Introduction to Advertising

Advertising Practices

MKTG 3809

Advertising Practices

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These materials have been adapted from the following OER resources:

Launch! Advertising and Promotion in Real Time by Solomon et al. 2009: <https://open.umn.edu/opentextbooks/textbooks/launch-advertising-and-promotion-in-real-time>

Principles of Marketing by Lumen Learning <https://courses.lumenlearning.com/waymakerintromarketingxmasterfall2016/>

Introduction to Marketing by USG Ecore <https://go.view.usg.edu/d2l/home/2366486>

# MODULE 1 - Introduction to Advertising

## Advertising and its role in marketing

Advertising has been with us since the days of ancient Greece, when announcements were etched on stone tablets or shouted by town criers. While Pizza Hut painted its logo on a Russian rocket and delivered a pizza to the Mir Space Station, in reality many of the ad formats we see today haven’t fundamentally changed in hundreds of years.[[1]](#footnote-1)

Advertising in the United States began before we were even a nation. Colonial Americans saw ads on posters and in newspapers—the first newspaper ad was for real estate and appeared in 1704. The true rise of modern advertising, however, coincided with the Industrial Revolution for three reasons:

* Technologies enabled mass production of consumer goods, which meant that companies could grow to a larger size and make many more products efficiently. Next, they needed to find ways to sell these goods.
* Railroads linked the nation and provided a way to get newspapers and mass-produced products into towns across America. Quaker Oats—the first mass-marketed breakfast food—was introduced in 1878. Ivory Soap followed in 1879, and in 1888 Eastman began advertising the first hand-held Kodak cameras.
* The same technologies that enabled mass production accelerated the growth of mass media. The invention of the rotary press in 1859 and the process of making paper from wood pulp developed in 1866 enabled mass production of newspapers, which in turn provided the medium to distribute ads to more people.

Early examples of mass media include the *New York Times*, which published its first issue in 1851 (it was then called the *New-York Daily Times*). The *New York Tribune* doubled its advertising between October 1849 and October 1850. The magazines *Harper’s Bazaar* and *Vanity Fair* debuted in 1867 and 1868, respectively. By 1870, 5,091 newspapers were in circulation in the United States.

Capitalism also fueled advertising as it created a growing middle class that could afford to buy an array of consumer products. Soon the proliferation of mass-distributed consumer goods sparked the rise of the advertising profession. As competing manufacturers grew and more products were available on the market, the need to distinguish one’s products from the rest of the pack created a need for professional advertising agents, and advertising grew from an emerging to a legitimate profession.

### Marketing vs. advertising

Typically, when people hear the word marketing they think it means either advertising or selling. In reality, marketing involves both advertising and selling, but it’s not limited to them. According to the American Marketing Association, “**Marketing** is the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners, and society at large.”[[2]](#footnote-2) It basically means that marketing is about all parties to a transaction walking away with something of value.

This process is in many ways the same regardless of what the transaction is about—whether it’s a can of peas, a reggae concert, a blood drive, or a political campaign. In each case marketing is about satisfying needs. A **need** is the difference between a consumer’s actual state and a desired state. For example, if you are hungry, your need is to satisfy that hunger. Needs are the essential requirements for humans to survive such as air, food, water, clothing, and shelter. Needs become wants when pointed to specific items that might satisfy the need. For example, when you are thirsty you can drink a glass of water from the sink and in this way you would be satisfying a **need**. However, when you feel thirsty for your favorite soda (i.e. Coca-Cola) or sports drink (i.e. Gatorade), your need has turned into a **want**for a company’s offering. A product delivers a benefit when it satisfies a need, advertising tries to create a want for the specific product or brand by showing consumers how a product, service, or idea will do a good job of satisfying a need as it informs, persuades, or reminds.

Advertising is only one of the elements in the marketer’s strategic toolbox. We call this toolbox the **marketing mix** which consists of the tools the organization uses to create a desired response among a set of predefined consumers. These tools include the **product** itself, the **price** of the product, the **promotional** activities that introduce it to consumers, and the **places** where it is available as depicted in Figure. We commonly refer to the elements of the marketing mix as **the Four Ps: product, place, price,** and **promotion**. The word mix reminds us that no single marketing activity is sufficient to accomplish the organization’s objectives; the key is to blend these together to create the desired impact. Let’s take a closer look at each of these four basic tools.

Figure 1.1. Marketing Mix elements – 4Ps



Source: https://www.flickr.com/photos/ryanvanetten/5928662611

### Marketing Mix

#### Product

A product is a bundle of attributes (features, functions, benefits, and uses) that a person receives in an exchange. In essence, the term “product” refers to anything offered by a firm to provide customer satisfaction, tangible or intangible. Thus, a product may be an idea (recycling), a physical good (a pair of jeans), a service (banking), or any combination of the three.

While developing the product strategy, marketers try to explore the following questions:

* What attracts customers to our products?
* What improvements would make them even more attractive to our target segments?

There are three levels of a product (shown in the figure below): **core, actual, and augmented**. Each is important to understand in order to address the customer needs and offer the customer a complete experience.

