. Audience Objectives

Audience objectives define the specific types of people the advertiser wants to reach. Media planners typically use geodemographic classifications to define their target audiences. The target audience may consist of people in a specific income, educa- tional, occupational, or social group—any of the segments we discussed in Chapter 6. And the target audience is not necessarily the same as the product's target market. Often it is considerably larger. For example, in the case of a new product introduction, the target audience will often include members of the distribution channel, key opinion leaders, the financial community, and even the media itself—in addition to potential customers.

Many advertisers have to defend their media decisions with the retailers who stock and resell their products. Why? If these people

construed a change in media strategy as a loss of advertising support, they might reduce the shelf space for the advertiser's products. Therefore, most consumer campaigns are supported by a concurrent campaign directed to the trade.

The consumer target audience may be determined from the marketer's re- search. However, planners rely largely on secondary research sources, such as Arbitron and Nielsen Media Research, which provide basic demographic charac- teristics of media audiences. Others, such as Simmons Market Research Bureau (SMRB) and Mediamark Research, Inc. (MRI), describe media audiences based on purchase tendencies (see Exhibit 9–6). These syndicated reports give demographic profiles of heavy and light users of various products and help planners define the target audience. The reports also specify which TV programs or mag- azines heavy and light users watch and read, which helps planners select media with large audiences of heavy users. Planners can then select media vehicles— particular magazines or shows— according to how well they "deliver" or expose the message to the media audience that most closely resembles the desired target consumer.

Advertisers using the IMC planning model start by segmenting their target audiences according to brand-purchasing behavior (for example, loyal users, brand switchers, new prospects) and then ranking them by profit to the brand. Communications objectives are then stated in terms of reinforcing or modifying customer purchasing behavior or creating a perceptual change about the brand over time.

Unfortunately, due to cost restraints, much media research does not provide the specificity that marketers would really like. Most radio, TV, newspaper, and outdoor audience reports, for example, are limited to age and gender. So media planners often have to rely on their judgment and experience to select the right media vehicles.

H. Message-Distribution Objectives

Distribution objectives define where, when, and how often advertising should appear. To answer these questions, a media planner must understand a number of terms, including message weight, reach, frequency, and continuity.

Marketers are naturally interested in having their messages exposed to as many customers and prospects as they can afford. So they are also logically most interested in those media opportunities that offer the largest audiences. The basic way to express audience size is simply to count the number of people in a medium's audience. This is what media research firms like Nielsen and Arbitron do for the broadcast media, typically using a statistical sample to project the total audience size. For print media, firms like the Audit Bureau of Circulations actually count and verify the number of subscribers (the circulation) and then multiply by the estimated number of readers per copy (RPC) to determine the total audience.

Media planners often define media objectives by the schedule's message weight, the total size of the audience for a set of ads or an entire campaign, because it gives some indication of the scope of the campaign in a given market. There are two ways to express message weight: gross impressions and gross rating points.

If planners know the audience size, they can easily calculate the number of advertising impressions in a media schedule. An advertising impression is a possible exposure of the advertising message to one audience member. It is sometimes referred to as an opportunity to see (OTS). By multiplying a medium's total audience size by the number of times an advertising message is used during the period, planners arrive at the gross impressions, or potential exposures, possible in that medium. Then, by summing the gross impressions for each medium used, they know the total gross impressions for the schedule.

With large media schedules, though, gross impressions can run into the millions and become very awkward to handle, so that's where the concept of ratings came from. The rating is simply the percentage of homes (or individuals) exposed to an advertising medium. Percentages are not only simpler numbers to deal with, they are also more useful in making comparisons. Thus, one rating point is equal to 1 percent of a given population group. When we hear that a particular TV show garnered a 20 rating, it means 20 percent of the households with TV sets (expressed as television households or TVHH) were tuned in to that show. The higher a program's rating, the more people are watching.30 This definition

applies to many media forms, but it is most com- monly used for radio and TV.

By adding the ratings of several media vehicles (as we did for gross impressions) we can determine the message weight of a given advertising schedule, only now it's expressed as gross rating points (GRPs). When we say a schedule delivered 180 GRPs, that means the gross impressions generated by our sched- ule equaled 180 percent of the target market population. For broadcast media, GRPs are often calculated for a week or a month. In print media, they're calculated for the num- ber of ads in a campaign. For outdoor advertising, they're calculated on the basis of daily exposure.

