



Chapter Six
How a cute puppy
sent Budweiser sales
skyrocketing

Chapter Eleven
How advertisers
know you're watching
their ads

Chapter Sixteen
Four advertisers who
spend more money on
sponsorship than Nike

ADVERTISING

A R E N S | W E I G O L D

3e



HOW
COKE
USED ADVERTISING
TO BECOME ONE OF THE
WORLD'S MOST
VALUABLE BRANDS
Chapter One



advertising 3e

Michael F. Weigold

William F. Arens





advertising, third edition

CHIEF PRODUCT OFFICER, SVP PRODUCTS & MARKETS **G. SCOTT VIRKLER**
VICE PRESIDENT, GENERAL MANAGER, PRODUCTS & MARKETS **MICHAEL RYAN**
VICE PRESIDENT, CONTENT DESIGN & DELIVERY **BETSY WHALEN**
MANAGING DIRECTOR **SUSAN GOUIJNSTOOK**
BRAND MANAGER **MEREDITH FOSSEL**
DIRECTOR, PRODUCT DEVELOPMENT **MEGHAN CAMPBELL**
LEAD PRODUCT DEVELOPER **KELLY DELSO**
PRODUCT DEVELOPER **KELLY I. PEKELDER**
MARKETING MANAGER **ELIZABETH SCHONAGEN**
DIRECTOR OF DIGITAL CONTENT **KRISTY DEKAT**
DIGITAL PRODUCT ANALYST **KERRY SHANAHAN**
DIRECTOR, CONTENT DESIGN & DELIVERY **TERRI SCHIESL**
PROGRAM MANAGER **MARY CONZACHI**
CONTENT PROJECT MANAGERS **KERI JOHNSON, KAREN JOZEFOWICZ, SUSAN TRENTACOSTI**
BUYER **LAURA FULLER**
DESIGN **EGZON SHAQIRI**
CONTENT LICENSING SPECIALISTS **ANN MARIE JANNETTE, SHANNON MANDERSCHIED**
COVER IMAGE © **SHUTTERSTOCK/TISCHENKO IRINA**
COMPOSITOR **APTARA®, INC.**
PRINTER **LSC COMMUNICATIONS**

M: ADVERTISING, THIRD EDITION

Published by McGraw-Hill Education, 2 Penn Plaza, New York, NY 10121. Copyright © 2018 by McGraw-Hill Education. All rights reserved. Printed in the United States of America. Previous editions © 2015, 2012. No part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written consent of McGraw-Hill Education, including, but not limited to, in any network or other electronic storage or transmission, or broadcast for distance learning.

Some ancillaries, including electronic and print components, may not be available to customers outside the United States.

This book is printed on acid-free paper.

1 2 3 4 5 6 7 8 9 0 LMN 21 20 19 18 17 16

ISBN 978-1-259-81594-2

MHID 1-259-81594-3

All credits appearing on page or at the end of the book are considered to be an extension of the copyright page.

Library of Congress Cataloging-in-Publication Data

Names: Arens, William F., editor. | Schaefer, David H., editor. | Weigold, Michael F., 1958- editor.

Title: M : advertising / William F. Arens, David H. Schaefer, Michael F. Weigold.

Description: Third Edition. | Dubuque : McGraw-Hill Education, [2018] | Revised edition of M : advertising, 2015.

Identifiers: LCCN 2016052117 | ISBN 9781259815942 (alk. paper) | ISBN 1259815943 (alk. paper)

Subjects: LCSH: Advertising.

Classification: LCC HF5821 .M13 2018 | DDC 657—dc23

LC record available at <https://lcn.loc.gov/2016052117>

The Internet addresses listed in the text were accurate at the time of publication. The inclusion of a website does not indicate an endorsement by the authors or McGraw-Hill Education, and McGraw-Hill Education does not guarantee the accuracy of the information presented at these sites.

brief contents

part one

AN INTRODUCTION TO ADVERTISING

- chapter 1** The Evolution of Advertising 2
- chapter 2** The Environment of Advertising 26
- chapter 3** The Business of Advertising 56

part two

UNDERSTANDING THE TARGET AUDIENCE

- chapter 4** Targeting and the Marketing Mix 86
- chapter 5** Communication and Consumer Behavior 116

part three

THE PLANNING PROCESS

- chapter 6** Account Planning and Research 142
- chapter 7** Marketing, Advertising, and IMC Planning 166

part four

THE CREATIVE PROCESS

- chapter 8** Creating Ads: Strategy and Process 190
- chapter 9** Creative Execution: Art and Copy 212

part five

REACHING THE TARGET AUDIENCE

- chapter 10** Print Advertising 240
- chapter 11** Broadcast, Cable, Digital, and Satellite Media: Television and Radio 264



© Brand X Pictures/PunchStock RF

- chapter 12** Digital Interactive Media 290
- chapter 13** Out-of-Home, Direct-Mail, and Promotional Products 312

part six

INTEGRATING MARKETING COMMUNICATIONS ELEMENTS

- chapter 14** Media Planning and Buying 336
- chapter 15** IMC: Direct Marketing, Personal Selling, Packaging, and Sales Promotion 362
- chapter 16** IMC: Public Relations, Sponsorship, and Corporate Advertising 392

- Endnotes** 414
- Index** 430

contents

part one AN INTRODUCTION TO ADVERTISING

CHAPTER 1 THE EVOLUTION OF ADVERTISING 2

WHAT IS ADVERTISING?	5
THE ROLE OF ADVERTISING IN BUSINESS	8
What Is Marketing?	8
Advertising and the Marketing Process	8
ECONOMICS: THE GROWING NEED FOR ADVERTISING	9
Principles of Free-Market Economics	9
Functions and Effects of Advertising in a Free Economy	10
THE EVOLUTION OF ADVERTISING AS AN ECONOMIC TOOL	12
Early Advertising	12
The Industrial Age and the Birth of Agencies	14
The Golden Age of Advertising	16
The Postindustrial Age	17
The Global Interactive Age: Looking at the Twenty-First Century	19

SOCIETY AND ETHICS: THE EFFECTS OF ADVERTISING	23
MY AD CAMPAIGN 1-A OVERVIEW	6
MY AD CAMPAIGN 1-B TOOLS FOR TEAMWORK	20

CHAPTER 2 THE ENVIRONMENT OF ADVERTISING 26

THE MANY CONTROVERSIES ABOUT ADVERTISING	29
THE ECONOMIC IMPACT OF ADVERTISING	30
Effect on the Value of Products	31
Effect on Prices	32
Effect on Competition	32
Effect on Consumers and Businesses	32
The Abundance Principle: The Economic Impact of Advertising in Perspective	33
THE SOCIAL IMPACT OF ADVERTISING	34
Deception in Advertising	34
Subliminal Advertising	35
Advertising and Our Values	36
The Proliferation of Advertising	36
Stereotypes in Advertising	37
Offensive Advertising	37
The Social Impact of Advertising in Perspective	38
SOCIAL RESPONSIBILITY AND ADVERTISING ETHICS	39
Advertisers' Social Responsibility	39
Ethics of Advertising	40
CURRENT REGULATORY ISSUES AFFECTING U.S. ADVERTISERS	41
Freedom of Commercial Speech	41
Tobacco Advertising	42
Advertising to Children	42
Consumer Privacy	43



© Don Farrall/Getty Images RF

FEDERAL REGULATION OF ADVERTISING IN THE UNITED STATES 44

- The Federal Trade Commission 45
- The Food and Drug Administration 47
- The Federal Communications Commission 49
- The Patent and Trademark Office and the Library of Congress 49