Figure 1.1. Three levels of a product

##### The Core Product

The core product, or core customer value, refers to the benefits that consumers receive by using the product. For example, a consumer who purchases a healthy snack bar may be seeking health, convenience, or simply hunger relief. A student who buys low-priced, sturdy sneakers may just be seeking footwear. A student on a tight budget who buys top-of-the-line sneakers might be hoping to achieve status. Or, the student might be seeking a sense of freedom by splurging on an item that represents a true sense of style, even though he can’t really afford it. Footwear, status, and freedom are all legitimate core products. The marketer must have a strong understanding of the target customer in order to accurately identify the core product for the particular target audience and the role of advertising and promotion here is to communicate these benefits.

##### The Actual Product

Once the core product has been identified, the tangible product becomes important. Tangible means “perceptible by touch,” so the tangible aspects of a product are those that can be touched and held. These are the product elements that the customer will use to evaluate and make choices: the product features, quality level, brand name, styling, and packaging. Every product contains these components to a greater or lesser extent, and they are what the consumer uses when evaluating alternatives.

The importance of each aspect of the tangible product will vary across products, situations, and individuals. For example, at age twenty, a consumer might choose a particular brand of new car (core product=transportation) based on actual product features such as gas mileage, styling, and price (choice=Toyota Yaris); at age forty-five, the core product remains the same (transportation), while the actual product features such as quality level, power, features, and brand prestige become important (choice=Audi A6). The role of advertising and promotion here is to communicate the desired features of the product.

##### The Augmented Product

Every product is backed up by a host of supporting services. The augmented product includes the tangible product and all of the services that support it. Augmented products include components like a warranty for a vacuum cleaner, the soft drinks an airline serves, and the instructions that come with your new gadget. In a world with many strong competitors and few unique products, the augmented product is gaining ground, since it creates additional opportunities to differentiate the product from competitive offerings. The role of advertising here is to communicate these unique product features.

#### Price

Price is the amount that the consumer pays to acquire a product. Setting a price for a product involves a number of considerations. For example, the seller must decide upon a basis for pricing. Products may be priced by the unit (a single TV or computer), by volume (gasoline), by time of use (monthly cable TV or Internet service), by amount of use (utilities or cell phone minutes), or by performance (overnight versus two-day package delivery).

In addition to the list price, producers may offer discounts and allowances to its channel partners—the firms or individuals in its channel of distribution. The producer may offer each channel partner a different price if they buy in different quantities or if the deal includes cooperative advertising, where two or more channel partners agree to pitch in to promote a product. For example, a candy company and a grocery store might agree to share the cost of a Halloween newspaper circular that includes an advertisement featuring party ideas and coupons for trick-or-treaters.

For very expensive items, price may also include a payment period and credit terms. This allows consumers to purchase products, such as new cars, that they otherwise would be unable to afford. In some cases, a seller may offer credit incentives to encourage consumers to buy big-ticket items. For example, furniture stores frequently offer customers up to ninety days of free credit (zero percent financing) when they make large purchases such as a sofa or bedroom suite. The role of advertising and promotion is to communicate information about the price and the value-for-money.

While developing the price strategy, marketers try to explore the following questions:

* How are we going at providing good value for the price?
* How does our pricing affect customers’ willingness to buy?
* How would changes to pricing affect sales?

#### Place

Place refers to where you offer your product for sale, whether it’s at your local grocery store, at a big discounter like Wal-Mart, or at a vending machine in your dorm. A key to successful marketing is to make your offering available at a time and location that are desirable to the customer.

Every product requires a channel of distribution—a series of firms or individuals that facilitate the movement of the product from the producer to the final consumer. At minimum, a channel of distribution consists of a producer and the customer. This short producer-to-consumer channel is called a direct channel because the consumer buys directly from the producer. For example, if you buy a peach from a local farmer, you’re using a direct channel. Similarly, when you buy a shirt from the Eddie Bauer catalog or Web site, you’re buying direct.

An indirect channel, by contrast, includes one or more intermediaries—such as wholesalers, agents, brokers, or retailers—who help move the product from the manufacturer to the consumer. For example, a farmer in New Zealand may sell apples to a wholesaler, who in turn sells the apples to several supermarkets in North America. In this case, each supermarket acts as a retailer—the last point in the distribution chain, which sells to the final customer. The role of advertising is to communicate the availability of the product through various distribution channels.

While developing the price strategy, marketers try to explore the following questions:

* Are we offering our products in the places and times that target segments feel the need for them? If not, how can we improve?
* How can we make it easier for customers to find and buy our products?
* Are there more efficient ways for us to get our products into customers’ hands?

#### Promotion

Promotion, which is the focus of this class, refers to all **activities that inform and encourage consumers to buy a given product**. This includes print and broadcast ads, coupons, billboards, personal sales, and online sales.

We call a promotional effort aimed at the final customer a **promotional pull strategy**. The goal is to convince the customers that they want a product, in order to create a “pull” demand in which the customer goes to a store and asks for the product by name. Stores that do not already carry the product may be motivated to carry it in order to satisfy customer demand. So, in this case the customer “pulls” the product through the channel.

Promotion can be targeted at distributors as well as customers. Manufacturers often develop programs designed to motivate channel members to stock certain products. Such a program is called a **promotional push strategy**. For example, a software manufacturer like TurboTax may propose a cooperative ad campaign with a software retailer such as Office Max, sharing the cost of an ad that says “Buy your TurboTax at Office Max.” Alternately, TurboTax may offer retailers introductory discounts on TurboTax products to encourage them to promote or prominently display TurboTax products in their stores. If TurboTax advertises these discounts in trade publications that office products store managers read, we call that trade advertising. In this case the manufacturer tries to “push” its products through the channel down to the end consumer. Promotional push strategies are often less expensive than pull strategies, so a firm with a smaller promotional budget will likely pursue a push strategy.

