The Process: Advertising in Business and Society

The first part of the book, "The Process: Advertising in Business and Society," sets the tone for our study of advertising. The chapters in this part of the book emphasize that advertising is much more than a wonderfully creative interpretation of important corporate marketing strategies. While it certainly serves that purpose, advertising is not just a corporate process, but is also a societal process that has evolved over time with culture, technology, and industry traditions.

To appreciate the true nature of advertising, we must first understand advertising as the complete dynamic business and social process it is. In this first part of the text, the roots of the advertising process are revealed. Advertising is defined as both a business and a communications process, and the structure of the industry through which modern-day advertising exists is described. The evolution of advertising is traced from modest beginnings through periods of growth and maturation. The complex and controversial social, ethical, and regulatory aspects of advertising conclude this opening part of the text.
Advertising as a Process  Chapter 1, “Advertising as a Process,” defines advertising and the role it fulfills within a firm’s overall marketing and communications programs. This chapter also analyzes advertising as a basic communications tool and as a marketing communications process. We introduce the concept of integrated brand promotion (IBP), which provides a new perspective on the way in which a full range of communications options beyond advertising—sales promotion, sponsorship, point-of-purchase, the Internet, and public relations—are used to compete effectively, develop customer loyalty, and generate profits. Advertising has become a key factor in creating brand identity and ultimately a strong market position for a brand.

The Structure of the Advertising Industry: Advertisers, Agencies, and Support Organizations  Chapter 2, “The Structure of the Advertising Industry: Advertisers, Agencies, and Support Organizations,” shows that effective advertising requires the participation of a variety of organizations, not just the advertiser. Advertising agencies, research firms, special production facilitators, designers, media companies, Web site developers, and Internet portals are just some of the organizations that form the structure of the industry. Each plays a different role, and billions of dollars are spent every year for the services of various participants. This chapter also highlights that the structure of the industry is in flux. New media options and advertisers interested in integrated brand promotion are forcing change in the industry. This chapter looks at the basic structure of the industry, the participants, and how the structure and participants are evolving with the new challenges of the marketplace. Special attention is given to the rising prominence of promotion agencies as counter-parts to advertising agencies.

The Evolution of Advertising  Chapter 3, “The Evolution of Advertising,” sets the process of advertising into both a historical and contemporary context. Advertising has evolved and proliferated because of fundamental influences related to free enterprise, economic development, and tradition. Advertising as a business process and a reflection of social values has experienced many evolutionary periods of change as technology, business management practices, and social values have changed. Special attention is given to the evolution of technology and how new technologies are changing the development and delivery of advertising.

Social, Ethical, and Regulatory Aspects of Advertising  Chapter 4, “Social, Ethical, and Regulatory Aspects of Advertising,” examines the broad societal aspects of the advertising process. From a social standpoint, we must understand that advertising has positive effects on the standard of living, addresses lifestyle needs, supports the mass media, and is a contemporary art form. Critics argue, though, that advertising wastes resources, promotes materialism, is offensive, and perpetuates stereotypes, or can make people do things they don’t want to do. The ethical issues in advertising focus on truth in advertising, advertising to children, and the advertising of controversial products.
CHAPTER 1
Advertising as a Process

CHAPTER 2
The Structure of the Advertising Industry: Advertisers, Advertising Agencies, and Support Organizations

CHAPTER 3
The Evolution of Advertising

CHAPTER 4
Social, Ethical, and Regulatory Aspects of Advertising

After reading and thinking about this chapter, you will be able to do the following:

1. Know what advertising is and what it can do.
2. Discuss a basic model of advertising communication.
3. Describe the different ways of classifying audiences for advertising.
4. Explain the key roles of advertising as a business process.
5. Understand the concept of integrated brand promotion (IBP) and the role advertising plays in the process.
THEY COME TO YOUR SITE LOOKING FOR SOMETHING DIFFERENT. GIVE IT TO THEM.

Everybody's different. When you know your customers — what they need, what they like and what may be of interest to them in the future — it's a lot easier to give them what they're looking for. Blue Martini has the power to make it all happen.

Our applications analyze customer information, then deliver a highly personalized experience based on that analysis. The time spent interacting with your company is more relevant. It's quicker. And it's far more likely to produce a sale. To find out how Blue Martini's e-business solutions can improve your customer's experience, visit www.bluemartini.com/products.
Introductory Scenario: A Tale of Two Burgers. One uses movie stars and hip-hop musicians in its advertising. The other uses the kindly company owner who delivers a down-home, aw-shucks kind of message. One has changed advertising agencies seven times in 15 years. The other has had the same agency and same basic advertising theme for 13 straight years. One has gained three points in market share in the last three years, while the other has lost two points in market share. One has seen sales decline by 6.2 percent in the most recent quarter, while the other enjoyed an 8 percent sales increase.

Which set of facts describes the Hardee's hamburger chain and which describes Wendy's International? Well, here is a hint: The one with the kindly owner doing the aw-shucks ads that has kept the same theme and ad agency for 13 years is the one that has gained three points of market share and realized the 8 percent sales increase. You probably guessed that Wendy's, with its founder, Dave Thomas doing the ads, is the chain with the outstanding results. Hardee's, even with flashy advertising and new ideas year after year, has had a lack of focus for its brand as well as declining market share and sales.

Guessing Dave Thomas and Wendy's might have been pretty easy. What is not so easy to guess is why advertising that seems so ordinary can be so successful. Instead of flashy, big productions, Wendy's formula for success is built on the concept of keeping “ideas simple and easily communicated,” according to Wendy's senior vice president of marketing, Don Calhoun. An example of the simple, straightforward approach to Wendy's communications is shown in Exhibit 1.1. This ad is simple and direct and highlights Wendy's advertising focus on delivering value. Analysts are a bit more elaborate in explaining Wendy's success compared not just to Hardee's, but to fast-food chains in general. While chains like Hardee's have been “wilting after continually fiddling with its ads and focus, Wendy's reaps rewards by staying the course.” And the rewards for “staying the course” go beyond simply increasing sales. The down-to-earth commercials with a tight focus on value have resulted in consumers trusting the Wendy's brand. What is even more impressive is that Wendy's has been gaining market share with an advertising budget that is only about one-third of industry leader McDonald's.