STATE AND LOCAL REGULATION 50

NONGOVERNMENT REGULATION 50

- The Better Business Bureau 51
- The Advertising Self-Regulatory Council 51
- Regulation by the Media 52
- Regulation by Consumer Groups 52
- Self-Regulation by Advertisers and Ad Agencies 53

GOVERNMENT RESTRAINTS ON INTERNATIONAL ADVERTISERS 54

THE ETHICAL AND LEGAL ASPECTS OF ADVERTISING IN PERSPECTIVE 54

ETHICAL ISSUES TRUTH IN ADVERTISING: FLUFFING AND PUFFING 35

MY AD CAMPAIGN 2 YOUR CAMPAIGN ASSIGNMENT 40

CHAPTER 3 THE BUSINESS OF ADVERTISING 56

THE ADVERTISING INDUSTRY 59

- The Organizations in Advertising 59
- The People in Advertising 59

THE ADVERTISERS (CLIENTS) 59

- Local Advertising 59
- Regional and National Advertisers 64
- Transnational Advertisers 67
- Media around the World 69

THE ADVERTISING AGENCY 70

- Types of Agencies 71

WHAT PEOPLE IN AN AGENCY DO 73

- How Agencies Are Structured 76
- How Agencies Are Compensated 77
- The In-House Agency 78

THE CLIENT-AGENCY RELATIONSHIP 80

- How Agencies Get Clients 80
- Factors Affecting the Client-Agency Relationship 80

THE SUPPLIERS IN ADVERTISING 82

- Art Studios and Web Designers 82
- Printers and Related Specialists 82
- Film and Video Houses 82
- Research Companies 83

THE MEDIA OF ADVERTISING 83

CURRENT TRENDS 83

MY AD CAMPAIGN 3-A UNDERSTANDING YOUR CLIENT 61

MY AD CAMPAIGN 3-B CREATING LOCAL ADVERTISING 63

ETHICAL ISSUES IS RONALD MCDONALD BAD FOR KIDS? ARE PARENTS? 79

MY AD CAMPAIGN 3-C AGENCY REVIEW 81

MY AD CAMPAIGN 3-D WAYS TO BE A BETTER CLIENT 84

part two UNDERSTANDING THE TARGET AUDIENCE

CHAPTER 4 TARGETING AND THE MARKETING MIX 86

THE LARGER MARKETING CONTEXT OF ADVERTISING 89

- Customer Needs and Product Utility 89
- Exchanges: The Purpose of Marketing and Advertising 90

THE MARKET SEGMENTATION PROCESS 91

- Types of Markets 91
- Segmenting the Consumer Market: Finding the Right Niche 92
- Segmenting Business and Government Markets: Understanding Organizational Buying Behavior 100
- Aggregating Market Segments 101



© McGraw-Hill Companies, Inc./Mark Dierker, photographer

THE TARGET MARKETING PROCESS 104
 Target Market Selection 104
 The Marketing Mix: A Strategy for Matching Products to Markets 105

ADVERTISING AND THE PRODUCT ELEMENT 106
 Product Life Cycles 106
 Product Classifications 107
 Product Positioning 107
 Product Differentiation 108
 Product Branding 109
 The Role of Branding 110
 Product Packaging 111

ADVERTISING AND THE PRICE ELEMENT 111
 Key Factors Influencing Price 111

ADVERTISING AND THE DISTRIBUTION (PLACE) ELEMENT 112
 Direct Distribution 112
 Indirect Distribution 112
 Vertical Marketing Systems: The Growth of Franchising 114

ADVERTISING AND THE PROMOTION (COMMUNICATION) ELEMENT 115

THE MARKETING MIX IN PERSPECTIVE 115

ETHICAL ISSUES BRAND NICHING MAY CAUSE BRAND SWITCHING 96

MY AD CAMPAIGN 4 SEGMENTING THE AUDIENCE 103

CHAPTER 5 COMMUNICATION AND CONSUMER BEHAVIOR 116

COMMUNICATION: WHAT MAKES ADVERTISING UNIQUE 118
 The Human Communication Process 118
 Applying the Communication Process to Advertising 119

CONSUMER BEHAVIOR: THE KEY TO ADVERTISING STRATEGY 121
 The Importance of Knowing the Consumer 121
 The Consumer Decision Process: An Overview 121

PSYCHOLOGICAL PROCESSES IN CONSUMER BEHAVIOR 123
 The Consumer Perception Process 123
 Learning, Persuasion, and the Role of Involvement in the Ways That Consumers Process Information 125
 The Consumer Motivation Process 130

INTERPERSONAL INFLUENCES ON CONSUMER BEHAVIOR 132
 Family Influence 132
 Societal Influence 132
 Cultural and Subcultural Influence 134

THE PURCHASE DECISION AND POSTPURCHASE EVALUATION 137

DIFFERENT RESPONSES FROM DIFFERENT PRODUCTS 139

ETHICAL ISSUES IS IT MARKETING OR IS IT EXPLOITATION? 136

MY AD CAMPAIGN 5 UNDERSTANDING WHAT CONSUMERS LOOK FOR IN A PRODUCT 138



© Ingram Publishing RF

part three THE PLANNING PROCESS

CHAPTER 6 ACCOUNT PLANNING AND RESEARCH 142

THE ACCOUNT PLANNER AS CONSUMER ADVOCATE 144

THE NEED FOR RESEARCH IN MARKETING AND ADVERTISING 145
 What Is Marketing Research? 146
 What Is Advertising Research? 146
 Advertising Strategy Research 147

Creative Concept Research 149
Pretesting and Posttesting 150

STEPS IN THE RESEARCH PROCESS 151
Step 1: Analyzing the Situation and Defining the Problem 151
Step 2: Conducting Secondary Research 152
Step 3: Establishing Research Objectives 153
Step 4: Conducting Primary Research 154
Step 5: Interpreting and Reporting the Findings 160

IMPORTANT ISSUES IN ADVERTISING RESEARCH 161
Considerations in Conducting Primary Quantitative Research 161
Collecting Primary Data in International Markets 165

MY AD CAMPAIGN 6-A RESEARCH 153

MY AD CAMPAIGN 6-B METHODS FOR PRETESTING ADS 158

MY AD CAMPAIGN 6-C METHODS FOR POSTTESTING ADS 159

MY AD CAMPAIGN 6-D DEVELOPING AN EFFECTIVE QUESTIONNAIRE 164

CHAPTER 7 MARKETING, ADVERTISING, AND IMC PLANNING 166

THE MARKETING PLAN 168
The Importance of Marketing Planning 168
The Effect of the Marketing Plan on IMC 169
Top-Down Marketing Plans 169
Bottom-Up Marketing: How Small Companies Plan 175

THE IMPORTANCE OF RELATIONSHIP MARKETING 175
The Importance of Relationships 176
Levels of Relationships 176

USING IMC TO MAKE RELATIONSHIPS WORK 178
IMC: The Concept and the Process 179
The Dimensions of IMC 181
The IMC Approach to Marketing and Advertising Planning 181
The Importance of IMC to Advertising 182

THE ADVERTISING PLAN 182
Reviewing the Marketing Plan 182
Setting Advertising Objectives 182
Determining the Advertising Strategy 185
Allocating Funds for Advertising 186
Methods of Allocating Funds 188