All four Ps affect each other; thus, marketers look not only at each of the four Ps individually, but also at the interaction of product, price, promotion, and place. They fine-tune and adjust each to meet the needs of the market and create the best outcome for the company. For example, a seller may lower the price of a product during a promotional event. Likewise, holding a special promotional event may affect place because the seller must supply stores with enough products to meet the demand that the promotion will stimulate. Finally, the promotion might affect the product product’s packaging, such as bundling a shampoo with a free sample of conditioner. The role of advertising and promotion is supporting the other three Ps.

A marketing strategy consists of the activities a company must take to achieve its marketing objectives. For example, one step it must take is to decide on the appropriate mix of the Four Ps:

* Product definition. What features should the product have? What should the product packaging look like? Should there be accompanying support services, such as maintenance?
* Pricing strategies. How much are customers willing to pay for the product? What should be the selling price for retailers and wholesalers?
* Place (distribution) strategies. Will the product be sold directly to consumers (such as via the Web) or through retailers and wholesalers? For decades, airlines sold tickets through travel agencies, but now most of them sell e-tickets over the Web. This distribution strategy saves the airlines money (by eliminating commissions to travel agents) and lets customers buy tickets any time of the day or night.
* Promotion strategy. What methods will the company use (e.g., advertising, PR, direct sales) to reach the target market? What is the goal of each promotion—to entice new customers, to boost repeat sales, to increase sales volumes?

In this course, you are going to focus on the Promotion part of the Marketing Mix. While developing the promotion strategy, marketers try to explore the following questions:

* What types of messages will make target segments want our products?
* What types of promotional campaigns will work best for each target segment?
* Who do our target segments listen to, and what are they saying about us?

##### Promotional Mix elements and tools

Promotional mix (which we will focus on later in this class) includes: advertising, public relations, sales promotions, personal selling, direct marketing, place advertising, point-of-purchase advertising, event marketing and sponsorships, online marketing, and social media marketing.

## Advertising industry and regulation

### Types of agencies

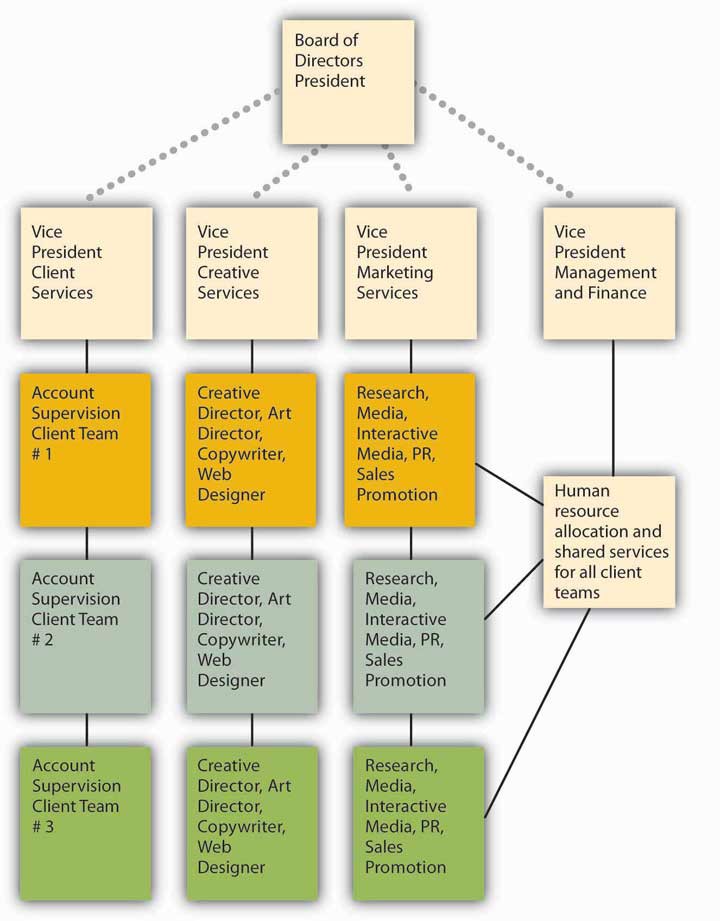
There are several different types of advertising agencies. Each type has its advantages and disadvantages, depending on the client’s needs and budget and the marketing problem the client is aiming to solve. As depicted in Figure:

Figure 1.2.: Types of agencies

#### Full-Service Agencies

Full-service agencies provide clients with all the services they need for the entire advertising function. This includes planning, creating, producing, and placing the ads, as well as research before the campaign and evaluation after it to assess the campaign’s effectiveness. Full-service agencies have expanded in recent years through consolidation—larger agencies buy them when they want to provide a one-stop shop for their global clients. In the process, the types of services that agencies provide has expanded to include PR, design, and event planning.

Figure 1.2. Matrix Organization in Advertising Agency



#### Specialized Agencies

Some agencies focus on one aspect of the creative process, such as creative production work or media buying. They refer to themselves as specialized agencies. Some examples will include a company that specializes in media planning and buying, such as The Media Kitchen or Greater Than One. Interactive agencies like BEAM, gaming agencies such as Fuel Games, and search agencies such as 360i will partner up with other agencies to provide services for the full campaign as determined by the client or the lead agency.

