

# Part 1

## Advertising Perspectives

THERE ARE many ways to look at advertising—as a business, a creative communication process, a social phenomenon, and a fundamental ingredient of the free-enterprise system. The first part of this text defines advertising, examines the most important dimensions of the field, considers how changing economics has influenced the evolution of the profession, outlines advertising’s functions and scope, considers its social and legal ramifications, and looks at the major participants in the advertising business, not just in North America but around the world.

### Chapter 1

#### What Is Advertising Today?

Gives an overview of the profession. It defines advertising in contemporary terms, examines its role in the communication process and the marketing process, and introduces some basic terminology. The chapter focuses on advertising’s role in marketing strategy.

### Chapter 3

#### The Economic, Social, and Regulatory Aspects of Advertising

Discusses the impact of advertising on the economy and society, considers some common criticisms of advertising, and debates the ethical and social responsibilities of companies that advertise. It describes the roles played by government, industry, and consumer groups in regulating advertising. Finally, it compares important laws governing the practice of advertising in the United States and Canada with those in foreign countries.

# Chapter 1

## What Is Advertising Today?

### Objectives

TO DEFINE ADVERTISING AND INTRODUCE THE PROFESSION. You will learn what advertising is and what it is not; the unique role advertising plays in the communication process; how advertising functions as an element of the marketing process; and some of the basic terminology used in advertising. These fundamental elements set the framework for the more detailed study to follow.

After studying this chapter, you will be able to:

- \* Define advertising and differentiate it from other forms of marketing communications.
- \* Explain how advertising differs from the basic human communication process.
- \* Define marketing and identify the four elements of marketing strategy.
- \* Discuss advertising's role in marketing strategy.
- \* Explain the difference between consumer and business markets.

At the turn of the nineteenth century, a small confectionary firm in London created a recipe for an “exceptionally strong” lozenge intended to relieve intestinal discomfort. Shortly thereafter, the owners, who were dedicated members of the Anglican Church, incorporated the consumption of their new lozenge into their religious practice, giving rise to a small and devout following for the little white tablets. Over a century later the tradition continued to spread with an occasional sparse littering of ads stating: “One or two taken after meals . . . [would] act as an antidote to the poisons in the stomach.” The name of these miracle pills was Altoids, and although the reason for their consumption has changed from fighting stomach pains to combating bad breath, the tradition of taking a couple after meals has stayed the same. Yet, contrary to its lengthy history, the success of Altoids as we know it today has been a recent occurrence—just over the past decade. There are several reasons for this. First, the brand’s price was three times higher than competitive products. Second, it had achieved only very narrow distribution. Finally, it suffered from extremely low awareness due to virtually no advertising. As a result, Altoids faced very limited success before the mid-1990s. Following a series of mergers and acquisitions in the consumer products industry—which resulted in Altoids being owned by Callard & Broward-Suchard, a subsidiary of Kraft General Foods—change finally, and suddenly, came about. In 1995, Altoids launched its first major marketing campaign in its 215-year history. With a budget far below what its competitors were spending, Altoids and its ad agency, Leo Burnett Chicago, developed a marketing strategy that would prove to be deceptively simple yet amazingly effective. According to its research, Altoids found that its customers tended to be young, urban, socially active, and culturally aware—but somewhat difficult to reach via conventional advertising media. The solution: to place advertisements outdoors, in locations nobody could miss. According to Gary Singer, a senior vice president and account director at Burnett, “With outdoor [advertising], we could place [ads] wherever these people live and work and in between.” Billboards, bus shelters, phone booths, and subway cars became the ideal media to get the Altoids message across. Most important, the ads themselves were great—they were highly creative and just as simple as the media that carried them. Focusing on the product’s unique, exceptionally strong flavor and its one-of-a-kind tin packaging, the ads generally featured an Altoids’ signature tin, with a simple, humorous catch phrase at the bottom. The ads were indicative of the mint—simple, clean, and fresh. One of the very first ads featured a “muscle man” holding an Altoids tin with the words “Nice Altoids” appearing on the bottom. Another shows a stern nurse holding a can of Altoids and admonishing her patient: “Now this won’t hurt a bit.” (For more examples of Altoids ads see the Portfolio of Curiously Strong Ads on pages 20–23 and the Altoids website at [www.Altoids.com](http://www.Altoids.com).) The results: the campaign was consistent with Altoids slogan “CURIOSLY STRONG!” Within a year, studies showed a substantial increase in brand awareness and consumption. Moreover, the brand jumped from number six in U.S. breath mint ranking to number one in 2001. The moral of this story is simple: good advertising can have a curiously strong effect on a brand’s

success. Over the six short years since Altoids' advertising began, the brand name has achieved a level of recognition and value comparable to that of some of the top brands in the country. That is an amazing success story! Success stories like this are what encourage companies and organizations in the United States to spend over \$245 billion annually on advertising, and they will likely continue to spend even more in the future. Altoids: "Invented in 1780. Properly marketed 215 years later."

## What Is Advertising?

As a consumer, you are exposed to hundreds and maybe even thousands of commercial messages every day. They may appear in the form of billboards, like the Altoids campaign, or in the form of newspaper ads, TV commercials, coupons, sales letters, publicity, event sponsorships, telemarketing calls, or even 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 communications.

So, then, what is advertising?