MY AD CAMPAIGN 7-A DEVELOPING THE SITUATION ANALYSIS 170

MY AD CAMPAIGN 7-B DEVELOPING A BRAND STRATEGY 174

ETHICAL ISSUES A WAR OF COMPARISONS 177

MY AD CAMPAIGN 7-C THE SWOT ANALYSIS 178

MY AD CAMPAIGN 7-D DEVELOPING ADVERTISING OBJECTIVES 187

MY AD CAMPAIGN 7-E WAYS TO SET ADVERTISING BUDGETS 189

part four THE CREATIVE PROCESS

CHAPTER 8 CREATING ADS: STRATEGY AND PROCESS 190

THE CREATIVE TEAM: ORIGINATORS OF ADVERTISING CREATIVITY 192

CREATING GREAT ADVERTISING 193
The Resonance Dimension 194
The Relevance Dimension 195

FORMULATING CREATIVE STRATEGY: THE KEY TO GREAT ADVERTISING 195
Writing the Creative Strategy 195
Elements of Message Strategy 197

HOW CREATIVITY ENHANCES ADVERTISING 198
What Is Creativity? 198
The Role of Creativity in Advertising 199
Understanding Creative Thinking 200

THE CREATIVE PROCESS 201

THE EXPLORER ROLE: GATHERING INFORMATION 201
Develop an Insight Outlook 202
Know the Objective 202
Brainstorm 202

THE ARTIST ROLE: DEVELOPING AND IMPLEMENTING THE BIG IDEA 202
Task 1: Develop the Big Idea 202
Task 2: Implement the Big Idea 205
The Creative Pyramid: A Guide to Formulating Copy and Art 206

THE JUDGE ROLE: DECISION TIME 209

THE WARRIOR ROLE: OVERCOMING SETBACKS AND OBSTACLES 209

MY AD CAMPAIGN 8 THE CREATIVE BRIEF 196

ETHICAL ISSUES DOES SEX APPEAL? 208



© Ingram Publishing/SuperStock RF

CHAPTER 9 CREATIVE EXECUTION: ART AND COPY 212

DELIVERING ON THE BIG IDEA: THE VISUAL AND THE VERBAL 215

THE ART OF CREATING PRINT ADVERTISING 215

Designing the Print Ad 215

The Use of Layouts 215

Advertising Design and Production: The Creative and Approval Process 215

Principles of Design: Which Design Formats

Work Best 218

The Use of Visuals in Print Advertising 222

PRODUCING GREAT COPY IN PRINT ADVERTISING 224

Headlines 224

Subheads 227

Body Copy 228

Slogans 230

Seals, Logos, and Signatures 231

CREATING GREAT COPY IN ELECTRONIC MEDIA 232

Writing Radio Copy 232

Writing Television Copy 232

THE ROLE OF ART IN RADIO AND TV ADVERTISING 234

Developing the Artistic Concept for

Commercials 234

Formats for Radio and TV Commercials 234

Outlining a TV Commercial 237

WRITING FOR THE WEB 238

MY AD CAMPAIGN 9-A PRODUCT FACTS FOR CREATIVES 216

MY AD CAMPAIGN 9-B CREATING GREAT HEADLINES AND COPY 223

MY AD CAMPAIGN 9-C DETERMINING THE CHIEF FOCUS FOR VISUALS 225

MY AD CAMPAIGN 9-D DESIGN PRINCIPLES 226

ETHICAL ISSUES IMITATION, PLAGIARISM, OR FLATTERY? 227

MY AD CAMPAIGN 9-E WRITING EFFECTIVE COPY 229

MY AD CAMPAIGN 9-F CREATING EFFECTIVE RADIO COMMERCIALS 232

MY AD CAMPAIGN 9-G CREATING EFFECTIVE TV COMMERCIALS 235

part five REACHING THE TARGET AUDIENCE

CHAPTER 10 PRINT ADVERTISING 240

SELECTING MEDIA 242

PRINT MEDIA 242

USING MAGAZINES IN THE MEDIA MIX 243

The Pros and Cons of Magazine Advertising 243

Special Possibilities with Magazines 243

HOW MAGAZINES ARE CATEGORIZED 246

BUYING MAGAZINE SPACE 248

Understanding Magazine Circulation 248

Reading Rate Cards 250

USING NEWSPAPERS IN THE MEDIA MIX 252

Who Uses Newspapers? 253

The Pros and Cons of Newspaper Advertising 253

How Newspapers Are Categorized 253

Types of Newspaper Advertising 255

HOW ADVERTISERS BUY NEWSPAPER SPACE 256

Understanding Readership and Circulation 256

Co-ops and Networks 260

Insertion Orders and Tearsheets 261

PRINT MEDIA AND NEW TECHNOLOGIES 261

MY AD CAMPAIGN 10-A THE PROS AND CONS OF MAGAZINE ADVERTISING 244

MY AD CAMPAIGN 10-B THE PROS AND CONS OF NEWSPAPER ADVERTISING 254

ETHICAL ISSUES WHAT'S AT STAKE WITH SWEEPSTAKES? 257

MY AD CAMPAIGN 10-C PLANNING AND EVALUATING PRINT MEDIA 260

CHAPTER 11 BROADCAST, CABLE, DIGITAL, AND SATELLITE MEDIA: TELEVISION AND RADIO 264

THE MEDIUM OF TELEVISION 266

Broadcast TV 267

Cable TV 267

Satellite TV 268

TV Audience Trends 268

The Impact of Social Media and Streaming 271



Source: Jessica Spengler, Flickr

The Use of Television in IMC	272
Types of TV Advertising	273
Video Alternatives to TV Commercials	276
TV AUDIENCE MEASUREMENT	278
Rating Services	278
Cable Ratings	279
Defining Television Markets	279
Dayparts	280
Audience Measurements	280
Gross Rating Points	282
BUYING TELEVISION TIME	282
Selecting Programs for Buys	282
Negotiating Prices	282
THE MEDIUM OF RADIO	283
Who Uses Radio?	283
The Use of Radio in IMC	284
Radio Programming and Audiences	284
Satellite Radio and Portable Music Devices	285
BUYING RADIO TIME	286
Types of Radio Advertising	286
Radio Terminology	286
MY AD CAMPAIGN 11-A	PLANNING AND BUYING TV AND RADIO 268
MY AD CAMPAIGN 11-B	THE PROS AND CONS OF BROADCAST TV ADVERTISING 270
MY AD CAMPAIGN 11-C	THE PROS AND CONS OF CABLE TV ADVERTISING 275
ETHICAL ISSUES	ADVERTISING TO CHILDREN: CHILD'S PLAY? 281
MY AD CAMPAIGN 11-D	THE PROS AND CONS OF RADIO ADVERTISING 287

CHAPTER 12 DIGITAL INTERACTIVE MEDIA 290

THE EVOLUTION OF DIGITAL INTERACTIVE MEDIA	292
The Internet	293
The Web	294
Digital Interactive Today	295
MEASURING THE DIGITAL AUDIENCE	297
How People Access Digital Media	298
How People Use Digital Media	298
Media Planning Tools	298
The Promise of Enhanced Tracking	299
Seeking Standardization	300
BUYING TIME AND SPACE IN DIGITAL INTERACTIVE	302
Pricing Methods	302
The Cost of Targeting	303
Stretching Out the Dollars	303
TYPES OF DIGITAL INTERACTIVE ADVERTISING	304
Search Advertising	304
AdWords	305
AdSense	306
Display Advertising	306
Sponsorships and Added-Value Packages	306
E-Mail Advertising	307