#### In-House Service Agencies

Some companies prefer to retain control over advertising and set up in-house agencies within the corporation. An advertising director typically runs the in-house agency; she chooses which services to buy and which to perform internally. For example, the in-house agency could retain creative services in house, create advertisements itself, and then purchase media-buying services from the outside. The inside agency may buy services from a specialized service agency or buy services à la carte from a full-service agency.

#### Agency of Record

In addition to the types of agencies, there is also the role that the agency plays in the client’s business. The most common and secure relationship is the agency of record, or lead agency. As clients may work with many different agencies for their various needs, the agency of record is the lead agency partner and usually has the majority of the client’s business.

### How Do We Get Paid?

Historically, an agency receives a commission or percentage of the cost of the media it buys for the client. Traditionally, mass media has paid advertising agencies a 15 percent commission on all business brought to them. The commission covers the agency’s copywriting, art direction, and account service charges.

Today, this compensation model makes less sense because many advertising services no longer include a traditional media buy.

Here is an example of how agency compensation works for a single commercial during the Super Bowl.

Figure 1.2. Agency compensation

|  |  |  |
| --- | --- | --- |
| Media Bills Agency | Agency Bills Client | Agency Profit |
| Cost of: 30 Super Bowl spot  $3,000,000 | Cost of: 30 Super Bowl spot  $3,000,000 |  |
|  | Agency commission (15%)  $450,000 |  |
|  | Total Bill to Client  $3,450,000 | $450,000 |

The straight 15 percent commission is still used in some cases, but some agencies charge less than 15 percent, or have sliding scales based on how much the client spends (the more money spent, the lower the percentage fee). Some agencies offer flat-fee arrangements that clients and the agency agree upon, while others charge on an hourly basis. Others will do a combination of a flat base fee plus smaller percentages per media. Interactive media currently charges the highest commission because it requires the most management time from agency personnel.

Other innovative models include licensing fees or royalties for ideas. Some use performance fees, in which the agency’s fee depends on the success of the campaign. The client and the agency define what they mean by “success” at the start; they might measure this by looking at how well consumers recall the ads or might measure actual product sales. Agencies using performance-based models can earn much more—or much less—than the standard 15 percent commission. The rationale, however, is that the compensation would be tied to the *value* of the ideas.

### Advertising jobs

#### Job Functions inside the Agency

##### Account Managers

Account managers (with titles like account executive, account supervisor, or account manager) work with clients to identify the benefits a brand offers, to whom it should focus its messages (the target audience), and the best competitive position. They then develop the complete promotion plan.

##### Account Planners

On the market research side, account planners from the agency work with clients to obtain or conduct research that will help clients understand their markets and audiences.

##### Creative Services Staff

Creative services staff (such as an art director or copywriter) work with clients to develop the concepts and messages that will catch consumers’ interest and attention.

##### Media Planners/ Media Buyers

Media buyers and media planners evaluate the multitude of options available for ad placement—now greatly expanded by the Internet. They decide how best to allocate the client’s budget to use the best media to most effectively reach the target audience.

##### Producers

Producers take responsibility for overlooking the printing, recording or posting of the print, video and interactive production. They overlook the budget and timeline, as well as take responsibility of the quality control.

#### Job Functions Sometimes outside the Agency

A variety of ancillary companies support ad agencies by providing specialized services.

Figure 1.2.3.2. Job Functions outside the Agency

#### Careers in Advertising

If you’re interested in advertising, you can work at an ad agency, at an advertising client (manufacturer, trade reseller or service firm), or in the media. Jobs in ad agencies (including in-house agencies) typically fall into four main categories:

##### Account Services

Account managers act as the client’s representative at the agency, getting the best work from the agency for the client while still generating a profit for the agency. Account managers must be good at working with people and acting as leaders or strategists to communicate the client’s needs to the agency team. The best account managers learn as much as they can about the client’s business. The career ladder of position titles in account services is assistant account executive, account executive, senior account executive, and accounts superior or accounts manager.

##### Creative Services

The creative department generates the ideas, images, and words of the advertising message**. Art directors** (assistant art director, junior art directors, art directors, senior art directors) develop the artistic strategy of the creative campaign, often presenting several concepts for the client to choose from. **Copywriters** (junior copywriter, copywriter, senior copywriter, copy chief) are responsible for developing the words of the campaign. Production staff (layout workers, graphic artists, production managers) select photos, choose the print size and type, and oversee the actual printing, filming, or audio recording of the campaign.

##### Media Services

Media planners gather information about people’s viewing or reading habits and combine it with information about specific media vehicles (such as a specific magazine’s target audience, circulation size, and advertising space costs) in order to find the best placement for the advertising. They use their judgment to balance reaching the greatest number of people in the target group versus keeping the client’s costs to a minimum. Media buyers purchase the advertising space and negotiate prices. They must be good with numbers but also skilled negotiators—they’ll be working with budgets and are responsible for spending their client’s money wisely.

##### Market Research

Market researchers learn all they can about the target customer—their wants, desires, fears, and goals. They use focus groups and one-on-one interviews, test reactions to campaigns, and purchase secondary information (such as the total market size in a given location). Job titles include public opinion researcher, research supervisor, project director, associate research director, research director, and executive research director.

##### Media Jobs

Advertising jobs in the media include the advertising director, who heads the advertising sales department and oversees advertising rate policies, promotion, and the sales staff, including sales planners and sales reps.