As this example of Hardee's versus Wendy's highlights, advertising does not have to be flashy or expensive. What advertising does need to be, whether it is flashy or not, is an essential part of the brand-building process for a firm. And the role of advertising in communicating brand values is not reserved for big national or multinational companies. Marketers in firms of all sizes and in all industries recognize and

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5. Ibid.
invest in advertising as a potent competitive tool. Industry experts point to the fact that company leaders appreciate that advertising is key to driving sales and building brand value and market share.\(^7\) To the average person, however, advertising is much less clearly understood or valued. Most people have significant misperceptions about the process of advertising and what it’s supposed to do, what it can do, and what it can’t do.

The general public’s attitude toward advertising is ambivalent—most people like some of the ads they see or hear, but they may also say that they don’t like advertising in general. Many think advertising deceives others, but rarely themselves. Most think it’s a semiglamorous profession, but one in which people are either morally bankrupt con artists or pathological liars. At worst, advertising is seen as hype, unfair capitalistic manipulation, banal commercial noise, mind control, postmodern voodoo, or outright deception. Some believe it is the clearest marker of the decline of civilization and the undoing of meaning in the lives of ordinary people. Some of these descriptions of advertising reflect suspicions, biases, and superstitions that have long surrounded the industry. Yet some of these descriptions are, on occasion, regrettably true and precise.

At best, the average person sees advertising as amusing, informative, helpful, and occasionally hip. Advertising often helps consumers see possibilities and meanings in the things they buy and in the services they use. It can connect goods and services to the culture and liberate meanings that lie below the surface. It can turn mere products into meaningful brands and important possessions. For example, the advertising of Doyle Dane Bernbach for Volkswagen (see Exhibit 1.2) helped turn an unlikely automobile into a mobile social statement. The ads for the launch of the New Beetle (Exhibit 1.3) trade upon these roots, but deliver new looks and new meanings. Decades of advertising by Coca-Cola (an example is shown in Exhibit 1.4) have

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helped turn this brand of soft drink into a nearly universally recognized cultural icon. Coke is much more than a sweet, fizzy drink; it has enormous cultural capital and meaning. There are, of course, many less-dramatic and less well-known examples of the way advertising helps attract attention to brands and serves marketers as an effective competitive tool, such as the PowerQuest ad in Exhibit 1.5.

The truth about advertising lies somewhere between the extremes. Sometimes advertising is hard-hitting and powerful; at other times, it is boring and ineffective. Advertising can be enormously creative and entertaining, and it can be simply annoying. One thing is for sure: advertising is anything but unimportant. Advertising plays a pivotal role in world commerce and in the way we experience and live our lives. It is part of our language and our culture. It reflects the way we think about things and the way we see ourselves. It is both a complex communication process and a dynamic business process. Advertising is an important topic for you to study.

What Is Advertising?

Advertising means different things to different people. It's a business, an art, an institution, and a cultural phenomenon. To the CEO of a multinational corporation, such as Dave Thomas at Wendy's International, advertising is an essential marketing tool that helps create brand awareness and loyalty and stimulates demand. To the owner of a small retail shop, advertising is a way to bring people into the store. To the art director in an advertising agency, advertising is the creative expression of a concept. To a media planner, advertising is the way a firm uses the mass media to communicate to current and potential customers. To scholars and museum curators, advertising is an important cultural artifact, text, and historical record. Advertising means something different to all these people. In fact, sometimes determining just what is and what is not advertising is a difficult task. Keeping that in mind, we offer this straightforward definition:

Advertising is a paid, mass-mediated attempt to persuade.

As direct and simple as this definition seems, it is loaded with distinctions. Advertising is paid communication by a company or organization that wants its information disseminated. In advertising language, the company or organization that pays for advertising is called the client or sponsor.

First, if communication is not paid for, it's not advertising. For example, a form of promotion called publicity is not advertising because it is not paid for. Let's say Bruce Willis appears on the Late Show with David Letterman to promote his newest movie. Is this advertising? No, because the producer or film studio did not pay the Late Show with David Letterman for airtime. In this example, the show gets an interesting and popular guest, the guest star gets exposure, and the film gets plugged. Everyone is happy, but no advertising took place. But when the film studio produces and runs ads for the newest Bruce Willis movie on television and in newspapers...
across the country, this communication is paid for by the studio, and it most definitely is advertising.

For the same reason, public service announcements (PSAs) are not advertising either. True, they look like ads and sound like ads, but they aren't ads. They are not commercial in the way an ad is because they are not paid for like an ad. They are offered as information in the public (noncommercial) interest. When you hear a message on the radio that implores you to “Just Say No” to drugs, this sounds very much like an ad, but it is a PSA. Simply put, PSAs are excluded from the definition of advertising because they are unpaid communication.

Consider the two messages in Exhibits 1.6 and 1.7. These two messages have similar copy and offer similar advice. Exhibit 1.6 has persuasive intent, is paid-for communication, and appears in the mass media. It is an advertisement. Exhibit 1.7 also has persuasive intent and appears in mass media outlets, but it is not advertising because it is not paid-for communication. PSAs are important and often strongly imitate their commercial cousins. For example, the Partnership for a Drug-Free America is taking on the “heroin chic” images of certain high-fashion advertising with a public service advertising campaign that takes the glamour out of heroin use.8

Second, advertising is mass mediated. This means it is delivered through a communication medium designed to reach more than one person, typically a large number—or mass—of people. Advertising is widely disseminated through familiar means—television, radio, newspapers, and magazines—and other media such as direct mail, billboards, the Internet, and CD-ROMs. The mass-mediated nature of advertising creates a communication environment where the message is not delivered in a face-to-face manner. This distinguishes advertising from personal selling as a form of communication.

Third, all advertising includes an attempt to persuade. To put it bluntly, ads are communication designed to get someone to do something. Even an advertisement with a stated objective of being purely informational still has persuasion at its core. The ad informs the consumer for some purpose, and that purpose is to get the consumer to like the brand and because of that liking to eventually buy the brand. In the absence of this persuasive intent, a communication might be news, but it would not be advertising.

At this point, we can say that for a communication to be classified as advertising, three essential criteria must be met:

1. The communication must be paid for.
2. The communication must be delivered to an audience via mass media.
3. The communication must be attempting persuasion.