Viral Marketing	307
Programmatic Advertising	308
Mobile-Specific Advertising	308

PROBLEMS WITH DIGITAL INTERACTIVE AS AN ADVERTISING MEDIUM 308

USING THE DIGITAL INTERACTIVE IN IMC 309

ETHICAL ISSUES IT'S NOT ALWAYS NICE TO SHARE 301

MY AD CAMPAIGN 12 USING FACEBOOK AND GOOGLE 310

CHAPTER 13 OUT OF HOME, DIRECT-MAIL, AND PROMOTIONAL PRODUCTS 312

OUT-OF-HOME ADVERTISING	315
Standardization of the Outdoor Advertising Business	316
Types of Outdoor Advertising	317
OUT-OF-HOME MEDIA	318
BUYING OUTDOOR ADVERTISING	319
Regulation of Outdoor Advertising	321
TRANSIT ADVERTISING	323
Types of Transit Advertising	324
Buying Transit Advertising	325
OTHER OUT-OF-HOME MEDIA	326
Cinema Advertising	326
ATMs	326
Mobile Billboards	327
Digital Signage	327
Mall Advertising	327
Augmented Reality	328
Guerrilla Marketing	328
DIRECT-MAIL ADVERTISING: THE ADDRESSABLE MEDIUM	328
Types of Direct-Mail Advertising	329
Using Direct Mail in the Media Mix	331
COMPONENTS OF DIRECT-MAIL ADVERTISING	332
PROMOTIONAL PRODUCTS	334
MY AD CAMPAIGN 13-A	THE PROS AND CONS OF OOH ADVERTISING 316
ETHICAL ISSUES	DOES SPILLOVER NEED MOPPING UP? 322
MY AD CAMPAIGN 13-B	THE PROS AND CONS OF TRANSIT ADVERTISING 323
MY AD CAMPAIGN 13-C	THE PROS AND CONS OF DIRECT-MAIL ADVERTISING 331

part six INTEGRATING MARKETING COMMUNICATIONS ELEMENTS

CHAPTER 14 MEDIA PLANNING AND BUYING 336

MEDIA PLANNING: INTEGRATING SCIENCE WITH CREATIVITY IN ADVERTISING	339
The Challenge	339



Source: Complete Merchandise, Flickr

The Role of Media in the Marketing Framework	343
The Media Planning Framework	343
DEFINING MEDIA OBJECTIVES	345
Audience Objectives	345
Message-Distribution Objectives	345
OPTIMIZING REACH, FREQUENCY, AND CONTINUITY: THE ART OF MEDIA PLANNING	348
Effective Reach	348
Effective Frequency	349
DEVELOPING A MEDIA STRATEGY: THE MEDIA MIX	349
Factors in the Media Strategy: The Five Ms	350
Factors That Influence Media Strategy Decisions	350
Stating the Media Strategy	353
MEDIA TACTICS: SELECTING AND SCHEDULING MEDIA VEHICLES	353
Criteria for Selecting Individual Media Vehicles	353
Buyer Purchase Patterns	356
Stating the Media Strategy	357
The Synergy of Mixed Media	357
Methods for Scheduling Media	357
Computers in Media Selection and Scheduling	358
THE ROLE OF THE MEDIA BUYER	359
ETHICAL ISSUES MEET SOCIAL MEDIA AND THE WEB	342
MY AD CAMPAIGN 14 DEVELOPING MEDIA OBJECTIVES AND STRATEGIES	356

CHAPTER 15 IMC: DIRECT MARKETING, PERSONAL SELLING, PACKAGING, AND SALES PROMOTION 362

THE IMPORTANCE OF RELATIONSHIP MARKETING AND IMC	365
UNDERSTANDING DIRECT MARKETING	366
THE ROLE OF DIRECT MARKETING IN IMC	367
The Evolution of Direct Marketing	368
The Impact of Databases on Direct Marketing	369
The Importance of Direct Marketing to IMC	370
Drawbacks to Direct Marketing	370
TYPES OF DIRECT MARKETING ACTIVITIES	371
Direct Sales	371
Direct-Response Advertising	372
PERSONAL SELLING: THE HUMAN MEDIUM	374
Types of Personal Selling	374
Advantages of Personal Selling	375
Drawbacks of Personal Selling	375
The Role of Personal Selling in IMC	376
Gathering Information	376
Providing Information	376
Fulfilling Orders	376
Building Relationships	378
TRADE SHOWS	378
PRODUCT PACKAGING	380
Environmental Issues in Packaging	380
Government Impact on Packaging	380
Package Manufacturing	381
When Should a Package Be Changed?	381
THE ROLE OF SALES PROMOTION IN IMC	382
The Positive Effect of Sales Promotion on Brand Volume	382
The Negative Effect of Sales Promotion on Brand Value	383
SALES PROMOTION STRATEGIES AND TACTICS	384
Giving Brands a Push with Trade Promotions	384
Using Consumer Promotions to Pull Brands Through	387
MY AD CAMPAIGN 15-A DEVELOPING A PLANS BOOK	377
MY AD CAMPAIGN 15-B CREATING EFFECTIVE SALES PROMOTIONS	383

CHAPTER 16 IMC: PUBLIC RELATIONS, SPONSORSHIP, AND CORPORATE ADVERTISING 392

THE ROLE OF PUBLIC RELATIONS	395
The Difference between Advertising and Public Relations	396
Advertising and PR in the Eyes of Practitioners	396
THE PUBLIC RELATIONS JOB	397
PR Planning and Research	397
Reputation Management	397



© McGraw-Hill Companies, Inc./Mark Dierker, photographer

Other Public Relations Activities	399
Public Relations Tools	402
SPONSORSHIP AND EVENTS	404
The Growth of Sponsorship	404
Benefits of Sponsorship	406
Drawbacks of Sponsorship	407
Types of Sponsorship	407
Methods of Sponsorship	410
Measuring Sponsorship Results	410
CORPORATE ADVERTISING	411
Public Relations Advertising	411
Corporate/Institutional Advertising	411
Corporate Identity Advertising	413
Recruitment Advertising	413
MY AD CAMPAIGN 16-A	CORPORATE BLOGGING 401
MY AD CAMPAIGN 16-B	HOW TO WRITE A NEWS RELEASE 402
MY AD CAMPAIGN 16-C	THE CLIENT PRESENTATION 406
MY AD CAMPAIGN 16-D	HOW TO SELECT EVENTS FOR SPONSORSHIP 410
ENDNOTES	414
INDEX	430



Source: Taber Andrew Bain, Flickr

changes to the third edition

chapter one

- Added an opening paragraph describing chapter coverage (in all chapters).
- A new vignette focused on Shakira's Activa ad.
- Updated the section that uses Coke to demonstrate the benefits of branding.
- Updated the timetable of advertising history.
- Simplified the historical eras to focus on five: early age, industrial age, golden age, postindustrial age, and global interactive age.
- Updated the references to Internet tools that enhance teamwork.
- Updated the table of global marketers to reflect most recent data available.

chapter two

- Extensively edited the text to clarify important economic and social issues.
- Elaborated on privacy issues for Internet consumers.
- Updated the discussion of the Advertising Self-Regulatory Council (formally the National Advertising Review Council).

chapter three

- Updated McDonald's opener to include recent innovations and company performance.
- Updated the statistics on top advertisers and top media companies.
- Updated the Rubio's story to include the company's use of social media.
- Updated the trends in the advertising industry.

chapter four

- Greater focus on marketing to Millennials.
- Updated statistics on consumer behavior throughout.
- Updated exhibits.