##### Corporate Advertising

Within a company, the jobs of the advertising department typically parallel those in ad agencies, but there is an additional category: brand manager. Brand managers are responsible for all the advertising and marketing for their product or brand. This includes the marketing strategy, business planning, and market research associated with the brand. The brand manager works closely with account services and creative staff to develop and implement campaigns best suited for that brand. Brand managers oversee the selection and work of any outside ad agencies used by the corporation.

## Advertising and its role in the society

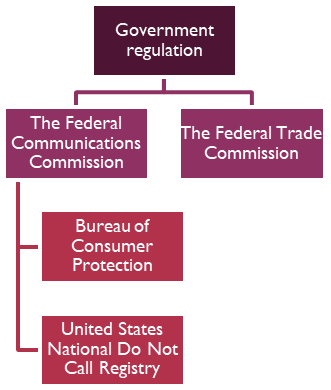
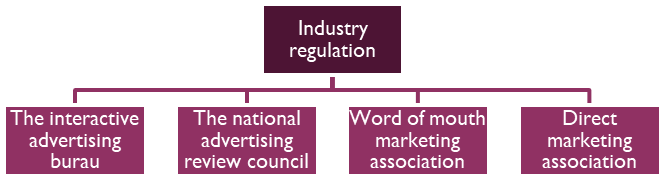
### The bad – advertising hot buttons

It’s certainly not hard to identify the hot buttons—a lot of people criticize advertising for a lot of different reasons. Here are some common objections we hear:

* *Ads make us feel bad about ourselves as they constantly throw images of perfect, beautiful people in our faces*. You are how (you think) you look. Our physical appearance is a large part of our self-concept. Body image refers to a person’s subjective evaluation of his or her physical self. The key word here is subjective—your image of your body may not be what your body looks like to other people. You might have an exaggerated notion of the bulge of your muscles or the bulge of your thighs. Knowing that people’s body images are often distorted, some marketers exploit our insecurities and suggest that purchasing their product will help alleviate the “problem.”
* *Ads reinforce insulting ethnic and racial stereotypes*. Advertisements have a long history of relying on stereotypical characters to promote products.
* *Ads invade our privacy*. Behavioral targeting is a fancy way to describe the growing number of techniques that allow advertisers to track where you surf on the Web so that they can deliver relevant ads to you. For example, cable and phone companies say their growth increasingly depends on being able to deliver targeted advertising to their Internet and TV customers.
* *Ads create false needs that make us crave brand names and material possessions*. The validity of this criticism depends on how you define a “need.” If we believe that all consumers need is the basic functional benefits of products—the transportation a car provides, the nutrition we get from food, and the clean hair from a shampoo—then advertising may be guilty as charged. If, on the other hand, you think you need a car that projects a cool image, food that tastes fantastic, and a shampoo that makes your hair shine and smell ever so nice, then advertising is just a vehicle that communicates those more intangible benefits. Critics argue that ads created new desires, encouraging consumers to spend their scarce resources buying highly advertised products rather than on basic items that fulfilled actual needs. Marketers link their products to desirable social attributes so that people feel measured by what they buy and guilty or anxious if they don’t measure up.

### Advertising regulation: Who looks out for us?

Figure 1.3.2.2.4: Government and Industry Regulations



#### Government Regulation

The United States government has numerous agencies whose mandates include regulating advertising and other marketing activities. These include the Federal Trade Commission, the Federal Communications Commission, the Food and Drug Administration, the Securities and Exchange Commission, the Environmental Protection Agency, and the Department of Agriculture.

##### The Federal Trade Commission

**The Federal Trade Commission** (FTC) was established in 1914 to promote “consumer protection” and to monitor “anticompetitive” business practices. Within the FTC, the **Bureau of Consumer Protection**works to protect against abuses in advertising as well as other areas such as telemarketing fraud and identity theft. The bureau is also responsible for the **United States National Do Not Call Registry**, which allows consumers to opt out of receiving telemarketers’ calls on their home or mobile phones ([https://www.donotcall.gov](https://www.donotcall.gov/)).

The FTC’s Division of Advertising Practices enforces federal truth-in-advertising laws. Its law enforcement activities focus on the accuracy of claims for foods, drugs, dietary supplements, and other products promising health benefits; advertising to children; performance claims for computers and other high-tech products; tobacco and alcohol advertising; and related issues. FTC investigations may pertain to a single company or an entire industry. If the results of the investigation reveal unlawful conduct, the FTC may seek voluntary compliance by the offending business, or its lawyers may choose to take the case to court.[[3]](#footnote-3)

##### The Federal Communications Commission

The Federal Communications Commission (FCC) was established by the Communications Act of 1934. It regulates interstate and international communications by radio, television, wire, satellite, and cable. The FCC monitors the proper use of broadcast media. As an example of a current issue that could have major repercussions for the advertising industry, the FCC recently initiated a formal inquiry into the degree to which networks have to disclose whether advertisers have paid to have products embedded in TV shows and movies (a widespread practice the industry calls product placement).

According to the FCC, as product placement becomes more widespread, its rules must “protect the public’s right to know who is paying to air commercials or other program matter on broadcast television, radio and cable.” But it added that the rules must be considered in light of “the First Amendment and artistic rights of programmers.”[[4]](#footnote-4)

#### Industry Regulation

##### The National Advertising Review Council (NARC)

To discourage the need for the government to pass additional legislation that would restrict its activities, advertising agencies vigorously police themselves to minimize abuses. To do this, the advertising industry created the National Advertising Review Council (NARC) in 1971. This group is a strategic alliance among four major trade organizations: the AAAA (American Association of Advertising Agencies), the ANA (Association of National Advertisers), the AAF (American Advertising Federation), and the Council of Better Business Bureaus Inc.