It is important to note here that advertising can be persuasive communication not only about a product or service but also about an idea, a person, or an entire organization. When Colgate and Honda use advertising, this is product advertising and meets all three criteria. Likewise, when Dean Witter, Delta Air Lines, Terminix, or your dentist runs advertisements, it is service advertising and meets all three criteria.

But what about political advertising? Political ads “sell” candidates rather than commercial goods or services. Political advertisements may seem special because they are the only completely unregulated form of advertising; they are viewed as “political speech” and thus enjoy complete First Amendment protection. Still, political advertising meets our definition because it is paid-for communication, is mass mediated, and has a persuasive intent. Not only does political advertising pass the

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definition test, but strategists also see advertising as a “brand”-building process for political candidates.9

Beyond the familiar political candidate campaign advertising, political advertising is often undertaken in conjunction with lobbying efforts. Critics of a health care plan used political advertising to sway lawmakers and defeat a pending change in government health care coverage.10 Political advertising can be for a candidate, as shown

in Exhibit 1.8, or for a political organization, such as the National Rifle Association (NRA).

Although the Gore campaign ad does not ask anyone to buy anything (in terms of money), it is (1) paid for, (2) placed in a mass medium, and (3) an attempt to persuade members of the electorate to view Al Gore and his agenda favorably. It represents another way advertising can persuade beyond the purchase of products and services. Many political candidates, environmental groups, human rights organizations, and political groups buy advertising and distribute it through mass media to persuade people to accept their way of thinking. They, too, are selling something.

**Advertising, Advertisements, Advertising Campaigns, and Integrated Brand Promotion.** Now that we have a working definition of advertising, we turn our attention to other important distinctions in advertising. An **advertisement** refers to a specific message that someone or some organization has placed to persuade an audience. An **advertising campaign** is a series of coordinated advertisements and other promotional efforts that communicate a reasonably cohesive and integrated theme. The theme may be made up of several claims or points but should advance an essentially singular theme. Successful advertising campaigns can be developed around a single advertisement placed in multiple media, or they can be made up of several different advertisements (more typically) with a similar look, feel, and message. The Lee
A well-conceived and well-executed advertising campaign offers consumers a series of messages with a similar look and feel. This series of ads for Lee Casuals is an excellent example of a campaign that communicates with similar images to create a unified look and feel. [www.leejeans.com](http://www.leejeans.com)
Casuals ads in Exhibits 1.9 through 1.12 represent an excellent use of similar look and feel to create an advertising campaign. Advertising campaigns can run for a few weeks or for many years. The advertising campaign is, in many ways, the most challenging aspect of advertising execution. It requires a keen sense of the complex environments within which an advertiser must communicate to different audiences and of how these messages interact with one another and an audience. The vast majority of ads you see each day are part of broader campaigns.

Furthermore, most individual ads would make little sense without the knowledge that audience members have about ads for this particular brand or for the product category in general. Ads are interpreted by consumers through their experiences with a brand and previous ads for the brand. When you see a new Nike ad, you make sense of the ad through your history with Nike and its previous advertising. Even ads for a new brand or a new product are situated within audiences' broader knowledge of products, brands, and advertising. After years of viewing ads and buying brands, audiences bring a rich history and knowledge base to every communications encounter.

Integrated brand promotion (IBP) is the use of various promotional tools, including advertising, in a coordinated manner to build and maintain brand awareness, identity, and preference. When marketers combine contests, a Web site, event sponsorship, and point-of-purchase displays with advertising, this creates an integrated brand promotion. Note that the word coordinated is central to this definition. Without coordination among these various promotional efforts, there is not an integrated brand promotion. Rather, the consumer will merely encounter a series of unrelated (and often confusing) communications about a brand.

Integrated brand promotion will be a key concept throughout our discussion of advertising. The fact that this phrase is included in the title of the book signals its importance to the contemporary advertising effort. Make no mistake, all of marketing, including the advertising effort, is about brand building. As consumers encounter a daily blitz of commercial messages and appeals, brands and brand identity offer a way to cope. Brands and the images they project allow consumers to quickly identify and evaluate the relevance of a brand to their lives and value systems. The folksy image of Wendy's is clearly distinguished from the hip, contemporary image being pursued by Hardee's. The marketer who does not use advertising and integrated brand promotion as a way to build brand meaning for consumers will, frankly, be ignored. We will develop this concept of integrated brand promotion throughout the text and demonstrate how advertising is central to the process. The encounters between consumers and advertisements, advertising campaigns, and integrated brand promotion underlie the discussion of our next topic.

Advertising as a Communication Process. Communication is a fundamental aspect of human existence, and advertising is communication. To understand advertising at all, you must understand something about communication in general and about mass communication in particular. At the outset, you must understand the basic aspects of how advertising works as a means of communication. To this end, let's consider a contemporary model of mass communication. We will apply this basic model of communication as a first step in understanding advertising.

A Model of Mass-Mediated Communication. As we said earlier, advertising is mass-mediated communication; it occurs, not face-to-face, but through a medium (such as radio, magazines, television, or a computer). While there are many valuable models of mass communication, a contemporary model of mass-mediated communication is presented
Reception
Interaction of advertiser, imagined audience, agency, media, and other social institutions that results in production of advertising content.

Past history, personality, imagined advertiser, and purposes forming context of reception.

Individual audience member’s understanding of the advertisement.

Meanings formed: common and individual.

Production Accommodation and negotiation:
Message Intent

EXHIBIT 1.13
A model of mass-mediated communication.

In Exhibit 1.13, this model shows mass communication as a process of interacting individuals and institutions. It has two major components, each representing quasi-independent processes: production and reception. Between production and reception are the mediating (interpretation) processes of accommodation and negotiation. It’s not as complex as it sounds. Let’s investigate each part of the model.

Moving from left to right in the model, we first see the process of communication production, where the content of any mass communication is produced. An advertisement, like other forms of mass communication, is the product of institutions (such as networks, corporations, advertising agencies, and governments) interacting to produce content (what physically appears on a page as a print ad, or on a videotape as a television ad, or on a computer screen at a company’s website). The creation of the advertisement is a complex interaction of the advertiser’s message content; the advertiser’s expectations regarding the target audience’s desire for information; the advertiser’s assumptions about how the audience will interpret the words and images in an ad; and the conventions, rules, and regulations of the medium that transmits the message. Advertising is rarely (if ever) the product of an individual; rather, it is a collaborative (social) product.