At the beginning of the twentieth century, Albert Lasker, who today is generally regarded as the father of modern advertising, owned a prominent advertising agency, Lord & Thomas. At the time, he defined advertising as "salesmanship in print, driven by a reason why." But that was long before the advent of radio, television, or the Internet. The nature and scope of the business world, and advertising, were quite limited. 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.

Today, definitions of advertising abound. Journalists, for example, might define it as a communication, public relations, or persuasion process; businesspeople see it as a marketing process; economists and sociologists tend to focus on its economic, societal, or ethical significance. And some consumers might define it simply as a nuisance. Each of these perspectives has some merit, but for now we'll use the following functional definition:

Advertising is the structured and composed nonpersonal communication of information, usually paid for and usually persuasive in nature, about products (goods, services, and ideas) by identified sponsors through various media.

Let's take this definition apart and analyze its components. Advertising is, first of all, a type of communication. It is actually a very structured form of applied 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 groups of people rather than to individuals. It is therefore nonpersonal, or mass, communication. These people could be consumers, who buy products like Altoids for their personal use. Or they might be businesspeople who would buy large quantities of Altoids for resale in their stores.

Most advertising is paid for by sponsors. GM, WalMart, Coca-Cola, and your local fitness salon pay the newspaper or the radio or TV station to carry the ads you read, see, and hear. But 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 messages 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.

Of course, most advertising is intended to be persuasive—to win converts to a product, service, or idea. Some ads, such as legal announcements, are intended merely to inform, not to persuade. But they are still ads because they satisfy all the other requirements of the definition.

In addition to promoting tangible goods such as oranges, oatmeal, and olive oil, advertising helps publicize the intangible services of bankers, beauticians, bike repair shops, bill collectors, and the telephone company. Increasingly, advertising is used to advocate a wide variety of ideas, whether economic, political, religious, or social. In this book the term product encompasses goods, services, and ideas.

An ad identifies its sponsor. This seems obvious. The sponsor wants to be identified, or why pay to advertise? One of the basic differences between advertising and public relations, though, is that many PR activities (for example, publicity) aren't openly sponsored. We'll discuss the differences between advertising and other forms of marketing communications later in this chapter.

Finally, advertising reaches us through a channel of communication referred to as a medium. An advertising medium is any paid means used to present an ad to its target audience. Thus, we have radio advertising, television advertising, newspaper ads, and so on. When you tell somebody how good Altoids taste, that's sometimes called word-of-mouth (WOM) advertising. Although WOM is a communication medium, it's not an advertising medium. It's not structured, or openly sponsored, or paid for. Historically, advertisers have used the traditional mass media (the plural of medium)—radio, TV, newspapers, magazines, and billboards—to send their messages. But today technology enables advertising to reach us efficiently through a variety of addressable media (for example, direct mail) and interactive media (like the Internet and kiosks). Advertisers also use an increasing variety of other nontraditional media such as shopping carts, blimps, and videocassettes to find their audience. The planning, scheduling, and buying of media space and time are so important to advertising effectiveness that we devote five full chapters to the subject, one in Part Two and four in Part Five.

The previously given definition is a good working definition of advertising. But to get a full sense of what advertising really is today, we need to understand where it has come from, how and why it grew to be so large, and what the forces are that drive it. In this chapter, therefore, we'll briefly examine two of the most important dimensions of advertising. We'll look at the `communication dimension` first to better understand how advertising is actually a form of structured, literary communication. Then the `marketing dimension` will explain the important role advertising plays in business. In Chapter 2, we look at two more dimensions. The `economic dimension` will show us how and why advertising evolved the way it did. And the `social and ethical dimension` will enable us to understand people's attitudes about advertising and to consider what the future holds. Examining the diverse dimensions of advertising here in the first two chapters should lead us toward a deeper understanding of advertising as it is currently practiced.

The last two chapters of Part One will then deal in greater depth with the economic, social, and regulatory aspects of advertising as well as the broad scope of advertising from local to global.

## Communication: What Makes Advertising Unique

First and foremost, advertising is communication—a special kind of communication. McCann-Erickson, the ad agency for Coca-Cola and MasterCard, says that advertising is “Truth well told.” This means that ethical advertisers, and the agencies they employ, work as a team to discover and use the best methods possible to tell their story truthfully and creatively to the marketplace. To succeed, they must understand the elements of the advertising communication process, which is derived from the basic human communication process.

### The Human Communication Process

From our first cry at birth, our survival depends on our ability to inform others or persuade them to take some action. As we develop, we learn to listen and respond to others' messages. The process begins when one party, called the source, formulates an idea, encodes it as a message, and sends it via some channel to another party, called the receiver. The receiver must decode the message in order to understand it. To respond, the receiver formulates a new idea, encodes it, and then sends the new message back through some channel. A message that acknowledges or responds to the original message constitutes feedback, which also affects the encoding of a new message. And, of course, all this takes place in an environment characterized by noise—the distracting cacophony of many other messages being sent at the same time by other sources.

Applying this model to advertising, we could say that the source is the sponsor, the message is the ad, the channel is the medium, the receiver is the consumer or prospect, and the noise is the din of competing ads and commercials. But this model oversimplifies the process that occurs in advertising or other sponsored marketing communications. It doesn't take into

account either the structure or the creativity inherent in composing the advertising message. We need to consider some of the many complexities involved, especially with the advent of *interactive media*, which let consumers participate in the communication by extracting the information they need, manipulating what they see on their computer or TV screens in real time, and responding in real time.