This system maintains two bodies that investigate claims of abuse or deception: the National Advertising Division (NAD) and the Children’s Advertising Review Unit (CARU). If an advertiser disagrees with NAD or CARU decisions, it can appeal to the National Advertising Review Board. The system covers advertising in traditional media as well as on the Internet. The large majority of cases get settled through this route—95 percent, in fact.[[5]](#footnote-5)

A 2007 case involving a very public dispute between two online dating services illustrates how the NAD works to ensure that advertising is as fair and accurate as possible. One site, Chemistry.com, claims in its advertising that answers to questions like “Do you watch people kissing in public?” and “Is your ring finger longer than your index finger?” can predict whether the people it matches up are likely to have “dating chemistry.” The site’s rival eHarmony.com objected to this claim and brought its charge to the NAD. After investigating the scientific basis for the claim, the division ruled that indeed Chemistry could not support its argument. As a result, the matchmaker has to find other ways to compete for the $700 million Americans spend each year to find their dream mate online.[[6]](#footnote-6)

##### The Interactive Advertising Bureau (IAB)

The Interactive Advertising Bureau was founded in 1996 to represent over 375 companies that conduct business in cyberspace. Its members sell about 86 percent of the online advertising that gets placed in the United States. The IAB evaluates and recommends standards and very specific practices to govern what interactive ads can and cannot do. For example, it mandates that an advertiser wishing to use a pop-up ad can show the message only one time during a person’s visit to an online site. Furthermore, the pop-up must be clearly labeled with the name of the network, the advertiser, and the publisher; there are limits on how big the image can be, and it must offer a “close box” so the user can choose to shut it down.[[7]](#footnote-7)

##### Word of Mouth Marketing Association (WOMMA)

The Word of Mouth Marketing Association (WOMMA) is the official trade association for the word-of- mouth marketing industry. The organization promotes “best practices” and sets standards to regulate how “buzz marketers” interact with consumers. This has been an important issue due to some early buzz campaigns in which professional actors pretended to be everyday consumers in public places like tourist areas and bars, where they told other people about the advantages of using a particular product or service. Today WOMMA’s members must adhere to a code of ethics that the group summarizes as the Honesty ROI[[8]](#footnote-8):

* Honesty of *Relationship*: You say who you’re speaking for.
* Honesty of *Opinion*: You say what you believe.
* Honesty of *Identity*: You never obscure your identity.

##### The Direct Marketing Association (DMA)

The Direct Marketing Association represents more than thirty-six hundred companies, based in forty-seven countries, that employ direct marketing tools and techniques. It provides information to help consumers recognize fraudulent practices as well as to remove themselves from mailing or call lists.[[9]](#footnote-9) Numerous organizations monitor the advertising industry to detect instances of false or deceptive advertising. The government enforces rules regarding content through federal agencies such as the FTC and the FCC. In addition, the industry vigorously polices itself to try to head off problems before the legal authorities must deal with them. As new media platforms continue to evolve (such as product placement and word-of-mouth marketing), the industry needs to be vigilant about tracking these applications to prevent additional abuses.

### The good - advertising as a tool for enhancing our world

Advertising is part and parcel of the daily world in which we all live—it’s the lifeblood of popular culture. It’s also an incredibly powerful mirror that reflects our values, aspirations, and fears (whether of social rejection, financial hardship, or just plain body odor). True, we may not always like what we see in this mirror. And it may not deliver a totally accurate reflection—like the looking glass in a funhouse, it may be distorted to magnify our noblest dreams as well as our deepest desires. It’s a formidable weapon that people, businesses, and countries can harness for good or exploit for evil.

The perspective called the economics of information shows how consumers benefit from viewing advertising. By providing information, advertising reduces consumers’ search costs (time spent looking for products) and reduces disutility (unhappiness or lost value) from picking the wrong products.

Advertising performs the following functions:

* *Describing* new products and what they do
* *Alerting* consumers to product availability and purchase locations
* *Showing* consumers what to look for on store shelves
* *Helping* them differentiate among competitive choices
* *Advising* them of pricing information and promotional opportunities
* *Saving consumers money* by encouraging competition that exerts downward pricing pressures

Advertising creates awareness and persuades people to change their opinions or behaviors. The same principles that advertisers use to sell cameras and cars apply to promoting healthy behaviors (social campaigns promoting cancer screening, healthy eating habits, pro-environmental campaigns) or preventing negative ones (driving under influence, teen pregnancies, smoking). Advocacy advertising intends to influence public opinion about an issue relevant to some or all members of a society such as animal rights. Nonprofit advertising employed by many not-for-profit organizations, including museums, zoos, and even churches, relies on advertising to recruit members, attract donations, and promote their activities. Local governments use advertising to attract new businesses and industries to their counties and cities. Green advertising is trying to influence our behaviors to prevent negative environmental changes. We are also witnessing a profound shift in priorities as people clamor for products and services that are good for their bodies, good for their community, and good for the earth. Some analysts call this new value conscientious consumerism.

Figure 1.3. Advertising functions

## Marketing and advertising goals

Objectives form the basis for all decisions you will make as you plan and develop your advertising campaign.