- Greater focus on the importance of branding and the role advertising plays in branding.

chapter five

- Simplified text throughout to improve readability and student engagement.
- Made refinements to the descriptions of the consumer perception process and the discussion of cognition and memory.

chapter six

- All new opening vignette focused on the award-winning Budweiser Super Bowl ad campaign, "Lost Dog."
- Revised and updated links to research resources.

chapter seven

- Revised and updated the Mountain Dew chapter opener to include latest controversial Super Bowl spot.
- Incorporated additional social media examples and references.
- Added references to chapter opener throughout the chapter.

chapter eight

- Revised the Target chapter opener.
- Significantly changed and improved sample Target ads used throughout the chapter.
- Improved coverage of the collaborative nature of advertising creative work.
- Revised exhibit featuring some of advertising's greatest big ideas.

chapter nine

- New opening vignette on a campaign described as "one of the best" of the 21st century, "Dumb Ways to Die."

- Updated material on the use of computers in production.
- More material on creating copy for digital media.
- Streamlined and tightened copy throughout the chapter.

chapter ten

- Removed the material on advertising production to reduce textbook length and the number of chapters. Material is still available online and in custom versions.
- Updated four exhibits and numerous media statistics throughout the chapter.
- New chapter opener on the plight of newspapers.

chapter eleven

- Updated the Hyundai chapter opener.
- Updated content on top network advertisers.
- Added coverage of Hulu and other cable-cutter platforms.
- Updated the exhibit on most viewed cable networks.
- New exhibit on top advertising categories.
- Updated the exhibit on commercial costs.
- Significantly updated coverage of radio.
- Updated the exhibit on spot radio spending.

chapter twelve

- Updated opening vignette on Google and digital advertising.
- Added a new exhibit on digital advertising expenditures through 2016.
- Added new content on social media generally and Facebook advertising specifically.
- New exhibit on market share of top social sites.
- Revised and updated information on search engine ads.
- Added a new exhibit on digital ad spending by format.
- Deeper discussion about behavioral tracking.

chapter thirteen

- Updated exhibits and numerous statistics throughout the chapter.
- Enhanced the discussion of mall advertising.
- Added new material on guerrilla marketing.

chapter fourteen

- Updated media spending statistics in Exhibit 14–1.
- Added new material on media-buying firms.
- Added a new exhibit comparing spending on all media options.
- Added new exhibit showing rising costs for smaller audiences on network primetime shows.

chapter fifteen

- Updated the GEICO opening vignette.
- Enhanced the description of database marketing.
- Updated the exhibit on the largest direct-response agencies in the United States and numerous statistics throughout the chapter.
- Enhanced discussion of direct-response digital interactive media.
- Further clarified the distinctions among contests, sweepstakes, and games.

chapter sixteen

- Updated Netflix vignette to the present.
- Updated three exhibits and numerous statistics regarding sponsorships.
- Added a public relations example of working conditions in Apple's Chinese factories.
- Added several examples of sports marketing sponsorships.
- Integrated David Ogilvy's opinions about corporate advertising into the text (formerly in a text box).



©Getty Images/iStockphoto

McGraw-Hill Connect[®] Learn Without Limits

Connect is a teaching and learning platform that is proven to deliver better results for students and instructors.

Connect empowers students by continually adapting to deliver precisely what they need, when they need it, and how they need it, so your class time is more engaging and effective.

73% of instructors who use **Connect** require it; instructor satisfaction increases by 28% when **Connect** is required.

Analytics

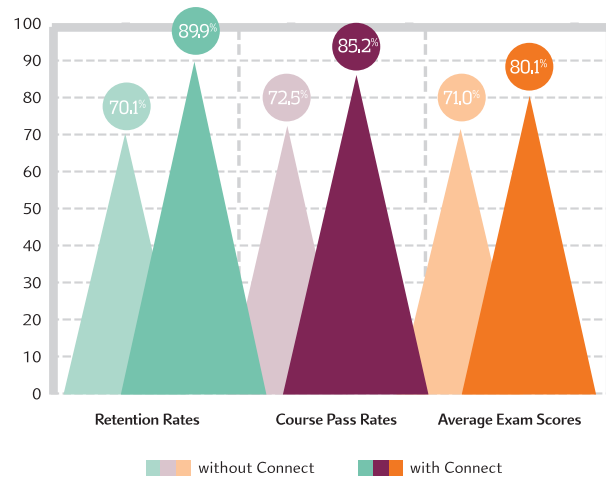
Connect Insight[®]

Connect Insight is Connect's new one-of-a-kind visual analytics dashboard—now available for both instructors and students—that provides at-a-glance information regarding student performance, which is immediately actionable. By presenting assignment, assessment, and topical performance results together with a time metric that is easily visible for aggregate or individual results, Connect Insight gives the user the ability to take a just-in-time approach to teaching and learning, which was never before available. Connect Insight presents data that empowers students and helps instructors improve class performance in a way that is efficient and effective.

Mobile

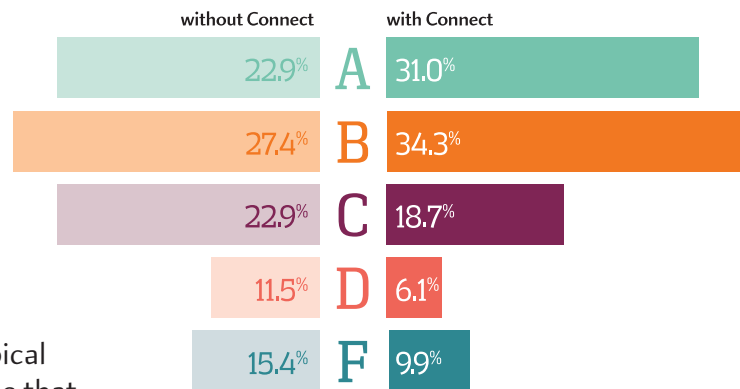
Connect's new, intuitive mobile interface gives students and instructors flexible and convenient, anytime-anywhere access to all components of the Connect platform.

Connect's Impact on Retention Rates, Pass Rates, and Average Exam Scores

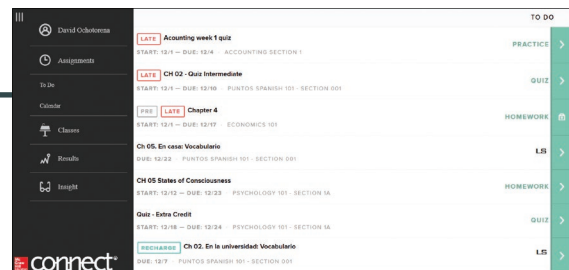


Using **Connect** improves retention rates by **19.8%**, passing rates by **12.7%**, and exam scores by **9.1%**.

Impact on Final Course Grade Distribution



Students can view their results for any **Connect** course.



Adaptive



THE ADAPTIVE READING EXPERIENCE DESIGNED TO TRANSFORM THE WAY STUDENTS READ

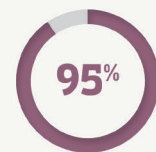
More students earn **A's** and **B's** when they use McGraw-Hill Education **Adaptive** products.