Moving to the right, we see that the mediating processes of accommodation and negotiation lie between the production and reception phases. Accommodation and negotiation are the ways in which consumers interpret ads. Audience members have some ideas about how the advertiser wants them to interpret the ad. Consumers also have their own needs, agendas, and preferred interpretations. They also know about the way other consumers think about this product and this message. Given all this, they arrive at an interpretation of the ad that makes sense, serves their needs, fits their personal history with a product category and the brand, and is not usually wholly incompatible with the way the advertiser wanted consumers to see the ad. In other words, the receivers of the ad must accommodate these competing forces, meanings, and agendas and then negotiate a meaning, or an interpretation, of the ad. That’s why we say that communication is inherently a social process: what a message means to any given consumer is a function, not of an isolated solitary thinker, but of an inherently social being responding to what he or she knows about the producers of the message, other receivers of it, and the social world in which the good or service and the message about it resides. Now, admittedly, all this interpretation happens very fast and without much contemplation. Still, it happens. The level of conscious interpretation might be minimal (mere recognition) or it might be extensive (thoughtful, elaborate processing of an ad), but there is always interpretation.

We say that the processes of production and reception are partially independent because, although the producers of a message can control the placement of an ad in a medium, they cannot control or even closely monitor the actual reception and interpretation of the ad. Audience members are exposed to advertising outside the direct observation of the advertiser and are capable of interpreting advertising any
way they want. (Of course, most audience interpretations are not completely off the wall, either.) Likewise, audience members have little control over or input into the actual production of the message. Because of these aspects of communication, the model shows that both producers and receivers are thus “imagined,” in the sense that the two don’t have significant direct contact with one another but have a general sense of what the other is like.

The communication model in Exhibit 1.13 underscores the critical point that no ad contains a single meaning for all audience members. An ad for a pair of women’s shoes means something different for women than it does for men. An ad that achieved widespread popularity (and controversy) is the ad for Diet Coke shown in Exhibit 1.14, which may be interpreted differently by men and women. For example, does the ad suggest that men drink Diet Coke so they can be the object of intense daily admiration by a group of female office workers? Or does the ad suggest that Diet Coke is a part of a modern woman’s lifestyle, granting her “permission” to freely admire attractive men in the same way women have been eyed by male construction workers (or executives) for years? The audience decides. Keep in mind that although individual audience members’ interpretations will differ to some extent, they may be close enough to the advertiser’s intent to make the ad effective. When members of an audience are similar in their background, social standing, and goals, they generally yield similar enough meaning from an ad for it to accomplish its goals.

3 The Audiences for Advertising. In the language of advertising, an audience is a group of individuals who receive and interpret messages sent from advertisers through mass media. In advertising, audiences are often targeted. A target audience is a particular group of consumers singled out for an advertisement or advertising campaign. Target audiences are potential audiences because advertisers can never be sure that the message will actually get through to them as intended. While advertisers can identify dozens of different target audiences, five broad audience categories are commonly described: household consumers, members of business organizations, members of a trade channel, professionals, and government officials and employees.

Audience Categories. Household consumers are the most conspicuous audience in that most mass media advertising is directed at them. Unilever, Miller Brewing, Saturn, The Gap, and Nationwide Insurance have products and services designed for the consumer market, and so their advertising targets household consumers. The most recent information indicates that there are about 103 million households in the United States and approximately 275 million household consumers.11 Total yearly retail spending
by these households is about $3.4 trillion.\textsuperscript{12} This huge audience is typically where the action is in advertising. Under the very broad heading of “consumer advertising,” very fine audience distinctions are made by advertisers. Target audience definitions—such as men, 25 to 45, living in metropolitan areas, with incomes greater than $50,000 per year—are common.

Members of business organizations are the focus of advertising for firms that produce business and industrial goods and services, such as office equipment, production machinery, supplies, and software. While products and services targeted to this audience often require personal selling, advertising is used to create an awareness and a favorable attitude among potential buyers. Not-for-profit businesses such as universities, some research laboratories, philanthropic groups, and cultural organizations represent an important and separate business audience for advertising. Exhibit 1.15 is an example of an ad directed at members of business organizations. Blue Martini is a software development firm that helps marketers analyze customer information.

Members of a trade channel include retailers, wholesalers, and distributors; they are an audience for producers of both household and business goods and services. Unless a producer can obtain adequate retail and wholesale distribution through a trade channel, the firm’s products will not reach customers. Therefore, it is important to direct advertising at the trade level of the market. Various forms of advertising and promotion are instrumental in cultivating demand among members of a trade channel. Generally, the major promotional tool used to communicate with this group is personal selling. This is because this target audience represents a relatively small, easily identifiable group that can be reached with personal selling. When advertising is also directed at this audience, it can serve an extremely useful purpose, as we will see later in the section on advertising as a business process.

Professionals form a special target audience and are defined as doctors, lawyers, accountants, teachers, or any other professionals who have received special training or certification. This audience warrants separate classification because its members have specialized needs and interests. Advertising directed at professionals thus highlights products and services often uniquely designed to serve their more narrowly defined needs. In addition, the language and images used in advertising to this target audience rely on the esoteric terminology and unique circumstances that members of professions readily recognize. Advertising to professionals is predominantly carried out through trade publications. The ad for Prevacid in Exhibit 1.16 is an example of advertising directed to doctors.

Government officials and employees constitute an audience in themselves due to the large dollar volume of buying that federal, state, and local governments do. Government organizations such as schools and road maintenance operations buy huge amounts of various products. Producers of items such as furniture, construction materials, vehicles, fertilizers, computers, and business services all target this

\textsuperscript{12} Ibid., 19.
group with their advertising. Advertising to this audience group is dominated by direct mail advertising.

**Audience Geography.** Audiences can also be thought of in geographic terms. Because of cultural differences, very few ads can be effective for all consumers worldwide. However, so-called **global advertising** can be used for some brands. These are typically brands that are considered citizens of the world and whose manner of use does not vary tremendously by culture. Even though cultures vary significantly in their view of time and men’s jewelry, Exhibits 1.17 and 1.18 show extremely similar appeals in two different ads for Rolex watches. Firms that market brands with global appeal, such as Singapore Airlines, IBM, Levi’s, Sony, and Pirelli, attempt to develop and place advertisements with a common theme and presentation in all markets around the world where the firm’s brands are sold. Global placement is possible only when a brand and the messages about that brand have a common appeal across diverse cultures. Travelers in Asia seek the same benefits from an airline as travelers in the United States. Men in Europe want the same comfort from a razor when they shave that men in South America do. Motorola had its agency, McCann-Erickson Worldwide, prepare global ads for its cell phones and pagers; their strategy is discussed in the Global Issues box on page 19.