Media planners may use GRPs to determine the optimal level of spending for a campaign. The more GRPs they buy, the more it costs. However, because of discounting, the unit cost per GRP decreases as more GRPs are bought. Beyond a certain point, the effectiveness of additional GRPs diminishes.

Through the use of computer models and certain assumptions based on experience, sophisticated planners can detect the relative impact of ad-related variables on sales and determine the return on investment (ROI) from each. This can potentially save clients substantial sums of money.

In the calculation of message weight, advertisers disregard any overlap or duplication. As a result, certain individuals within the audience may see the message several times while others don't see it at all. While message weight gives an indication of size, it does not reveal much about who is in the audience or how often they are reached. This fact necessitated the development of other media objectives, namely reach, frequency, and continuity.

CHAPTER 11
CREATIVE STRATEGY AND THE CREATIVE PROCESS

A. The Creative Team

The creative spark in advertising begins with a team made up of an art director and a copywriter. The copywriter develops the verbal message, the copy (words) within the ad spoken by the imaginary persona. The copywriter typi- cally works with an art director who is responsible for the nonverbal aspect of the message, the design, which determines the visual look and intuitive feel of the ad. Together, they work under the supervision of a creative director (typically, a former copywriter or art director), who is ultimately responsible for the creative product—the form the final ad takes. As a group, the people who work in the creative department are generally referred to as creatives, regardless of their specialty.

In Target ads, the creative team's taste, talent, and conceptual skill determine an ad's overall character and its ability to communicate. This chapter focuses on the creative process: where it comes from, how it's developed, and how it relates to marketing and advertising strategy. To start, let's dig deeper into the characteristics of great advertising. What is it? Where does it come from?

Reflect for a moment on the ads you have enjoyed the most, whether they are running today or are stored in memory from years past. The ads we love we refer to as "great." We don't need to say what we call the other ones, because it's only greatness that we're concerned with here. But what do we really mean when we say an ad is great?

If we look at some of the classic ads in history, we may get a clue: Volkswagen's famous "Think small" ad; DeBeers' "A diamond is forever" line; Clairol's "Does she or doesn't she?"; Burger King's "Have it your way"; the Army's "Be all you can be"; and Coca-Cola's "The real thing." What makes these campaigns great?

This is a very important question, since research indicates that "ad liking" has a tremendous impact on "ad success." No wonder, then, that agencies want to author, and advertisers want to sponsor, ads that people like. But is liking all that is required for an ad to be great?

Whether the “ad” is a billboard, a page in a magazine, a TV or radio spot, or a hot new Web site, great ads do have certain commonalities. We can group most of these characteristics into two dimensions of greatness: audience resonance and strategic relevance.

To resonate means to echo, reverberate, or vibrate. It also means to boom, ring, or chime. And that’s what a great ad does with the audience. It rings, echoes, reverberates, and stays around long after the the ad exposure. It resonates.

Why? Because of the boom factor.

When a cannon goes “boom,” it gets your attention—right now! So it is with an ad. It’s the surprise element—the “aha.” But in advertising, it not only gets your attention, it catches your imagination. In this sense it’s like great art. It in- vites you to stop and think about the message.

Look at the Target ad, juxtaposing the image of fashion with people sus- pended in air. The ad is unusual, even for Target, so we stop to examine it more closely. And as we do so, the colors and the familiar logo convey exactly where we can buy the fashions if they strike our fancy. The ad resonates.

Other ads may resonate for different reasons. In some of the classic cases we just mentioned, it’s simply the headline that resonates—so much so that it becomes a part of our daily lexicon. Negatively originated motives, such as problem avoidance or problem removal, provide the foundation for many great ads. These resonate with the audience by being highly informational, by offering relief from some real or perceived problem (FedEx’s “When it absolutely, positively has to be there overnight”). Other motives are positively originated as consumers seek sensory gratification, intellectual stimulation, or social approval. Here, ads may achieve greatness by being transformational, using positive reinforcement to offer a reward (Obama’s “Yes we can”).

Unfortunately, most ads, whether they’re informational or transformational, fail to resonate with the audience. Why? Because they lack a “big idea” or they fall down in the execution. The copy may be uninspiring, the visual may be less than attractive, or the production techniques used may be low quality. From the consumer’s point of view, these ads are just a waste of time.

From the advertiser's point of view, ads that don't resonate are a terrible waste of money. In fact, for them the greatness of the advertising is in the "bang per buck." Great ads give their sponsors much more advertising effectiveness per dollar spent. Given this reality, isn't it amazing how much money is invested in ads that underwhelm?