## Applying the Communication Process to Advertising

Barbara Stern at Rutgers University sees advertising as a form of structured, literary text, rather different from the spontaneous, word-of-mouth communication of oral speech. She proposes a more sophisticated communication model, derived from the traditional oral one but applied specifically to advertising as *composed commercial text* rather than informal speech. The Stern model recognizes that in advertising, the source, the message, and the receiver all have multiple dimensions. Some of these dimensions exist in the real world; others exist on a different level of reality—a virtual world within the text of the advertising message itself.

### Source Dimensions: The Sponsor, the Author, and the Persona

In oral communication, the source is typically one person talking to another person or a group. But in advertising, who is really the source of the communication? The sponsor named in the ad? Certainly the real-world sponsor is legally responsible for the communication and has a message to communicate to actual consumers. But as the Stern model shows, the path from sponsor to actual consumer can be long and circuitous. To begin with, the sponsor does not usually produce the message. That is the typical role of the sponsor's ad agency or other specialists. So the author of the communication is actually a copywriter, an art director, or, most often, a creative group at the sponsor's ad agency. Commissioned by the sponsor to create the advertising message, these people exist in the real world but are completely invisible to the reader or viewer, even though they play a key role in composing the text and the tenor of the message.

At the same time, *within the text* of the ad resides some real or imaginary spokesperson (a persona) who lends some voice or tone to the ad or commercial. To the consumer, this persona, who represents the sponsor, is the source of the within-text message. But the persona's discourse is composed and crafted by the ad's authors solely for the purposes of the text; it is not a part of real life. It exists only in the virtual world of the ad.

### Message Dimensions: Autobiography, Narrative, and Drama

The types of messages typically communicated in advertising may also be multidimensional. As artful imitations of life, advertising messages typically use one or a blend of three literary forms: autobiography, narrative, or drama. In

autobiographical messages, “I” tell a story about myself to “you,” the imaginary audience eavesdropping on my private personal experience. Other ads use narrative messages in which a third-person persona tells a story about others to an imagined audience. Finally, in the drama message, the characters act out events directly in front of an imagined empathetic audience.

Thus, among the most important decisions the authors of advertising messages make are what kind of persona and which literary form to use to express the message. Considering the emotions, attitudes, and motives that drive particular customers in their target audience, the creative team develops the persona and message, along with any images and text that will act as communication symbols or triggers. Then they place these words and visuals in the structured format most suitable to the medium selected for delivering the message. The format may be a dramatic 30-second TV commercial; an autobiographical, full-page, black-and-white magazine ad; a colorful, narrative brochure; or a multipage Internet website that employs a variety of message styles. In all cases, though, the message exists only within the text of the ad. To do all this effectively requires great skill, but it’s this creativity that truly distinguishes advertising from all other forms of communication. For that reason, we’ll devote Part Four of this text exclusively to the subject of advertising creativity.

#### Receiver Dimensions: Implied, Sponsorial, and Actual Consumers

The receivers of advertising are also multidimensional. First, *within the text*, every ad or commercial presumes some audience is there. These implied consumers, who are addressed by the ad’s persona, are not real. They are imagined by the ad’s creators to be ideal consumers who acquiesce in whatever beliefs the text requires. They are, in effect, part of the drama of the ad.

When we move outside the text of the ad, though, the first audience is, in fact, a group of decision makers at the sponsor’s company or organization. These sponsorial consumers are the gatekeepers who decide if the ad will run or not. So, before an ad ever gets a chance to persuade a real consumer, the ad’s authors must first persuade the sponsor’s executives and managers who have the responsibility for approving the campaign and funding it.

The actual consumers—equivalent to the receiver in oral communications— are people in the real world who comprise the ad’s target audience. They are the people to whom the sponsor’s message is ultimately directed. But they will get to see, hear, or read it only with the sponsor’s approval.

Actual consumers do not usually think or behave the same as the implied consumer, or even the sponsorial consumer. Thus, the advertiser (and the creative team) must be concerned about how the actual consumer will decode, or interpret, the message. The last thing an advertiser wants is to be misunderstood. Unfortunately, message interpretation is only partially determined by the words and symbols in the ad. The medium used may have an effect as well. As Marshall McLuhan said,

“The medium is the message.” However, Stern’s model does not directly address the fact that advertisers communicate their messages through a wide variety of mass, addressable, and interactive media. With today’s advances in technology, the boundaries between the print and electronic media are now blurring. We read text on a computer screen, and soon the average person will be able to print whatever appears on a TV screen. How will this affect the way people receive and interpret advertising messages? Stern acknowledges the need for additional study in this area.

Further, the unique characteristics of the receivers themselves are also very important, and the sponsor may know little or nothing about them. As we shall see in Chapter 5, attitudes, perceptions, personality, self-concept, and culture are just some of the many important influences that affect the way people receive and respond to messages and how they behave as consumers in the marketplace.

As mentioned earlier, complicating this problem is the fact that the sponsor’s advertising message must compete with hundreds of other commercial and noncommercial messages every day. This is referred to as noise. So the sender doesn’t know how the message is received, or even if it’s received, until a consumer acknowledges it.

### Feedback and Interactivity

That’s why feedback is so important. It completes the cycle, verifying that the message was received. Feedback employs a sender–message–receiver pattern, except that it is directed from the receiver back to the source.