**International advertising** occurs when firms prepare and place different advertising in different national markets. Each international market often requires unique or original advertising due to product adaptations or message appeals tailored specifically for that market. Unilever prepares different versions of ads for its laundry products for nearly every international market due to differences in the way consumers in different cultures approach the laundry task. Consumers in the United States use
large and powerful washers and dryers and lots of hot water. Households in Brazil use very little hot water and hang clothes out to dry. Very few firms enjoy the luxury of having a brand with truly cross-cultural appeal and global recognition. Since this is true, most firms must pursue other-nation markets with international advertising rather than global advertising.

**National advertising** reaches all geographic areas of one nation. National advertising is the term typically used to describe the kind of advertising we see most often in the mass media in the domestic U.S. market.

**Regional advertising** is carried out by producers, wholesalers, distributors, and retailers that concentrate their efforts in a relatively large, but not national, geographic region. Best Buy, a regional consumer electronics and appliance chain, has distribution confined to a few states. Because of the nature of the firm’s market, it places advertising only in regions where it has stores.

Local advertising is much the same as regional advertising. **Local advertising** is directed at an audience in a single trading area, either a city or state. Exhibit 1.19 shows an example of this type of advertising. Retail shopkeepers of all types rely on local media to reach customers. Under special circumstances, national advertisers will share advertising expenses in a market with local dealers to achieve specific advertis-
ing objectives. This sharing of advertising expenses between national advertisers and local merchants is called cooperative advertising (or co-op advertising). Exhibit 1.20 illustrates a co-op advertisement run by TUMI luggage and one of its retailers, Shapiro. General Motors has recently redesigned its co-op advertising program with dealers in an attempt to create a more fully coordinated integrated brand promotion.

Advertising as a Business Process.

So far we have talked about advertising as a communication process and as a way companies reach diverse audiences with persuasive brand information. But we need to appreciate another aspect of advertising. Advertising is very much a business process as well as a communication process. For multinational organizations like IBM, as well as for small local retailers, advertising is a basic business tool that helps them communicate with current and potential customers. We need to understand advertising as a business process in three ways. First, we will consider the role advertising plays in the overall marketing and brand promotion effort. Second, we will look at the types of advertising used by firms. Finally, we will take a broader look at advertising by identifying the economic effects of the process.

The Role of Advertising in Marketing and Brand Promotion. To truly appreciate advertising as a business process, we have to understand the role advertising plays in a firm’s marketing and brand promotion effort. As the introductory scenario so clearly demonstrated, effective advertising as part of an overall integrated brand promotion can be a key factor in the success of a brand. Every organization must make marketing decisions. These decisions involve identifying market opportunities and

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GLOBAL ISSUES

Motorola’s Global Campaign Takes Flight—Then Comes Back to Earth

As successful and astute as Motorola has been in reinventing itself as a corporation, it did miss one major market trend—the rush by consumers to go digital with cell phone technology. As a result, Motorola’s share of the U.S. market for cellular handset technology dropped from 55 percent in 1995 to just 34.1 percent in 1998. The beneficiaries of Motorola’s hesitancy were Nokia, whose 13.6 percent share increased to 24.4 percent, and Ericsson, whose share rocketed from merely 2 percent to over 14 percent.

Motorola clearly needed a lift and a global ad campaign was conceived. Motorola challenged its advertising agency, McCann-Erickson Worldwide, to “find the friendliest means of telling consumers about the wealth of benefits Motorola technology brings.” The challenge was to develop a global advertising campaign that would feature technology as the universal appeal across geographic and cultural boundaries. The campaign needed to be a corporate image campaign. The Motorola name was known in the market but not preferred.

These conditions were classic prerequisites for a global image campaign that focused on creating a relationship with a brand rather than relying on product feature appeals, as competitors often do. So a new campaign took flight—literally. Motorola launched a $100 million global campaign called “Wings,” which featured its batwinglike corporate logo. The images in the campaign highlighted a squadron of flight-related images: a nun pedaling a bike with a dove at her side; a woman in a chapel wearing giant feathered wings; a man tossing a paper airplane. In the background, Mick Jagger sings “You Can’t Always Get What You Want.”

The campaign worked beautifully through 1999, when strategists at Motorola decided that yet another global unification of the brand image was needed. Motorola’s three ad agencies have been charged with creating a “unified Motorola brand presence.” The new effort will be focused on creating an integrated global image that extends across the company’s various businesses: semiconductors, wireless handsets, cable and broadband, and computer networking. A tall order indeed for a brand campaign. But the focus on global unification highlights once again how important the brand focus is to the process of effective advertising.

then developing, pricing, promoting, and distributing products and services for some target audience. The role of advertising in marketing and brand promotion relates to four important aspects of the marketing process: (1) the marketing mix; (2) brand development and management; (3) achieving effective market segmentation, differentiation, and positioning; and (4) contributing to revenue and profit generation.

The Role of Advertising in the Marketing Mix. A formal definition of marketing reveals that advertising (as a part of overall promotion) is one of the primary marketing tools available to any organization:

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.14

Marketing assumes a wide range of responsibilities related to the conception, pricing, promotion, and distribution of ideas, goods, or services. Many of you know that these four areas of responsibility and decision making in marketing are referred to as the marketing mix. The word mix is used to describe the blend of strategic emphasis on the product, its price, its promotion (including advertising), and its distribution when a brand is marketed to consumers. This blend, or mix, results in the overall marketing program for a brand. Advertising is important, but it is only one of the major areas of marketing responsibility and it is only one of many different promotional tools relied on in the marketing mix.