The second dimension of great advertising is strategic rel- evance. An ad may get you to think, but what does it get you to think about? A classic example is the old Alka-Seltzer ad "I can't believe I ate the whole thing." It captured everyone's imagination, but it reinforced the wrong feeling—the feeling of the problem (overeating) rather than the solu- tion (Alka-Seltzer).

While the text and the visual carry the ad message, be- hind the creative team's choice of tone, words, and ideas lies an advertising strategy. When the ad is completed, it must be relevant to the sponsor's strategy, or it will fail—even if it resonates with the audience. In other words, it may be great entertainment, but not great advertising. Great advertising always has a strategic mission to fulfill. In fact, strategy is the key to great creative work.

B. The Key to Great Creative

Let's look at the advertising (or creative) strategy that Target and its agencies developed. Then we'll see how they translated that into a message strategy and a big idea and, finally, into effective ads.

Advertising strategy consists of four elements: the target audience, the product concept, the communications media, and the advertising message.

What is Target's target audience? Target focuses on value-conscious shoppers, usually adults ages 25–49 with families, who seek products that are nicer than those typically found at deep-discount stores. These shoppers are not poor, but they do look to save money (Target reports that the median household income of its shoppers, or "guests," as the company calls them, is $60,000). This group is Target's primary market—that's who the company sells to. So Target definitely wants them to see its advertising. Because Target offers both value and a sense of style, 18- to 25-year-olds are another important market. While this group as a whole may not spend as much as the primary market, they act as

centers of influence (or key influentials). This group is a secondary target audience for the advertising.

What is Target's product concept? Target has been described by some as "cheap chic." In other words, it is a mass merchandizer that appeals to those with a sense of style.

What communications media does Target use? Target spends nearly three out of four ad dollars on ads that run on television and in newspapers. Some money is also spent on outdoor and radio as a means for reaching consumers while they drive. And like many companies, Target is increasing its spending on digital media, including e-mail and viral ads.

What is Target's advertising message? In its simplest terms, message strat- egy is determined by what a company wants to say and how it wants to say it. Target's ads continue to stress the dual benefit proposition, "Expect more, pay less." While Walmart ads are product focused, Target's spots emphasize the con- sumer and her or his lifestyle. This reinforces the "expect more" benefit. To do In today's overcommunicated society, advertising media planners need this effectively, the ads have to exude an aura of quality. So the agency creative team chose a message strategy that is simple yet thoughtful, entertaining, credible, and most of all, distinctive.

The agency and client team must understand and agree to these four elements of the advertising strategy—target, product, media, and message—before any creative work begins. In most agencies, the account management group is responsible for developing the advertising strategy. In some large agencies, account planners spend a great deal of time researching the market. Then they prepare the advertising strategy with input from, and the approval of, account management. When the strategy-development task is completed, the account people prepare a creative brief to communicate the strategy to the creative department.

C. Writing the Creative Brief

With the overall advertising objectives and strategy determined, the account managers (or, often, account planners) write a brief statement of the intended advertising strategy. The creative brief serves as the creative team's guide for writing and producing the ad. In some agencies it may be referred to as a copy platform, a work plan, or a copy (or creative) strategy document. Regardless

of the name, it is a simple written statement of the most important issues to consider in the development of the ad or campaign: the who, why, what, where, and when.

- Who? Who is the prospect in terms of behavioristic, geographic, demographic, and/or psychographic qualities? What is the typical prospect's personality?
- Why? Does the consumer have specific wants or needs the ad should appeal to? Advertisers use two broad categories of appeals. Rational appeals are directed at the consumer's practical, functional need for the product or service; emotional appeals target the consumer's psychological, social, or symbolic needs.
- What? Does the product have special features to satisfy the consumer's needs? What factors support the product claim? How is the product positioned? What personality or image (of the product or the company) can be or has been created? What perceived strengths or weaknesses need to be dealt with?
- Where and when will these messages be communicated? Through what medium? What time of year? What area of the country?
- Finally, what style, approach, or tone will the campaign use? And, generally, what will the copy say?

The creative brief identifies the benefits to be presented to consumers, but it doesn't cover execution. How the benefits will be presented is the creative team's job.

The delivery of the creative brief to the creative department concludes the process of developing an advertising strategy. It also marks the beginning of the next step: the advertising creative process, in which the creative team develops a message strategy and begins the search for the big idea. After writing the first ad, the copywriter should review the copy platform to see if the ad measures up on the resonance and relevance dimensions. If it doesn't, the team must start again.