### The role of brand communication

*Planning Is Everything*. Although it’s tempting to just jump in and create some cool commercials, in reality the advertising you see or hear is just the tip of the iceberg. Devising a strategy requires careful thought about your brand’s strengths and weaknesses. In addition, the only thing we can count on is that things change: a company must take stock of its environment and monitor what consumers think of it over time so it can anticipate changes instead of waiting to be surprised by them. By the time changes take place, it’s too late to react to them effectively. So, by strategy we mean a detailed plan that specifies overall objectives the client wishes to reach based upon a realistic assessment of its environment and what it is capable of achieving, as well as its general approach to reaching those objectives.

#### Branding

**Branding** is a way to distinguish your product or service from others using a trademarked name or logo. Brands have been around for centuries. Early craftsmen put their marks on their wares to identify who made them, and artists have long signed their artwork. Since that time, however, branding has expanded well beyond just differentiation through marks and logos. Modern brands such as Apple, Nike, Tommy Hilfiger, and Wal-Mart now communicate meaning through attributes such as accountability, consistency, and even personality traits that their names have become associated with. These meanings translate to monetary value for the firm because their brand names acquire value—consumers willingly pay a premium to buy a product carrying a respected brand name as opposed to a similar product that carries an unknown brand name.

#### Characteristics of a Solid Branding Strategy

##### Accountability

Brands impose a sense of accountability on the maker of a product. If you buy an Acme shoe and it performs poorly, you’re unlikely to buy Acme shoes again. On the other hand, if you’ve had a good experience with Acme, you’re likely to buy its shoes again and perhaps its socks, shirts, or golf clubs as well. In this way, the brand is a shorthand way of signaling quality that simplifies decision making for customers. People who know and like a given brand are more likely to buy it again.

##### Consistency

Brands don’t have to be high-end to command loyalty; they just need to communicate a consistent meaning to consumers. That might mean projecting an image of quality, but it can also mean being associated with consistently low costs (e.g., Wal-Mart), trendy fashion (e.g., Juicy Couture), or a particular lifestyle (e.g., Whole Foods Market). A brand thus serves to express key properties of the products the company produces.

##### Brand personality

Just as people have personalities, so do brands. Personality refers to the traits that a person exhibits. The person may not exhibit those characteristics *all* the time, but they tend to exhibit them regularly. A brand personality is a set of traits that people attribute to a product as if it were a person.

#### Benefits of a brand

The benefit of a brand for advertisers is higher profitability: it is less expensive to attract repeat buyers than to find new customers. Moreover, satisfied buyers may pay a higher price for a trusted brand.

A brand has benefits for the buyer:

* Signals known properties (quality, performance, cost, etc.)
* Simplifies decision making
* Simplifies repeat purchase with a memorable name or logo

A brand also has benefits for the manufacturer:

* Offers legal protection (through trademarks)
* Creates a barrier to entry for competitors
* Translates to financial benefits (both for the company’s bottom line and to impress Wall Street)

The power of branding derives from brand differentiation, accountability, consistency, and personality. Utilizing these principles helps to establish valuable brand equity.

Brand equity is the extent to which a consumer holds strong, favorable associations with a brand and is willing to pay more for the branded version of a product. Differentiation, accountability, consistency, and personality all support brand equity by creating a clear sense of the brand’s value proposition: the clearly identifiable benefit it provides relative to competing brands. As Roger Adams, senior vice president–CMO of Home Depot, said, “If you go to a grocery store or department store, there are brands on the shelf that have fundamentally the same function and one is 20 percent more than the other one. But people are paying that because there’s a belief in the brand or there’s an experience with the brand that builds trust, or they know if there’s a problem they can get service, that type of thing. And people do it every day.…That’s pretty much what brand marketing is about.”

### Branding strategy

Now that we understand the value of brands, it is time to get down to the business of strategy creation. Plan now, or regret it later! Here’s what an advertising strategist needs to do:

* *Identify Your Situation*. What are your strengths, weaknesses, threats, and opportunities?
* *Define Where You Want to Go: Set Objectives*. What do you want your marketing and advertising to accomplish?
* *Outline How You Want to Get There: Create a Strategy*. What is your plan to accomplish these objectives?

### Understanding where you are – brand audit

Fundamentally, our goal is to take a thorough internal look at our product, service, and firm. We must be objective.

Before you can decide where to go, you need to understand where you are (the current marketing situation or environment). The situation analysis is an important tool to help you with this process.

#### Competitive Situation

A situation analysis begins with a review of the client’s industry and of the competitors vying for the consumer’s attention and dollars. For example, a situation analysis might reveal that some companies in the industry may not actually be competitors; buyers of Hyundais are unlikely to be buyers of BMWs as well. It may also reveal indirect competition in an industry. Southwest Airlines, for example, tries to price its airline tickets low enough to compete with buses and automobiles.

#### Customer Situation

The situation analysis also evaluates the potential customers (prospects) for your product. This might include estimating the potential population of customers, demographic changes (such as aging Baby Boomers), potential sales per customer, trends in willingness to pay, and so on.