Generally speaking, the role of advertising in the marketing mix is to focus on the ability of the advertising effort to communicate to a target audience the value a

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14. The American Marketing Association definition, given here, is still widely accepted and appeared in Marketing News, March 1, 1985, 1.
brand has to offer—precisely the role played by advertising for Wendy’s. Value consists of more than simply the tangible aspects of the brand itself, though. Indeed, consumers look for value in the brand, but they also demand such things as convenient location, credit terms, warranties and guarantees, and delivery. In addition, a wide range of emotional values such as security, belonging, affiliation, and prestige can also be pursued in the brand choice process. Because of consumers’ search for such diverse values, marketers must determine which marketing mix ingredients to emphasize and how to blend the mix elements in just the right way to attract and satisfy customers. These marketing mix decisions play a significant role in determining the message content and media placement of advertising.

Exhibit 1.21 lists factors typically considered in each area of the marketing mix. You can see that decisions under each of the marketing mix areas can directly affect the advertising message. The important point is that a firm’s advertising effort must be consistent with and complement the overall marketing mix strategy being used by a firm.

The Role of Advertising in Brand Development and Management. Perhaps the most obvious effect of advertising in the marketing mix has to do with brand development and management. We have been referring to the brand throughout our discussion of the process of advertising. All of us have our own understanding of what a brand is. A formal definition of a brand is a name, term, sign, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers.15 Advertising plays a significant role in brand development and management. A brand is in many ways the most precious business asset owned by a firm. It allows a firm to communicate consistently and efficiently with the market.

Interbrand, a marketing analysis and consulting firm, has actually attached a dollar value to brand names. The 20 most valuable brands in the world in 2001 are shown in Exhibit 1.22 on page 23. Often, the brand name is worth much more than the annual sales of the brand. Coca-Cola, the most valuable brand in the world, is estimated to be worth about $68.95 billion even though sales of branded Coca-Cola products are only about $17.8 billion a year.

A brand would be at a serious competitive disadvantage without effective communication provided by advertising. In fact, managers at ConAgra came to the startling realization that while they were doing a good job of using advertising to develop and manage the Marie Callender line of frozen entrees, they had “let the Healthy Choice brand wither on the vine.”16 The firm is in the process of rectifying that mistake and is investing $40 million in advertising for the more than 300 items in the Healthy Choice product line. For all kinds of companies, advertising effects brand development and management in five important ways:

1. Information and persuasion. Target audiences learn about a brand’s features and benefits through the communications transmitted by advertising and, to a lesser extent, other promotional tools being used in the integrated brand promotion effort. But advertising has the best capability to inform or persuade target audiences about the values a brand has to offer. No other variable in the marketing mix is designed to accomplish this communication. As an example, persuasive communication in the branding effort is particularly competitive in the credit card market, where consumers often perceive no difference between services offered by one firm and another. Analysts point out that “branding is becoming crucially important in the $1.3 trillion credit card market” as Visa, MasterCard, and American Express offer new products for a wider range of consumer groups.17

Introduction of new brand or brand extensions. Advertising is essential when firms introduce a new brand or extensions of existing brands. A brand extension is an adaptation of an existing brand to a new product area. For example, the Snickers ice cream bar is a brand extension of the original Snickers candy bar, and Ivory shampoo is a brand extension of Ivory dishwashing liquid. When new brands or extensions are brought to market, the advertising and integrated brand promotion process bears large responsibility for attracting attention to the new market offering. This is often accomplished with advertising working in conjunction with other promotional activities such as sales promotions and point-of-purchase displays. Mars (famous for candy) is investing heavily in extending the Uncle Ben’s Rice brand into Rice Bowls of all varieties, including Italian, Mexican, and Chinese.18 Exhibit 1.23 on page 24, shows another example of advertising being used to extend a famous brand name into a totally different product category.

Again, trade buyers are key to the success of new brands or brand extensions. Marketers have little hope of successfully introducing a brand if there is no coop-
### EXHIBIT 1.22

<table>
<thead>
<tr>
<th>Rank</th>
<th>Brand</th>
<th>Brand Value 2000 (billions)</th>
<th>Brand Value 2001 (billions)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coca Cola</td>
<td>$72.53</td>
<td>$68.95</td>
<td>-5%</td>
</tr>
<tr>
<td>2</td>
<td>Microsoft</td>
<td>70.19</td>
<td>65.07</td>
<td>-7%</td>
</tr>
<tr>
<td>3</td>
<td>IBM</td>
<td>53.18</td>
<td>52.75</td>
<td>-1%</td>
</tr>
<tr>
<td>4</td>
<td>GE</td>
<td>42.40</td>
<td>38.13</td>
<td>-11%</td>
</tr>
<tr>
<td>5</td>
<td>Nokia</td>
<td>38.52</td>
<td>35.04</td>
<td>-9%</td>
</tr>
<tr>
<td>6</td>
<td>Intel</td>
<td>39.05</td>
<td>34.77</td>
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</tr>
<tr>
<td>7</td>
<td>Disney</td>
<td>33.55</td>
<td>32.55</td>
<td>-3%</td>
</tr>
<tr>
<td>8</td>
<td>Ford</td>
<td>36.37</td>
<td>30.30</td>
<td>-17%</td>
</tr>
<tr>
<td>9</td>
<td>McDonald's</td>
<td>27.86</td>
<td>25.29</td>
<td>-9%</td>
</tr>
<tr>
<td>10</td>
<td>AT&amp;T</td>
<td>25.54</td>
<td>22.83</td>
<td>-11%</td>
</tr>
<tr>
<td>11</td>
<td>Marlboro</td>
<td>21.11</td>
<td>22.05</td>
<td>0%</td>
</tr>
<tr>
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<td>Mercedes</td>
<td>21.10</td>
<td>21.73</td>
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<tr>
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</tr>
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</tr>
<tr>
<td>20</td>
<td>Sony</td>
<td>16.41</td>
<td>15.01</td>
<td>-9%</td>
</tr>
</tbody>
</table>


### 2. Integrated Brand Promotion

Integration in the trade channel among wholesalers and retailers. This is where integrated brand promotion is key. The trade is less affected by advertising than by other forms of promotion. Direct support to the trade in terms of displays, contests, and other incentives combined with advertising in an IBP program help ensure the success of a brand.