SmartBook®

Proven to help students improve grades and study more efficiently, SmartBook contains the same content within the print book, but actively tailors that content to the needs of the individual. SmartBook's adaptive technology provides precise, personalized instruction on what the student should do next, guiding the student to master and remember key concepts, targeting gaps in knowledge and offering customized feedback, and driving the student toward comprehension and retention of the subject matter. Available on tablets, SmartBook puts learning at the student's fingertips—anywhere, anytime.

Over **8 billion** questions have been answered, making McGraw-Hill Education products more intelligent, reliable, and precise.

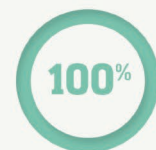
www.mheducation.com



of students reported **SmartBook** to be a more effective way of reading material.



of students want to use the Practice Quiz feature available within **SmartBook** to help them study.



of students reported having reliable access to off-campus wifi.



of students say they would purchase **SmartBook** over print alone.



of students reported that **SmartBook** would impact their study skills in a positive way.

**Mc
Graw
Hill
Education**

*Findings based on 2015 focus group results administered by McGraw-Hill Education

advertising

chapter

one



what is
advertising?

Source: NASA Jet Propulsion Laboratory (NASA-JPL)

In this chapter you will learn what advertising and integrated marketing communications (IMC) are and learn how advertising differs from other forms of marketing communications. Next you'll find out about the functions and effects of advertising in free economies and discover how advertising developed in the U.S. Finally, you will consider advertising's impact on society.

You probably have a pretty good idea what advertising is. But IMC is a term you might not have heard before. So what is IMC, and why do advertising professionals need to know about it? IMC is the modern practice of coordinating and integrating brand messages from a variety of sources. The IMC approach contrasts with practices from the

past in which ad agencies created campaigns without giving much thought to how advertisements worked with other marketing communications. For example, an agency might have created a commercial for a car brand without bothering to learn about the brand's public relations activities or sponsorship commitments. Those days are long gone. Today, advertising is considered one tool in the marketing communications toolbox.

To see why advertising works better when guided by IMC, it might help to reflect on a recent campaign for Activia, a yogurt brand. When first introduced several years ago, Activia ran ads featuring actress Jaime Lee Curtis speaking about the digestive benefits of the the product.

But in 2014 Activia launched a new campaign featuring pop star Shakira.¹ A long commercial featuring the singer, soccer, and world-hunger ran during the World Cup. The campaign was intended to drive fans to the web

continued on p. 4

LEARNING OBJECTIVES

After studying this chapter, you will be able to:

- L01-1** Define integrated marketing communications and explain its importance.
- L01-2** Define advertising and distinguish it from other forms of marketing communications.
- L01-3** Explain the role advertising plays in business and marketing.
- L01-4** Illustrate the functions of advertising in a free-market economy.
- L01-5** Discuss how advertising evolved with the history of commerce.
- L01-6** Describe the impact of advertising on society.



Search Twitter

Have an account? Log in

Ad Age **Ad Age** 
@adage Follow

Shakira vanquishes Darth Vader: Pop star's Activia-sponsored music video becomes most-shared ad of all time bit.ly/1ogx9UW

Ad Age **Ad Age**

Shakira's Activia-Sponsored Music Video Vanquishes 'The Force' as...

Music video for Shakira sponsored by Activia tops Volkswagens "The Force" as most shared of all time.



[View on web](#)

RETWEETS	FAVORITES	
22	10	

6:04 AM - 3 Aug 2014

Source: Advertising Age

continued from p. 3

to rewatch and share the video with their friends. Which they did, in record numbers.²

Many who watch the video (you can see it here: <https://vimeo.com/98017010>) may wonder if it can truly be called an advertisement. The Activia name is shown early, then is referenced only through actors in the video drawing circles on their stomachs. And while an English language version was created, most viewers watched the Spanish-language version.

The changes in Activia's marketing efforts perfectly mirror broader new approaches in the advertising world. It also helps to demonstrate the importance of IMC for advertisers. Let's see how.

The "old" Jamie Lee Curtis ads relied heavily on paid media, particularly television. They targeted an older audience, including many Baby Boomers (people born between 1946

and 1964). The primary focus of the campaign was the United States, a large consumer market.

The new ad ran on television but was really meant to encourage consumers to watch on the Web, where they could share it with friends. The Shakira video targets a younger and more global audience, especially Millennials (people born between 1980 and 2000) in Latin and South America. The "ad" in this case looks exactly like a music video, so much so that some critics found it confusing.³

Whether or not older audiences found the Shakira Activia ad confusing, it was a hit with younger viewers. In fact, it became the most shared advertisement in history and global Activia sales, which had been flat, once again grew in 2015.⁴

As this story suggests, advertising is in transition. U.S. and European consumers are no longer the only focus of

global marketers. Television ads, which have been growing more expensive even as they reach fewer people, are being used in a different way. Social media is an important part of nearly every big campaign. And the 30-second spot is declining in importance as a way to persuade consumers to try new brands or remain loyal to old ones.

The story also shows the power of IMC. Activia integrated messages that included the Shakira commercial, the online video, the support of a world-hunger campaign, and the sponsorship of World Cup soccer. Doing all of this together could have confused consumers. Instead, these activities resonated with the target audience because the messages were carefully designed to work together. ■

LO1-1 Define integrated marketing communications and explain its importance.

Throughout this text, we will discuss the importance of integrated marketing communications (IMC): the coordination and integration of brand messages from a variety of sources. Marketers today realize that it is no longer possible to reach and effectively persuade their audiences with traditional media alone—television, radio, magazines, newspapers, direct mail, and outdoor. They need to combine and coordinate those communications tools with public relations, personal selling, sales promotion, and digital media to mount an effective marketing campaign.

The next section focuses on one important type of IMC communication: advertising. Advertising is a messaging option over which a company has the greatest control. As such, it is likely to remain an important component of almost every major IMC campaign.

LO1-2 Define advertising and distinguish it from other forms of marketing communications.

WHAT IS ADVERTISING?

You are exposed to hundreds and maybe even thousands of commercial messages every day. They appear in many forms—TV commercials, websites, and social media messages—or in the form of product placements in TV shows, coupons, sales letters, event sponsorships, telemar-

marketing communications The various efforts and tools companies use to communicate with customers and prospects, including newspaper ads, event sponsorship, publicity, telemarketing, digital ads, and coupons, to mention just a few.

advertising A paid, mediated form of communication from an identifiable source, designed to persuade the receiver to take some action, now or in the future.

consumers People who buy products and services for their own, or someone else's, personal use.

keting calls, or e-mails. These are just a few of the many communication tools that companies and organizations use to initiate and maintain contact with their customers, clients, and prospects. You may simply refer to them all as “advertising.” But, in fact, the correct term for these various tools is **marketing communications**. And advertising is just one type of marketing communication.

So, then, what is advertising?

At the beginning of the twentieth century, Albert Lasker, often regarded as the “father” of modern advertising, defined advertising as “salesmanship in print, driven by a reason why.”⁵ But that was long before the advent of radio, television, or the smartphone. More than a century later, our planet is a far different place. The nature and needs of business have changed, and so have the concept and practice of advertising.

How would you define advertising? There are many kinds of marketing communications, but not all qualify as advertising. Let's start with a definition and then distinguish advertising from these other marketing messages.

Advertising is a paid, mediated form of communication from an identifiable source, designed to persuade the receiver to take some action, now or in the future.

Let's take this definition apart and analyze its six core components. Advertising is, first of all, a type of *communication*. It is actually a very *structured* form of communication, employing both verbal and nonverbal elements that are *composed* to fill specific space and time formats determined by the sponsor.