In advertising, feedback can take many forms: redeemed coupons, phone inquiries, visits to a store, requests for more information, increased sales, responses to a survey, or e-mail inquiries. Dramatically low responses to an ad indicate a break in the communication process. Questions arise: Is the product wrong for the market? Is the message unclear? Are we using the right media? Without feedback, these questions cannot be answered.

In the past, the consumer’s feedback rarely used the same channels as the original message. But now, thanks again to technology, the audiences of advertising are no longer just passive receivers of impersonal mass messages. They are now active decision makers who can control what communications they receive and choose the information they want about a particular product. With the growth of interactive media such as the Internet, they can give instantaneous, real-time feedback on the same channel used by the original message sender.

This offers advertisers the chance to nourish a more in-depth relationship with their customers, one that will be more fruitful for both sponsors and consumers.

## Marketing: Determining the Type of Advertising to Use

Now that we have some understanding of advertising's communication dimension, let's consider the marketing dimension, because that's what defines advertising's role in business. Every business organization performs a number of diverse activities. Management typically classifies these activities into three broad functional divisions:

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

Students who major in business administration study a variety of subjects related to one or all of these general functions. Courses in purchasing and manufacturing relate to the operations function. Courses in accounting and industrial relations relate to the finance/administration area. While many students study advertising in a school of journalism or communications, advertising is actually a specialty area within the broad domain of marketing. Other courses in marketing include marketing research, consumer behavior, distribution, and sales management.

Of all the business functions, marketing is the only one whose primary role is to bring in revenues. Without revenue, of course, a company cannot recover its initial investment, pay its employees' salaries, grow, 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 define the term as follows:

Marketing is the process of planning and executing the conception, pricing, distribution, and promotion of ideas, goods, and services to create exchanges that satisfy the perceived needs, wants, and objectives of individuals and organizations.

We devote all of Part 2 to the subject of developing marketing and advertising strategies. What's important to understand now is that marketing is a process—a series of actions or methods that take place sequentially—aimed at satisfying customer needs profitably. This process includes developing products, pricing them strategically, making them available to customers through a distribution network, and promoting them through sales and advertising activities. The ultimate goal of the marketing process is to earn a profit for the firm by consummating the exchange of products or services with those customers who need or want them. And the role of advertising is to inform, persuade, and remind groups of customers, or markets, about the need-satisfying value of the company's goods and services. Today even many nonprofit organizations use the marketing process to develop and promote services that will satisfy their constituents' needs.

## 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 employs. An effective advertising specialist must have a broad understanding of the whole marketing process 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 determine who the targets of advertising should be, where the advertising should appear, what media should be used, and what purposes the advertising should accomplish. These various criteria will also determine what different advertising skills are required.

## Identifying Target Markets and Target Audiences

A firm's marketing activities are always aimed at a particular segment of the population—its target market. Likewise, advertising is aimed at a particular group called the target audience. When we see an ad that doesn't appeal to us, it may be because the ad is not aimed at any of the groups we belong to. For example, a TV commercial for denture cream isn't meant to appeal to youngsters. They're not part of either the target market or the target audience. There are two main types of target markets, consumers and businesses.

### Consumer Markets

Most of the advertising we see daily in the mass media—TV, radio, newspapers, and magazines—falls under the broad category of consumer advertising. Usually sponsored by the producer (or manufacturer) of the product or service, these ads are typically directed at consumers, people who buy the product for their own or someone else's personal use. This includes retail advertising, advertising sponsored by retail stores and businesses. Consumer advertising also includes noncommercial public service announcements (PSAs) from organizations such as the American Cancer Society or the Partnership for a Drug-Free America.

In the end, customers are people. So advertising professionals must understand how people act and think—and why they buy what they buy. This requires great skill. In fact, this area of study is the province of another specialty in marketing, *consumer behavior*, a topic we'll discuss in Chapter 5. The better an advertiser understands the buying behavior of people, the better it can bring its products into the collective consciousness of prospective customers.

### Industrial/Business Markets

Companies use business advertising to reach people who buy or specify goods and services for business use. It tends to appear in specialized business publications or professional journals, in direct-mail pieces sent to businesses, or in trade

shows. Since business advertising (also called business-to-business, or B2B, advertising) rarely uses consumer mass media, it is typically invisible to consumers. However, some business-to-business ads, by computer manufacturers or firms such as FedEx, do appear on prime-time TV and in consumer magazines.

In addition to general business advertising, there are three specialized types of business advertising: trade, professional, and agricultural. Companies aim trade advertising at resellers (wholesalers, dealers, and retailers) to obtain greater distribution of their products. For example, the objective of Sunkist's trade advertising in publications such as *California Grocer* is to develop more grocery outlets or to increase sales to existing outlets.

Advertising aimed at teachers, accountants, doctors, dentists, architects, engineers, lawyers, and the like is called professional advertising and typically appears in official publications of professional societies (such as the *Archives of Ophthalmology*, published by the American Medical Association). Professional advertising has three objectives: to convince professional people (people with specialized training who work under a code of ethics) to recommend or prescribe a specific product or service to their clients, to buy particular brands of equipment and supplies for use in their work, or to use the product personally.

Companies use agricultural (or farm) advertising to promote products and services used in agriculture to farm families and to individuals employed in agribusiness. FMC Corp., for example, might advertise its plant nutrition products in *California Farmer* magazine to citrus growers. Agricultural advertising typically shows farmers how the advertised product will increase efficiency, reduce risks, and widen profit margins.