### 3. Building and Maintaining Brand Loyalty among Consumers

Loyalty to a brand is one of the most important assets a firm can have. **Brand loyalty** occurs when a consumer repeatedly purchases the same brand to the exclusion of competitors’ brands. This loyalty can result from habit, brand names that are prominent in the consumer’s memory, barely conscious associations with brand images, or some fairly deep meanings consumers have attached to the brands they buy. While brand features are the most important influence on building and maintaining brand loyalty, advertising plays a key role in the process as well. Advertising reminds consumers of the values—tangible and intangible—of the brand. Advertising and integrated brand promotions often provide an extra incentive to consumers to remain brand loyal. Direct marketing can tailor communications to existing customers. Other promotional tools can also offer similarly valuable communications that will help build and strengthen lasting and positive associations with a brand—such as a frequent-flyer or frequent-buyer program. When a firm creates and maintains positive associations with the brand in the mind of consumers, the...
A firm has developed brand equity.\(^{19}\) While brand equity occurs over long periods of time, short-term advertising and promotional activities are key to long-term success.\(^{20}\) This advertising fact of life became clear to strategists at the cosmetics firm Coty. The firm’s 40-year-old Calgon brand needed to be refreshed and rejuvenated. A new $2 million print campaign was conceived to tout the soothing effects of the bath additive in a hectic, urban world.\(^{21}\)

4. Creating an image and meaning for a brand. As we have determined, advertising can communicate how a brand addresses certain needs and desires and therefore plays an important role in attracting customers to brands they feel will be useful and satisfying. But advertising can go further. It can help link a brand’s image and meaning to a consumer’s social environment and to the larger culture, and it can thus deliver a sense of personal connection for the consumer.

The Schiff ad for prenatal vitamins in Exhibit 1.24 is a clear example of how advertising can create an image and deeper meaning. The message in this ad is not just about the health advantages of using a nutritional supplement during pregnancy. The message mines associations related to love and caring for an unborn or recently born child. Even the slogan for the brand, “Benefits Beyond Your Daily Requirements,” plays on the sense that a vitamin is more than a vehicle for dosing up on folic acid. Other promotional tools in the integrated brand promotion process, such as personal selling, sales promotions, and event sponsorship, simply cannot achieve such creative power or communicate all the potential meanings a brand can have to a consumer.

5. Building and maintaining brand loyalty within the trade. It might not seem as if wholesalers and retailers can be brand loyal, but they will favor one brand over others given the proper support from a manufacturer. Advertising and particularly advertising integrated with other brand promotions is an area where support can be given. Marketers can provide the trade with sales training programs, collateral advertising materials, point-of-purchase advertising displays, and traffic-building special events. Procter & Gamble is one firm that has determined that special interactive kiosk displays, combined with media advertising, are effective in attracting attention to P&G brands. The new displays will be placed in department stores and in shopping malls. The kiosks feature touch-screen technology and support sales clerks by providing information about as many as four P&G brands.\(^{22}\)

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The Role of Advertising Market Segmentation, Differentiation, and Positioning. For advertising to be effective, it must work to support the organization’s basic marketing strategies. The most basic and important strategies for cultivating customers are market segmentation, differentiation, and positioning. Advertising plays an important role in helping a firm execute these marketing strategies.

**Market segmentation** is the process of breaking down a large, widely varied (heterogeneous) market into submarkets, or segments, that are more similar than dissimilar (homogeneous) in terms of what the consumer is looking for or is presumed to be looking for. Underlying the strategy of market segmentation are the facts that consumers differ in their wants and that the wants of one person can differ under various circumstances. The market for automobiles can be divided into submarkets for different types of automobiles based on the needs and desires of various groups of buyers. Identifying those groups, or segments, of the population who want and will buy large or small, luxury or economy, or sport or sedan or minivan models is an important part of basic marketing strategy. Larger markets are, however, often broken up by more indirect criteria, such as age, marital status, gender, and income, since these data are widely collected and widely available and tend to be reasonably related to product and usage. Advertising’s role in the market segmentation process is to develop messages that appeal to the wants and desires of different segments and then to transmit those messages via appropriate media. At present, advertisers are struggling with decisions concerning how much to invest in new media vehicles for reaching target segments. The difficulty of these decisions is highlighted in the E-Commerce box on page 27.

**Differentiation** is the process of creating a perceived difference, in the mind of the consumer, between an organization’s brand and the competition’s. Notice that this definition emphasizes that brand differentiation is based on consumer perception. The perceived differences can be tangible differences, or they may be based on image or style factors. Consider the Fendi watch ad in Exhibit 1.25. A $20 Timex and a $12,000 Fendi keep time in exactly the same way. But the two brands are differentiated on intangible perceptions of style and the deeper meaning brands can have, as discussed earlier. The critical issue in differentiation is that consumers perceive a difference between brands. If consumers do not perceive a difference, then whether real differences exist does not matter. Differentiation is one of the most critical of all marketing strategies. If a firm’s brand is not perceived as distinctive and attractive by consumers, then consumers will have no reason to choose that brand over one from the competition or to pay higher prices for the “better” or “more meaningful” brand.

Advertising can help create a difference in the mind of the consumer between an organization’s brand and its competitors’ brands. The advertisement may emphasize performance features, or it may create a different image of the brand. The essential task for advertising is to develop a message that is distinctive and unmistakably linked to the organization’s brand. The ads in Exhibits 1.26 and 1.27 are distinctive and pursue product differentiation with both function and image.

EXHIBIT 1.24

The message in this Schiff ad creates meaning for vitamins that goes beyond the daily nutrition role vitamins can play. What are the many meanings in this message offered to consumers? www.schiffvitamins.com
Positioning is the process of designing a brand so that it can occupy a distinct and valued place in the target consumer’s mind relative to other brands and then communicating this distinctiveness through advertising. Positioning, like differentiation, depends on a perceived image of tangible or intangible features. The importance of positioning can be understood by recognizing that consumers create a perceptual space in their minds for all the brands they might consider purchasing. A perceptual space is how one brand is seen on any number of dimensions—such as quality, taste, price, or social display value—in relation to those same dimensions in other brands.