Finally, the situation analysis examines overall economic and environmental trends that may affect a company’s marketplace situation. Economic growth or recession affects total demand for a product. Fewer people buy expensive houses when companies are downsizing. Foreign exchange rates may change the costs or make the company more competitive in foreign markets because the dollar may be worth less in another country—as a result it costs more dollars to manufacture the product elsewhere. Changes in costs can affect both prices and profits. For example, a drop in technology costs might cause a company to lower the prices on the goods it produces, possibly reducing profits. By contrast, a rise in fuel costs might force a company like Delta Airlines to raise its prices; if the company can’t increase prices enough to make up for the additional costs, its profits will decline. Changes in the cultural environment also exert a huge impact on a company’s fortunes.

#### SWOT Analysis: Strengths, Weaknesses, Opportunities and Threats

Agencies typically synthesize the results of situation analyses and brand audits into a SWOT analysis, which organizes internal and external factors affecting the product or business into separate categories for study. A SWOT analysis gives a company a quick overview of its competitive situation and helps it decide which actions to take that will address trends in the environment in ways that are consistent with its capabilities.

##### Internal Situation: Strengths and Weaknesses

This refers to strengths and weaknesses inherent in the product or business itself. A financial firm’s strengths might include a stable financial position or its strength or expertise at operating overseas. Weaknesses could include bureaucratic inertia or slowness to develop new products.

##### External Situation: Opportunities and Threats

In contrast, opportunities and threats describe factors that lie outside the product or business. For example, aging Baby Boomers could be an opportunity to the makers of Tempur-Pedic mattresses that promise a more comfortable night’s sleep. For a bicycle firm like Schwinn, on the other hand, aging Boomers might be a threat, since people are likely to bicycle less as they grow older.

Figure 1.4.: SWOT Analysis

|  |  |
| --- | --- |
| Strengths | Weaknesses |
| **Internal Elements – can be controlled**   * Technologies * Physical facilities * Financial stability * Corporate reputation * Quality of products * Strengths of brands * Quality of employees | **Internal Elements – can be controlled**   * Technologies * Physical facilities * Financial stability * Corporate reputation * Quality of products * Strengths of brands * Quality of employees |
| **Opportunities** | **Threats** |
| **External Elements – can respond to and anticipate**   * The consumer * The economy * Competition * Technology * Law * Ethics * Social trends | **External Elements – can respond to and anticipate**   * Then consumer * The economy * Competition * Technology * Law * Ethics * Social trends |

*A SWOT analysis identifies internal elements (strengths and weaknesses) and external elements* (opportunities and threats).

Figure 1.4.: Example of a SWOT analysis for Ikea

|  |  |
| --- | --- |
| Strengths (Internal elements) | Weaknesses (internal Elements) |
| * World-class product styling * Extremely compelling pricing * Large stores provide space to showcase products in vignettes and carry supporting inventory * Board product assortment including both hard lines and soft lines | * Some items are poor quality * Some items may be too involved for the average customer to assemble * As store count expands to smaller markets, business model may need to adapt to ensure profitability |
| **Opportunities (External Elements)** | **Threats (External Elements)** |
| * Soft economy makes low price furniture even more appealing to consumers * Many “traditional” furniture retailers have gone out of business | * Not all consumers are willing or able to pick up, transport, and assemble the furniture (especially true as population ages) * Competitors such as Target may expand furniture offerings and/or open furniture stores, which could provide head-on competition |

Know where you are before you decide where you’re going. Conduct an honest SWOT analysis to identify good and bad aspects of your situation.

### Where you want to go – setting the objectives

Based on the analysis of its situation, the company decides on the marketing objectives and based on these objectives develops appropriate advertising and communication objectives.

#### Marketing objectives

Marketing objectives state what the marketing function must do so that the company can achieve its overall business objectives (such as growth, expanding its market share, or increasing profits). Marketing-related objectives are specific to the firm’s brands, customer segments, and product features. These might include “Grow sales of product X by 30 percent over the next twelve months” or “Increase market share among affluent consumers aged forty-five to sixty-five.”

Figure 1.4. Company and Marketing Objectives

As you can see, if the marketing organization achieves its objective to introduce new products to market, then it will support the company objective to grow market share. If the marketing organization does not introduce new products, then the other objectives will need to be adjusted or the company is unlikely to show the market share growth that is part of its strategy.

#### Advertising and communication objectives

In this class we are mainly focusing on the advertising and communication objectives. Advertising objectives are the specific communication tasks that an advertisement seeks to achieve. These tasks include trial (informing the consumer about a product), continuity (reminding the consumer of the product), and brand switching (persuading the customer to change from one brand to another). Often, the advertising objectives are tied to the product’s life cycle. For example, trial is usually employed at the start of a product’s life cycle to encourage customers to try the product. A firm pursues continuity objectives when a product is mature in order to remind current customers to continue buying the product. Brand switching, or switchback, occurs at later stages of the life cycle—particularly the rejuvenation phase, when the company highlights new product features or lowers the price of the product.

Figure 1.4: Behavioral, cognitive, and affective goals

The campaign goals inform the work of the creative team as they go about brainstorming the ideas for the campaign, they answer the question ***What are we trying to communicate***? To make customers to purchase the product,**communication objectives** are often phrased in terms of ***cognitive*** (***think***), ***affective*** (***feel***), or ***behavioral*** (***do***) goals.

* **Think***:* E.g. about the benefits of purchasing a specific brand
* **Feel***:* When an ad triggers an emotional response such as fear, excitement, etc.
* **Do***:* When the objective of an ad is to do something, change behavior, etc.

As you keep working on the project, you will want to refer back to these goals when you are making decisions about advertising appeals and message strategies.

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