Business customers are often very knowledgeable, sophisticated buyers, and they may require extensive technical information before making the purchase decision. So people who work in business-to-business advertising often need more specialized product knowledge and experience than their consumer advertising colleagues.

## Implementing Marketing Strategy

Once the organization determines the target market for its products, it designs a strategy to serve that market profitably. As we'll discuss in Chapter 6, marketing strategy is the particular blend, or *mix*, of strategic elements over which the marketer has control: product concept, pricing, distribution, and communication. For ease of memory, marketers often refer to these elements as the 4Ps: product, price, place, and promotion. Each of these elements also influences the type of advertising used.

Product: Categories of Goods and Services

For example, for mass-merchandised grocery brands such as Altoids or Tide laundry detergent, companies use a type of advertising called consumer packaged-goods advertising. An insurance company or tax preparation firm is likely to use service advertising. Manufacturers of scientific and technical products use high-tech advertising. In other words, for virtually every product category, specialists in that area use a specific type of advertising.

#### Price: Strategies for Pricing

A firm's pricing strategy also affects advertising style. Companies that don't compete on price typically use image advertising to create a particular perception of the company or personality for the brand. Or they may use regular price-line advertising, in which the price of a product is not shown, or at least not highlighted, and the advertising may be aimed at justifying the nondiscounted price. Companies that are more price-competitive may regularly use sale advertising, clearance advertising, or loss-leader advertising. Sale and clearance advertising promote goods that have been discounted in order to accelerate sales or move seasonal items out of the store. Loss-leader advertising promotes selected goods that have been discounted drastically to create an impression of storewide low prices and thereby increase customer traffic in the store.

#### Place: The Distribution Element

The third element of marketing strategy, distribution, also affects the type of advertising used. Global marketers such as Coca-Cola, IBM, and Kodak may use global advertising, in which messages are consistent in ads placed around the world. Other firms may promote their products in foreign markets with international advertising, which may contain different messages and even be created locally in each geographic market. The field of international marketing has become so important that we discuss global advertising issues in every chapter of this book.

Companies that market in several regions of the United States and use the major mass media are called national advertisers, and their promotion is called national advertising. Some companies sell only in one part of the country or in two or three states. They use regional advertising, placing their ads in local media or regional editions of national media. Finally, businesses and retailers that sell within one small trading area typically use local advertising placed in local media or direct mail. We'll explore this topic further in Chapter 4.

#### Promotion: The Communication Element

The final element of marketing strategy is communication. As we mentioned at the beginning of this chapter, advertising is just one of the tools in the marketing communications tool kit. Marketing communications (often called marcom) typically refers to all the planned messages that companies and organizations create and disseminate to support their marketing objectives and strategies. In addition to advertising, major marketing communication tools include personal selling, sales

promotion, public relations activities, and collateral materials. The extent to which an organization uses any or all of these tools again depends on its marketing needs, objectives, and strategy.

Each marketing communication tool offers particular opportunities and benefits to the marketer. Personal selling, for example, in which salespeople deal directly with customers either face-to-face or via telemarketing, offers the flexibility possible only through human interaction. Personal selling is thus an excellent tool for conveying information, for giving demonstrations, and particularly for consummating the sale (or exchange) especially on high-ticket items such as cars, real estate, and furniture as well as most business-to-business products. The drawback to personal selling is its high cost, so companies that emphasize personal selling in their marketing mix often spend a lower percentage of sales on advertising than other firms. We'll discuss personal selling in greater detail in Chapter 10.

As a marketing communications tool, advertising enables marketers to reach more prospects at lower cost than a salesperson could ever do. Further, the creativity inherent in advertising allows the marketer to conjure an image or personality, full of symbolic meaning and benefits, for the company's brand. No salesperson can do this. In fact, of all the marketing communication tools, only advertising has this ability. However, advertising does suffer from credibility gaps, a topic we'll discuss in Chapter 3. For creating brand awareness, familiarity, and image, as well as for reinforcing prior purchase decisions, advertising is usually the marcom tool of choice. As Altoids showed, advertising can also be used to build brand value.

Advertising can be used to satisfy a variety of sponsor objectives. Some advertising is meant to help generate profits for the advertiser; some is sponsored by nonprofit groups. Some ads try to spur the target audience to immediate action, others to create awareness or understanding of the advertiser's offering.

For example, to promote their goods and services, companies use product advertising. To sell ideas, though, organizations use nonproduct advertising. A British Petroleum (BP) ad for its gasoline is a product ad. So are ads for banking, insurance, or legal services. But a BP ad promoting the company's mission or philosophy (how the company protects the environment while drilling for oil) is called *nonproduct, corporate, or institutional advertising*. Corporate advertising is so important that we'll focus on it in Chapter 11.

Similarly, while commercial advertising seeks profits, noncommercial advertising is used around the world by governments and nonprofit organizations to seek donations, volunteer support, or changes in consumer behavior.

Some ads are intended to bring about immediate action by the reader; others have a longer-term goal. The objectives of awareness advertising, for example, are to create an image for a product and to position it competitively with the goal of getting readers or viewers to select the brand the next time they shop.

A direct-mail ad, on the other hand, exemplifies action (or direct-response) advertising because it seeks an immediate, direct response from the reader. Most ads on TV and radio are awareness ads, but some are a mixture of awareness and action. For example, a 60-second TV commercial may devote the first 50 seconds to image building and the last 10 to a toll-free phone number for immediate information.