Second, advertising is typically directed to receivers, or people who are attractive to the advertiser. These people could be **consumers**, who buy products like cars, deodorant, or food for their personal use. Or they might be businesspeople who buy fleets of cars for commercial or government use. The messages are delivered via media, such as television or the Internet, rather than through direct, personal contact between a seller and a buyer. Advertising is, therefore, a kind of nonpersonal, or mass, communication.

Third, advertising is *paid* for by sponsors. GM, Walmart, Activia, and your local fitness salon pay the newspaper or the radio or TV station to carry the ads you read, see, and hear. But

public service announcements (PSAs)

An advertisement serving the public interest, often for a nonprofit organization, carried by the media at no charge.

media A plural form of *medium*, referring to communications vehicles paid to present an advertisement to their target audience. Most often used to refer to radio and television networks, stations that have new reporters, and publications that carry news and advertising.



Overview [1–A]

Welcome to My Ad Campaign, a valuable feature of this text. My Ad Campaign should be useful in any of the following situations:

- Your instructor has asked students in your class to work on part or all of an ad campaign, either individually or in groups.
- You are doing an internship and want practical advice on how to help your internship sponsor.
- You want to try to apply the concepts and ideas that you are reading about in this book in the real world.

Professors approach advertising projects differently. Some ask students to create ads for a real product, although they never actually communicate with the company that makes the product. Some assign a fictional brand in a real product category. Perhaps your professor has offered your talents to a client, such as a small local business or firm. You may even have to find a client yourself by making inquiries in your community. Finally, your instructor may ask you to help a charity or nonprofit with its advertising. No matter which of these things is the case, the good news is that developing an advertising campaign follows a similar path. And the My Ad Campaign feature is designed to help guide you through the process.

Let's begin with some definitions. An advertising campaign involves the creation and placement of a series of messages that are unified by an underlying theme. The messages should help to promote a brand, product, service, organization, or idea. They are typically designed to resonate with a group called a target audience. Campaigns usually have specific objectives, such as increasing product awareness or persuading people to try a service or donate money. And to ensure that the target audience receives them, messages appear in various media, such as newspapers, radio, or websites. You may not do all of these activities but in most cases you will get a chance to do some serious thinking, planning, and creative brainstorming.

We can make our definition of a campaign a bit more concrete by thinking back to the opening vignette of this chapter. Activia is a yogurt brand that may help with better digestive functioning. The company wanted to reach a younger, more diverse audience than it had in previous years. And it wanted to do so in a way that is credible to that audience.

If your team had been asked to change Activia's advertising approach, what would you have proposed? Activia's real agency stopped relying so much on U.S. TV ads with a spokesperson known best among Baby Boomers. Instead, it created a commercial featuring a young pop star especially popular with Hispanic audiences. The commercial did not run as frequently as ads did during the old campaign. Instead, it was intended to encourage people to go online to view a long-form video and share that with friends.

some sponsors don't have to pay for their ads. The American Red Cross, United Way, and American Cancer Society are among the many national organizations whose **public service announcements (PSAs)** are carried at no charge because of their nonprofit status. Likewise, a poster on a school bulletin board promoting a dance is not paid for, but it is still an ad—a structured, nonpersonal, persuasive communication.

Fourth, advertising is *mediated*, meaning it reaches us through a channel of communication referred to as a **medium**. An advertising medium is any nonpersonal means used to present an ad to its target audience. Thus, we have radio advertising, television advertising, newspaper ads, Google ads, and so on.

Hopefully you've inferred from all of this that advertising is very strategic. Lots of planning takes place long before ads are created. So while you may be itching to create some advertisements for your client right off the bat, you have lots of work to do before you begin creating ads. The strategy of the new Activia campaign focused on reaching a younger audience in Latin and South America. It was also based on the belief that standard 30-second commercials don't work especially well with that audience. Finally, the campaign believed that younger people would "get" the Activia connection to the Shakira video. That's strategic thinking, and in this case it proved successful. On a much smaller scale and with far less resources, you will face similar challenges. My Ad Campaign is designed to help you to meet them.

In subsequent chapters, we'll help you learn to develop a deeper understanding of your brand or client, develop a plan for marketing and advertising activities, conduct research so that you can better understand your target audience, formulate media strategy, and design effective advertisements. Finally, you'll learn how to implement evaluation programs to test whether your ads were successful. By the end of the semester, you won't be a top advertising professional. But you'll have some real experience in the art and science of developing an ad campaign. And that's a great start!

The My Ad Campaign topics are listed below. You may find it useful or necessary to jump around among them as you develop your own campaign.

1. Overview/Tools for Teamwork
2. Your Campaign Assignment
3. Understanding What Your Client Wants
4. Segmenting the Audience
5. Understanding Your Customer and Product
6. Conducting Marketing and Advertising Research
7. Situation Analysis, Objectives, and Budgets
8. The Creative Brief
9. Developing the Creative Product
10. Magazine and Newspaper Advertising
11. Television and Radio Advertising
12. Digital Interactive Media
13. Out-of-Home, Direct Mail and Specialty Advertising
14. Developing Media Objectives and Strategies
15. Developing a Plans Book
16. Blogging/The Client Presentation

word-of-mouth (WOM) advertising

The passing of information, especially product recommendations, in an informal, unpaid, person-to-person manner, rather than by advertising or other forms of traditional marketing.

mass media Print or broadcast media that reach very large audiences. Mass media include radio, television, newspapers, magazines, and billboards.

goods Tangible products such as suits, soap, and soft drinks.

services A bundle of benefits that may or may not be physical, that are temporary in nature, and that come from the completion of a task.

ideas Economic, political, religious, or social viewpoints that advertising may attempt to sell.



You don't have to be perfect to be a perfect parent.
There are thousands of teens in foster care who would love to put up with you.

1 888 200 4005 · adoptuskids.org



Even nonprofits use advertising to communicate information. This ad for adoptuskids.org was created by the Advertising Council, a nonprofit organization that produces, distributes, and promotes campaigns that are each sponsored by a federal government agency or a nonprofit organization. Source: AdoptUSKids and The Advertising Council

When you tell somebody how much you like a product, that's sometimes called **word-of-mouth (WOM) advertising**. Although WOM is a communication medium, it has not generally been considered an advertising medium. However, the popularity of social media, such as Facebook and Snapchat, is forcing advertisers to reconsider this belief. Historically, advertisers have used the traditional **mass media** (the plural of medium)—radio, TV, newspapers, magazines, and billboards—to send their messages. Modern technology enables advertising to reach us efficiently through a variety of addressable media (like direct mail) and interactive media (like Facebook). Advertisers also use a variety of other nontraditional media such as billboards, directories, and direct mail, to link with their audience.

Fifth, most advertising is intended to be *persuasive*—to ultimately motivate the audience to do something. What, exactly? Ads can persuade people to try new things, or to stay loyal to brands they already use. Some ads try to convince people to increase their usage of a product they already buy. Ads can try to get people to vote for a candidate or support a ballot initiative. Some ads even try to get people to do *less* of something, for example to use less water or energy. Getting people to change their behavior is not easy, and we'll see in subsequent chapters that there are intermediate goals that ads target which can later lead to behavior change.