D. How Creativity Enhances Advertising

The powerful use of imagery, copy, and even humor in the Target campaign demonstrates how creativity enhances advertising. But

what exactly is creativity or the creative process? What is the role of creativity in advertising? And where does creativity come from?

To create means to originate, to conceive a thing or idea that did not exist be- fore. Typically, though, creativity involves combining two or more previously unconnected objects or ideas into something new. As Voltaire said, “Originality is nothing but judicious imitation.”

Many people think creativity springs directly from human intuition. But as we’ll see in this chapter, the creative process is actually a step-by-step procedure that can be learned and used to generate original ideas.

Advertisers often select an agency specifically for its creative style and its repu- tation for coming up with original concepts. While creativity is important to advertising’s basic mission of informing, persuading, and reminding, it is vital to achieving the boom factor.

Advertising’s responsibility to inform is greatly enhanced by creativity. Good creative work makes advertising more vivid, and many researchers believe vividness attracts attention, maintains interest, and stimulates consumers’ thinking. A common technique is to use plays on words and verbal or visual metaphors, such as “Like a rock,” “Fly the friendly skies,” or “You’re in good hands.” The metaphor describes one concept in terms of another, helping the reader or viewer learn about the product.

Other creative techniques can also improve an ad’s ability to inform. Adver- tising writers and artists must arrange visual and verbal message components according to a genre of social meaning so that readers or viewers can easily interpret the ad using commonly accepted symbols. For example, aesthetic cues such as lighting, the pose of the model, setting, and clothing style can instantly signal viewers nonverbally whether a fashion ad reflects a romantic adventure or a sporting event.

The ancients created legends and myths about gods and heroes—symbols for humankind’s instinctive, primordial longings and fears—to affect human behavior and thought. To motivate people to some action or attitude, advertising copywriters have created new myths and heroes, like the Jolly Green Giant and the Energizer Bunny. A creative story or persona can establish a unique identity for the product in the collective mindset, a key factor in helping a product beat the competition.

To be persuasive, an ad's verbal message must be reinforced by the creative use of nonverbal message elements. Artists govern the use of these elements (color, layout, and illustration, for example) to increase vividness. Research sug- gests that, in print media, information graphics (colorful explanatory charts, tables, and the like) can raise the perception of quality for some readers.12 Artwork can also stimulate emotions. Color, for example, can often motivate consumers, depending on their cultural background and personal experiences. So it should be no surprise that Michael Francis, brand czar at Target, wants the retailer to "own red." Translation? When you see red in advertising, you should anticipate that it is a Target ad, even before the brand is identified. Imagine using the same invitation, without any innovation, to ask people to try your product again and again, year after year. Your invitation would become stale very quickly—worse, it would become tiresome. Only creativity can trans- form your boring reminders into interesting, entertaining advertisements. Nike is proof. Several commercials in a Nike campaign never mentioned the company name or even spelled it on the screen. The ads told stories. And the only on- screen cue identifying the sponsor was the single, elongated "swoosh" logo in- scribed on the final scene. A Nike spokesperson said the ads weren't risky "given the context that the Nike logo is so well known."14 We are entertained daily by creative ads—for soft drinks, snacks, and cereals—whose primary mis- sion is simply to remind us to indulge again.

Creativity Puts the "Boom" in Advertising

Successful comedy also has a boom factor—the punchline. It's that precise mo- ment when the joke culminates in a clever play on words or turn of meaning, when the audience suddenly gets it and shows its approval.

Good punchlines are the result of taking an everyday situation, looking at it creatively, adding a bit of exaggeration, and then delivering it as a surprise. Great advertising often does the same thing.

When a group of friends greet each other with wagging tongues and an exaggerated "Whassup?" while "watching the game and having a Bud," the audience is completely caught off guard and roars with laughter. Boom!

The agency, DDB Worldwide, Chicago, stretched the concept with subse- quent ads like “Wasabi,” “What are you doing?” and “How you doin’?” each hu- morously highlighting a recognizable trait of different American subcultures and featuring “people just being people.” The advertising campaign was so suc- cessful that not only did the infectious catchphrase “Whassup?!” work its way into the daily lexicon, but DDB Worldwide won numerous awards for its cre- ative accomplishments. At the International Advertising Festival at Cannes, France, DDB won the prestigious Grand Prix award.

In advertising, though, the boom doesn’t always have to be funny. It may come from the sudden understanding of an unexpected double-meaning, as in the case of Target ads. Or from the gentle emotional tug of a Hallmark Cards commercial. Or the breathtaking beauty of a magnificent nature photograph for Timberland shoes. In a business-to-business situation, it may come from the sudden recognition of how a new high-tech product can improve workplace productivity. In short, the boom factor may come from many sources. But it always requires the application of creativity.