Sales promotion is a communication tool that offers special incentives to motivate people to act right away. The incentives may be coupons, free samples, contests, or rebates on the purchase price. By offering added value, sales promotion accelerates sales. So it is a very effective tool. It is often used in conjunction with advertising—to promote the promotion. However, like personal selling, it is very expensive; it suffers from other drawbacks as well, as we'll discuss in Chapter 10. While ad agencies create and place media advertising, most sales promotion programs are created by firms that specialize in that field.

Public relations (PR) is an umbrella process—much like marketing—responsible for managing the firm's relationships with its various publics. These publics may include customers but are not limited to them. Public relations is also concerned with employees, stockholders, vendors and suppliers, government regulators, and the press. So PR is much larger than just a tool of marketing communications. However, as part of their marketing mix, marketers use a number of public relations activities because they are so good at creating awareness and credibility for the firm at relatively low cost. These activities (often referred to as marketing PR) include publicity, press agency, sponsorships, special events, and a special kind of advertising called public relations advertising, which uses the structured, sponsored format of media advertising to accomplish public relations goals. While PR is closely aligned with advertising, it requires very different skills and is usually performed by professionals in PR firms rather than ad agency people. However, advertising people need to understand how important PR activities are, so we'll discuss the topic in some detail in Chapter 11.

Companies use a wide variety of promotional tools other than media advertising to communicate information about themselves and their brands. These collateral materials include fliers, brochures, catalogs, posters, sales kits, product specification sheets, instruction booklets, and so on. These materials may be very inexpensive or frightfully costly. But because they contribute so much information to customers and prospects, they are very important to both closing sales and reinforcing prior sales decisions. The people who produce collateral materials may work for the company's advertising agency, but often they work for outside graphic design firms, packaging specialists, and independent film and video producers.

## Integrating Marketing Communications

In recent years, as new media have proliferated and the cost of competition has intensified, sophisticated marketers have searched for new ways to get more bang (and accountability) from their marketing communications buck. The result has been a growing understanding on the part of corporate management that (1) the efficiencies of mass media advertising are not what they used to be; (2) consumers are more sophisticated, cynical, and distrusting than ever before; (3) tremendous gaps exist between what companies say in their advertising and what they actually do; and (4) in the long run, nourishing good customer relationships is far more important than making simple exchanges.<sup>14</sup> As a result, there is now a growing movement toward integrating all the messages created by an advertiser's various communication agencies and sent out by various departments within the company to achieve consistency. This process, called *integrated marketing communications* (IMC), is not only an important marketing trend, it is likely the business imperative for the twenty-first century. Moreover, it has such a dynamic impact on the advertising a company uses that we will discuss it wherever applicable throughout the book.

But first, we need to understand the economic dimension of advertising and how advertising has evolved as both an economic and a societal tool. That will be the subject of Chapter 2, and by studying that, we will see how IMC is the natural culmination of this evolution.

## Chapter Summary

As a tool of marketing communications, advertising is the structured and composed, nonpersonal communication of information. It is usually paid for and usually persuasive, about products, services, or ideas, by identified sponsors through various media. Looking at four important dimensions of advertising (communication, marketing, economic, and social) can help us better understand what advertising is and how it has evolved.

Because advertising is first and foremost communication, advertisers cannot afford to take the communication process for granted. The basic human communication process begins when one party (the source) formulates an idea, encodes it as a message, and sends it via some channel or medium to another party (the receiver). The receiver must decode the message in order to understand it. To respond, the receiver formulates a new idea, encodes that concept, and then sends a new message back through some channel. A message that acknowledges or responds to the original message is feedback, and it affects the encoding of a new message. In advertising, the communication process is complex because of the multidimensional nature of the source, the message, and the recipient. Traditionally, advertising has been principally a one-way process, but with today's new interactive technology, consumers can give feedback to advertising messages in real time using the same channels as the sender.

Marketing's primary role is to attract revenues, so advertising is an important marketing tool. The targets of a firm's marketing will determine the targets of its advertising. There are two major types of audiences marketers address with their advertising: consumers and businesses. Within each of these categories, though, are special forms of advertising, such as retail, trade, professional, and agricultural.

Similarly, a firm's marketing mix—or strategy—will establish the type of advertising needed and the skills required to implement it. The marketing mix includes those elements over which the marketer has control: product, price, distribution, and communication. Depending on the product marketed, the advertiser may use packaged-goods advertising, professional services advertising, or some other type such as high-tech advertising. Likewise, the firm's pricing strategy will determine if it should use sale advertising, loss-leader advertising, or regular price-line advertising.

The distribution strategy dictates the firm's use of local, regional, national, or international advertising. The communication element determines the mix of marketing communications tools to be used. These include advertising, personal selling, sales promotion, public relations activities, and collateral materials.

To achieve consistency in all the organization's messages, sophisticated companies seek to integrate their marketing communications with all other corporate activities through a process called integrated marketing communications.

## Review Questions

1. How does advertising for the American Cancer Society compare with the standard definition of advertising?
2. How does advertising differ from public relations activities?
3. In the marketing communication process, what are the various dimensions of the source, the message, and the receiver?
4. What is meant by *noise* and how might it affect an advertiser's efforts?
5. What are the three major functional areas of business and which function is most closely related to advertising?
6. What are the two broad categories of target markets?
7. In addition to consumer advertising, what specific form of business advertising would a pharmaceutical company be likely to employ?
8. What are the four elements that comprise a company's marketing strategy and how do they affect the type of advertising a company uses?
9. What is the purpose of awareness advertising?
10. Why is integrated marketing communications so important today?
11. The Advertising Experience

Select a print advertisement that you find interesting. Working backward from the ad, see if you can determine what the marketing strategy of the sponsor might have been and how the ad fits into that strategy. Address each of the four elements of the marketing mix: product, price, distribution, and communication.