In addition to promoting tangible **goods** such as oranges, iPods, and automobiles, advertising helps publicize the intangible **services** of bankers, beauticians, bike repair shops, bill collectors, and bakeries. Advertising is sometimes used to advocate a wide variety of **ideas**, whether economic, political,

product The particular good or service a company sells.

marketing An organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

process A sequence of actions or methods aimed at satisfying consumer needs profitably.

marketing mix Four elements, called the 4Ps (product, price, place, and promotion), that every company has the option of adding, subtracting, or modifying in order to create a desired marketing strategy.

marketing strategy The statement of how the company is going to accomplish its marketing objectives.

religious, or social. In this book the term **product** encompasses goods, services, and ideas.

Finally, an ad *identifies* its sponsor. This seems obvious. The sponsor wants to be identified, or why pay to advertise? This part of the definition of advertising distinguishes it from product placements, an increasingly prevalent way to promote a product. Product placements occur when a brand is featured in a show, story, or film in exchange for compensation of some kind. Whereas it is clear that an ad has a sponsor, product placements are often made to look natural and unobtrusive, so that audiences can't be sure they are seeing a promotion.

check yourself ✓

1. What are the six key components of the definition of advertising?
2. Which of these components do product placements not fulfill?

LO1-3 Explain the role advertising plays in business and marketing.

THE ROLE OF ADVERTISING IN BUSINESS

In Chapter 5 we discuss in more detail how advertising helps inform and persuade consumers, but first let's consider advertising's role in business. Every business organization performs a number of activities, typically classified into three broad divisions:

- Operations (production/manufacturing)
- Finance/administration
- Marketing

Of all the business functions, marketing is the only one intended to bring in revenue. Without revenue, of course, a company cannot pay its bills or earn a profit. So marketing is very important.

What Is Marketing?

Over the years, the concept of marketing has evolved based on the supply of and demand for products. Because we need to understand marketing as it relates to *advertising*, we will use the American Marketing Association's definition:

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.⁶

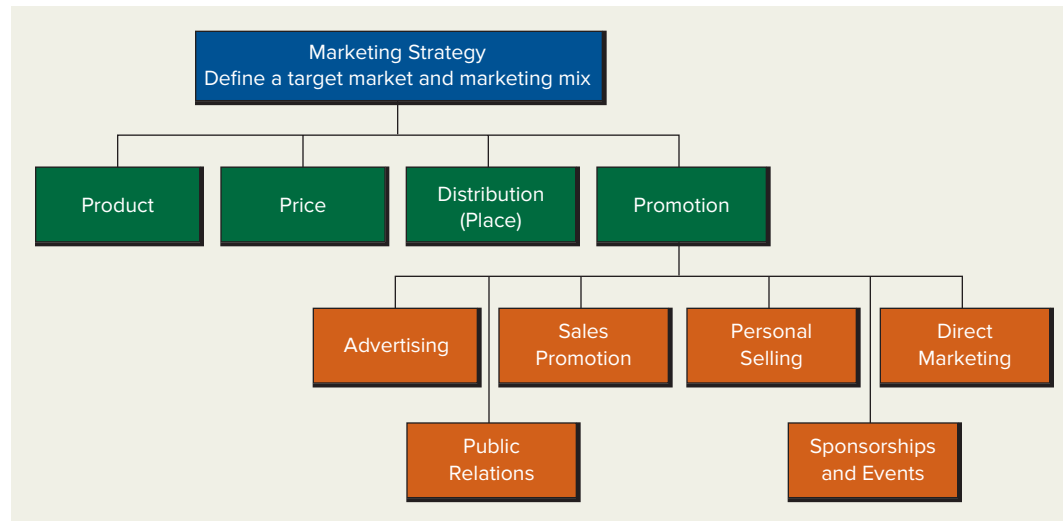
We focus in Part 2 on marketing and consumer behavior. What's important to understand now is that marketing is a **process**—a sequence of activities—aimed at profitably satisfying consumer needs. This process is typically broken down into the 4Ps of the **marketing mix**: developing *products*, *pricing* them strategically, distributing them so they are available to customers at appropriate *places*, and *promoting* them through sales and advertising activities (see Exhibit 1–1). The ultimate goal of the marketing process is to earn a profit for the firm by exchanging products or services with customers who need or want them. And the role of advertising is to promote—to inform, persuade, and remind groups of customers, or markets, about the need-satisfying value of the company's goods and services.

Advertising and the Marketing Process

Advertising helps the organization achieve its marketing goals. So do market research, sales, and distribution. And these other marketing specialties all have an impact on the kind of advertising a company uses. An effective advertising specialist must have a broad understanding of marketing in order to know what type of advertising to use in a given situation.

Companies and organizations use many different types of advertising, depending on their particular marketing strategy. The **marketing strategy** will help determine who the targets of advertising should be, in what markets the advertising should appear, and what goals the advertising should accomplish. The

▼ **EXHIBIT 1-1** Advertising is one of several activities that fall under the promotion component of the marketing mix.



advertising strategy
The advertising objective declares what the advertiser wants to achieve with respect to consumer awareness, attitude, and preference. Advertising strategy describes how to get there. It consists of two substrategies: the creative strategy and the media strategy.

Today, business and advertising are undergoing dramatic changes. To understand the nature of these changes and why they're taking place, we need to look at how advertising has

advertising strategy, in turn, will refine the target audience and define what response the advertiser is seeking—what that audience should notice, think, and feel. We will discuss the development of marketing, advertising, and media strategies later in the text.

We've defined marketing as a set of exchanges that create value for the parties involved. At a broader level these exchanges create an economy. This suggests that it is helpful to consider the economic dimension of advertising and how advertising has evolved as both an economic and a societal tool.

check yourself ✓

1. What is the ultimate goal of marketing?
2. What are the 4Ps of the marketing mix and under which does advertising fall?
3. What guidance does marketing strategy give to advertising planning?

LO1-4 Illustrate the functions of advertising in a free-market economy.

ECONOMICS: THE GROWING NEED FOR ADVERTISING

Economics has driven the growth of advertising since its earliest beginnings and has made advertising one of the hallmarks of the free-enterprise system. As English historian Raymond Williams wrote, advertising is “the official art of a capitalist society.”

evolved. We'll explain how the changing economic environment has influenced the evolution of advertising through the centuries. Then, in Chapter 2, we'll look at how advertising influences the economy and society and, as a result, is often an object of controversy and criticism.

Principles of Free-Market Economics

The United States and other Western nations embrace economic practices that are often described as capitalism. In capitalist economies, goods and services are created and sold by private organizations (there are exceptions, for example, the Post Office). In other economic systems, government plays a larger role in determining what is made and sold. Capitalism is based on the notion of free-market competition. While there is no such thing as *perfect competition*, there are four fundamental assumptions of free-market economics that a market-driven society strives to achieve:

1. **Self-interest.** People and organizations generally act in their own self-interest. People always want more—for less. Companies are free to try to meet consumer demand, creating competition between self-interested sellers advertising to self-interested buyers. The outcome is a greater diversity of products and a high incentive for companies to develop new products.
2. **Complete information.** The more information buyers and sellers have about what products are available, at what quality, and at what prices, the more efficient the competition. The outcome is better quality products and lower prices for all.
3. **Many buyers and sellers.** Having a wide range of sellers ensures that if one company does not meet customer needs, another will capitalize on the situation by producing a more market-responsive product. Similarly, having a wide range of buyers ensures that sellers can find customers who are interested in the unique products they are able to produce at a fair price. When a seller has a monopoly (it is the only provider of a product or service), it can gauge consumers with high prices (this is why we have antitrust laws).