Some people may exhibit more of it than others, but creativity lives within all of us. Human creativity, developed over millions of years, enabled our ancestors to survive. Without creativity we wouldn’t have discovered how to harness fire, domesticate animals, irrigate fields, or manufacture tools. As individuals, we use our natural creativity every time we select an outfit to wear, style our hair, contrive an excuse, decorate our home, or cook a meal.

At the turn of the twentieth century, the German sociologist Max Weber deter- mined that people think in two ways: an objective, rational, fact-based manner and a qualitative, intuitive, value-based manner. For example, while studying for a test, we use our rational, fact-based style of thinking. But when we buy a car, we call on taste, intuition, and knowledge to make a qualitative value judgment of the car’s features, styling, and performance weighed against its price.

In the late 1950s, the theories of convergent and divergent thinking de- scribed how one can process concepts by narrowing or expanding one’s assortment of ideas. In the late 1970s, researchers discovered that the left side of the brain controls logical functions and the right controls intuitive functions. In the 1980s,

social scientists Allen Harrison and Robert Bramson defined five catego- ries of thinking: the synthesist, the idealist, the pragmatist, the analyst, and the realist. They concluded that the analyst and realist fit Max Weber's fact category and the synthesist and idealist fit his value category.

Roger von Oech defined this dichotomy as hard and soft thinking. Hard thinking refers to concepts like logic, reason, precision, consistency, work, reality, analysis, and specificity. Soft thinking refers to less tangible concepts: metaphor, dream, humor, ambiguity, play, fantasy, hunch. On the hard side, things are right or wrong, black or white. On the soft side, there may be many right answers and many shades of gray.

Also in the 1980s, Alessandra, Cathcart, and Wexler developed a model fea- turing four types of personalities and relationship behaviors based on assertiveness and responsiveness factors (the relater, the socializer, the director, and the thinker). The relater and the socializer exhibit value-based characteristics; the director and the thinker display fact-based traits.

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GLOSSARY

AdSense Google program that allows Web sites to display text ads in exchange for a portion of ad revenue.

advertising agency An independent organization of creative people and businesspeople who specialize in developing and preparing advertising plans, advertisements, and other promotional tools for advertisers. The agency also arranges for or contracts for purchase of space and time in various media.

animatic A rough television commercial produced by photographing storyboard sketches on a film strip or video with the audio portion synchronized on tape. It is used primarily for testing purposes.

banner Part of a Web site reserved for an advertising message. Clicking a banner normally redirects an Internet user to the advertiser's Web site.

behavioristic segmentation Method of determining market segments by grouping consumers into groups based on their purchase behavior.

benefit headline Type of headline that makes a direct promise to the reader.

benefits The gratifications or relief from problems offered by a particular brand, product, or service.

benefit segmentation Method of segmenting consumers based on the benefits being sought.

blogs Online sites where companies and individuals place regular posts which are then commented on by readers.

broadband A type of digital data transmission that enables a single wire to carry multiple signals simultaneously.

catalogs Reference books mailed to prospective customers that list, describe, and often picture the products sold by a manufacturer, wholesaler, jobber, or retailer.

cookies Small pieces of information that get stored in a Web user's hard drive when visiting certain Web sites. Cookies track whether the user has ever visited a specific site and allow the site to give users

different information according to whether or not they are repeat visitors.

creative brief A written statement that serves as the creative team's guide for writing and producing an ad. It describes the most important issues that should be considered in the development of the ad (the who, why, what, where, and when), including a definition and description of the target audience; the rational and emotional appeals to be used; the product features that will satisfy the customer's needs; the style, approach, or tone that will be used in the copy; and, generally, what the copy will say.

demographics The statistical characteristics of the population.

directories Listings, often in booklet form, that serve as lo- cators, buying guides, and mailing lists.

exchange The trading of one thing of value for another thing of value.

focus group A qualitative method of research in which four or more people, typical of the target market, are invited to a group session to discuss the product, the service, or the marketing situation for an hour or more.

franchising A type of vertical marketing system in which dealers pay a fee to operate under the guidelines and direction of the parent company or manufacturer.

intellectual property Something produced by the mind, such as original works of authorship including literary, dramatic, musical, artistic, and certain other "intellectual" works, which may be legally protected by copyright, patent, or trademark.

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