## Exploring the Internet

The Internet exercises here address core areas of advertising covered in Chapter 1: advertising as communication, as a marketing tool, and as a literary form.

### 1. The Communication Process

Go online and surf the Net for an interesting website. Then answer the following questions:

- a. What are the various means available to advertisers for encoding and sending a message in cyberspace?
- b. What are some potential sources of noise when marketers send a message via the Internet?
- c. What types of feedback are available to marketers that can help determine message delivery/comprehension?
- d. Choose one website or advertising banner as an example and identify the following communication elements: source, author, message, channel, receiver, feedback, and potential noise.

### 2. Role of Advertising

In Chapter 1, you learned about the standard definition of advertising and the various roles and forms that advertising can take. Browse through the following websites and discuss what type of advertising each uses and what the purpose of the advertising is:

- a. American Cancer Society [www.cancer.org](http://www.cancer.org)
- b. Amazon [www.amazon.com](http://www.amazon.com)
- c. Nike [www.nike.com](http://www.nike.com)
- d. Ford [www.ford.com](http://www.ford.com)
- e. McDonald's [www.mcdonalds.com](http://www.mcdonalds.com)
- f. Rolex [www.rolex.com](http://www.rolex.com)
- g. United Parcel Service [www.ups.com](http://www.ups.com)

### 3. Literary Forms in Internet Ads

Find three pop-up advertisements on the Internet and examine them for literary form. Did they use autobiographical, narrative, or drama form? Discuss why you think the author chose this particular form for each advertisement and not another.

Ads are usually about products (goods, services, and ideas). In 2004, the prestigious International Advertising Festival in Cannes, France, bestowed its Grand Prix award on this humorous ad for the Volkswagen Polo. Note that while the product is

obviously the car, it doesn't occupy a prominent place in the picture. The ad is really promoting the product concept—the idea of smallness combined with durability, or toughness, as suggested by the text.

## Ethical Issues

### Ethics in Advertising: An Overview

Advertising is fun. It can also be exciting, creative, and entertaining. And sometimes it's not.

Without question, though, advertising is invariably criticized—both for what it is and for what it is not. One of the most frequent criticisms of advertising concerns ethics, either the ethics of the marketer or the ethics of a particular ad. As a student of advertising, and possibly a future practitioner, you should be aware of the major ethical issues related to marketing and advertising. Awareness of the issues is the first step in learning about and practicing ethical behavior.

One could successfully argue that advertising's current lack of credibility is due in large part to the cumulative effect of poor ethical behavior on the part of some advertisers during the last century. Deception, misrepresentation, false advertising, exaggerated promises, unfair comparisons—all these are injurious to consumers and competitors as well as people's perception of advertisers in general. In other words, any advertisers that engage in unethical behavior are damaging not only the fragile relationship they have with their customers but also the whole profession of advertising. Unfortunately, not all advertisers have figured this out.

We believe that ethical behavior will be so important to building customer relationships in the twenty-first century that we've included a current Ethical Issue in advertising in every chapter of this book. Our aim is to focus attention on the most critical social issues facing advertisers today. These include the debate over puffery, advertising to children, comparative advertising, the targeting of ethnic minorities, consumer profiling, privacy, negative political advertising, and statistical manipulation.

The table at right lists the Ethical Issues for every chapter along with a brief description of what the Issue is about. Part of being a good student is learning to question what you are taught. As you read each Ethical Issue, try to examine both sides of the issues presented to see if you can better understand the motivations and reasoning of the people involved. You might even try debating some of these issues with your classmates.

| Chapter | Ethical Issue                              | Topic Discussed                                       |
|---------|--|---|
| 2       | Ethical Dilemma or Ethical Lapse?          | Ignoring ethical issues and being confused about them |
| 3       | Truth in Advertising: Fluffing and Puffing | How exaggeration borders on deception                 |

|    |  |  |
|----|--|--|
| 4  | Accounting for Account Reviews                     | Etiquette between agencies and prospective clients           |
| 5  | Is It Marketing or Is It Exploitation?             | Taking advantage of vulnerable markets                       |
| 6  | Brand Niching May Cause Brand Switching            | How targeting markets can backfire on advertisers            |
| 7  | Research Statistics Can Be Friends or Foes         | How statistics can be misunderstood and/or misrepresented    |
| 8  | A War of Comparisons                               | Comparative advertising must be done with care               |
| 9  | The Ethical Dilemmas of Agency Compensation        | How the commission system might create conflicts of interest |
| 10 | Political Advertising: Positively Negative         | The clash between ethics and the First Amendment             |
| 11 | When Is Advertising Not Really Advertising?        | Sniffing out subjectivity and bias                           |
| 12 | Does Sex Appeal?                                   | Sexual inferences can lead to real consequences              |
| 13 | Imitation, Plagiarism, or Flattery?                | It's a close call between borrowing and stealing             |
| 14 | Closed Circuit Programming                         | Are captive audiences being informed or manipulated?         |
| 15 | What's at Stake with Sweepstakes?                  | Read the small print; you may be surprised                   |
| 16 | Children's Advertising: Child's Play?              | Protecting the innocent from calculated sales pitches        |
| 17 | Profiling: Would You Take Cookies from a Stranger? | The ethics of tracking Web surfers' activities               |
| 18 | Does Spillover Need Mopping Up?                    | Messages designed for one audience may offend others         |

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The classifications of advertising.

By target audience By geographic area By purpose

Consumer advertising: Aimed at people who buy the product for their own or someone else's use.

Business advertising: Aimed at people who buy or specify products and services for use in business.

Trade: Aimed at middlemen (wholesalers and retailers) of products and services who buy for resale to their customers.

Professional: Aimed at people licensed under a code of ethics or set of professional standards.

Agricultural: Aimed at people in farming or agribusiness.

Local (retail) advertising: Advertising by businesses whose customers come from only one city or local trading area.

Regional advertising: Advertising for products sold in one area or region but not the entire country.

National advertising: Advertising aimed at customers in several regions of the country.

International advertising: Advertising directed at foreign markets.

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By medium

Print advertising: Newspapers, magazines.

Broadcast (electronic) advertising: Radio, TV.

Out-of-home advertising: Outdoor, transit.

Direct-mail advertising: Advertising sent through the Postal Service and by e-mail.

Interactive advertising: Internet, kiosks, etc.

Product advertising: Promotes the sale of products and services.

Nonproduct (corporate or institutional) advertising: Promotes the organization's mission or philosophy rather than a specific product.

Commercial advertising: Promotes products, services, or ideas with the expectation of making a profit.

Noncommercial advertising: Sponsored by or for a charitable or nonprofit institution, civic group, or religious or political organization.

Action advertising: Attempts to stimulate immediate action by the reader.

Awareness advertising: Attempts to build the image of a product or familiarity with the product's name and package.

VIDEO: Boss walks into employee's office.

AUDIO:

Boss: Did those shipments get to Detroit this morning?

Employee: Umm . . . No. They're gonna be a few days late.

Boss: Did you use FedEx Express like I asked you?

Employee: No.

Boss: Remind me again why I keep you around here?

Employee: You're my dad.

Super FedEx logo slide

Announcer (voice-over): When you need fast reliable service, relax, it's FedEx.

Defining the target audience is a critical step prior to creating any advertisement. In this Cannes Gold Lion-winning ad, FedEx ([www.fedex.com/us](http://www.fedex.com/us)) uses a drama literary form, with actors who look like they could be actual FedEx customers.

Trade advertising is not aimed at consumers, but at people who buy—or influence the purchase of—products and services used in various business situations. This witty ad for The Vancouver Sun is targeted toward local businesses in Canada that are interested in a “smart alternative” to reach a wide range of British Columbians.

Professional advertising encompasses the fields of education, accounting, medicine, dentistry, engineering, and the law, to name a few. In this instance, Rational Therapeutics ([www.rationaltherapeutics.com](http://www.rationaltherapeutics.com)) provides medical information to consumers about its unique approach to treating cancer. In so doing, it actually promotes its services to other doctors, too. Thus, this could be viewed as both a consumer ad and a professional ad.

Global companies must advertise not only in their home country but also overseas to cover the distribution element of their marketing strategies. To promote Reebok's night safety running shoes in Singapore, Saatchi & Saatchi targets consumers through a purely illustrative advertisement, overcoming any language barriers.

## Portfolio Review

Developing a unique product concept is important for differentiating a product or service from others in the marketplace. During the marketing and advertising planning process, companies need to carefully consider the makeup of their target markets and who their advertising should be aimed at. Leo Burnett, Altoids' ad agency, focused on 12 strong markets to develop a very narrowly defined target consumer. Once the consumer was profiled, the agency used a geodemographic research tool to find out where prospective Altoids' consumers lived, worked, and played. The agency then used this information to determine where to buy media and place its ads. Though its budget was substantially less than its leading competitors, Altoids' campaign included a vast array of media. The aggressive strategy reaped great rewards. Unaided brand awareness increased substantially, as did regular use of the product.

## Building Brand Value

Great ads are often powerful in their visual and verbal simplicity, drawing strength from the interplay between the two elements. Here, although the bodybuilder's deltoids are impressive and "curiously strong," his humble tin of mints is what draws the compliment. Many successful advertising campaigns utilize a unique mix of creativity and consistency in their ads. The advertising for Altoids cinnamon mints features a "hot" character. Here, notice how Altoids stays consistent with that theme by using a playful spelling of the flavor "Cinnamon" to illustrate the naughty—but nice—nature of these hot mints. When Altoids extended its product line to include cinnamon-flavored mints, Burnett needed to create a look and style specific to these mints. They chose this racy spokescharacter that embodied the "heat" of the cinnamon.

This humorous installment in the "curiously strong mint" series features a soldier animatedly asking for more. In addition to print ads reminiscent of movie posters from the 1950s and 1960s, the campaign for Altoids spearmint-flavored mints includes a minimovie. Another Altoids campaign focuses on the awkward teenage years. Similar to its first ad featuring the muscle man, this campaign plays off the fact that the mint sounds like a body part. Good advertising campaigns are able to relate to the target market. Can you relate to this approach that Altoids uses? Discuss why or why not. In another humorous play on words, this ad focuses on the trouble one can get in from their mouth—either through words or bad breath.

Television can be a powerful advertising medium. For the first time, Altoids incorporates the use of television in its current advertising campaign.