The positioning decision really comprises two different decisions. A firm must decide on the external position for a brand—that is, the niche the brand will pursue relative to all the competitive brands on the market. Additionally, an internal position must be achieved with regard to the other similar brands a firm markets. With the external-

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**EXHIBIT 1.25**

Advertising is key to the marketing strategy of differentiation. This very expensive Fendi watch keeps time just like a $20 Timex. But you won’t see an ad like this for a Timex. What is it about this ad that differentiates the Fendi brand from the Timex brand? [www.fendi.it](http://www.fendi.it)

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**EXHIBITS 1.26 AND 1.27**

An important role for advertising is to help a firm differentiate its brand from the competition with distinctive presentations. The Honda del Sol ad in Exhibit 1.26 draws attention to the car’s removable roof as a basis for differentiation. The Wonderbra ad in Exhibit 1.27 also highlights this brand’s superior design as a basis for differentiation. [www.honda.com](http://www.honda.com) and [www.wonderbra.com](http://www.wonderbra.com)
positioning decision, a firm must achieve a distinctive competitive position based on design features, pricing, distribution, or promotion or advertising strategy. Some brands are positioned at the very top of their product category, such as BMW’s 740i, priced around $75,000. Other brands seek a position at the low end of all market offerings, such as the Chevrolet Metro, whose base price is $10,000.23 Effective internal positioning is accomplished by either developing vastly different products within a product line (Ben & Jerry’s ice cream, for example, offers plenty of distinctive flavors, as shown in Exhibit 1.28) or creating advertising messages that appeal to different consumer needs and desires. Procter & Gamble successfully positions its laundry detergent brands both internally and externally using a combination of product design and effective advertising. While some of these brands assume different positions within P&G’s own line due to substantive differences (a liquid soap versus a powder soap, for example), others with minor differences achieve distinctive positioning through advertising. One P&G brand is advertised as being effective on kids’ dirty clothes, while another brand is portrayed as effective for preventing colors from running (see Exhibit 1.29). In this way, advertising helps create a distinctive position, both internally and externally.

The methods and strategic options available to an organization with respect to market segmentation, product differentiation, and positioning will be fully discussed in Chapter 6. For now, recognize that advertising plays an important role in helping an organization put these essential market strategies into operation.

**The Role of Advertising in Revenue and Profit Generation.** The fundamental purpose of marketing can be stated quite simply: to generate revenue. No other part of an organization has this primary purpose. In the words of highly regarded management consultant and scholar Peter Drucker, “Marketing and innovation produce results; all the rest are ‘costs.’ ”24 The results Drucker is referring to are revenues. The marketing process is designed to generate sales and therefore revenues for the firm.

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The contribution to creating sales as part of the revenue-generating process is where advertising plays a significant role. As we have seen, advertising communicates persuasive information to audiences based on the values created in the marketing mix. This communication, which can highlight brand features, price, or availability through distribution, attracts customers. When a brand has the right features, the right price, the right distribution, and the right communication, sales will likely occur, and the firm generates revenue. In this way, advertising makes a direct contribution to the marketing goal of revenue generation. Notice that advertising contributes to the process of creating sales and revenue—it cannot be viewed as solely responsible for creating sales and revenue. Some organizations mistakenly see advertising as a panacea—the salvation for an ambiguous marketing mix strategy. Advertising alone cannot be held responsible for sales. Sales occur when a brand has a well-conceived and complete marketing mix—including good advertising.

The effect of advertising on profits is a bit more involved. This effect comes about when advertising can help give a firm greater flexibility in the price it charges for a product or service. Advertising can help create pricing flexibility by (1) contributing to economies of scale and (2) creating inelasticity of demand. When a firm
creates large-scale demand for its product, the quantity of product produced is increased. As production reaches higher and higher levels, fixed costs (such as rent and equipment costs) are spread over a greater number of units produced. The result of this large-scale production is that the cost to produce each item is reduced. Lowering the cost of each item produced because of high-volume production is known as **economies of scale**.

When Colgate manufactures hundreds of thousands of tubes of its Colgate Total toothpaste and ships them in large quantities to warehouses, the fixed costs of production and shipping per unit are greatly reduced. With lower fixed costs per unit, Colgate can realize greater profits on each tube of toothpaste sold. Advertising contributes to demand stimulation by communicating to the market about the features and availability of a brand. By contributing to demand stimulation, advertising contributes to the process of creating economies of scale, which ultimately translates into higher profits per unit.

Remember the concept of brand loyalty discussed earlier? Well, brand loyalty and advertising work together to create another important economic effect. When consumers are brand loyal, they are generally less sensitive to price increases for the brand. In economic terms, this is known as **inelasticity of demand**. When consumers are less price sensitive, firms have the flexibility to raise prices and increase profit margins. Advertising contributes directly to brand loyalty, and thus to inelasticity of demand, by persuading and reminding consumers of the satisfactions and values related to a brand.

**Types of Advertising.** Advertisers develop and place advertisements for many reasons. Some of the most basic types of advertising are based on functional goals, that is, on what the advertiser is trying to accomplish. The functional goals for advertising include primary and selective demand stimulation, direct- and delayed-response advertising, and corporate advertising.

One potential function for advertising is primary demand stimulation, although this role is quite limited. In **primary demand stimulation**, an advertiser is seeking to create demand for a new product category in general. In its pure form, the purpose of this type of advertising is to educate potential buyers about the fundamental values of an entire product category rather than to emphasize the values of a specific brand within the product category.

Primary demand stimulation is challenging and costly, and research evidence suggests that it is likely to have a perceivable impact only for new products on the market—such as when the VCR was first developed and introduced to the market. With a product that is totally new to the market, consumers need to be convinced that the product category itself is available and valuable. When the VCR was first introduced in the United States, RCA, Panasonic, and Quasar (see Exhibit 1.30) ran primary demand stimulation advertising to explain to household consumers the value and convenience of taping television programs with this new product called a VHS video recorder—something almost no one had ever done before at home.

For organizations that have tried to stimulate primary demand in mature product categories, typically trade associations, the results have been dismal. Both the National Fluid Milk Processor Promotion Board and the Florida Department of Citrus have tried to use advertising to stimulate primary demand for the entire product categories of milk and orange juice. Examples of these campaigns are shown in Exhibits 1.31 and 1.32. While the “mustache” campaign is very popular and gets widespread recognition, milk consumption has declined every year during the time of this campaign.25 This is despite the fact that more than $1 billion in spending has

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been invested in the campaign. Even if the attempts at primary demand have reduced the overall decline, it is still not a very impressive result. This should come as no surprise, though. Research has clearly indicated that attempts at primary demand stimulation in mature product categories have never been successful.\(^{26}\)

While some corporations have tried primary demand stimulation, the true power of advertising is shown when it functions to stimulate demand for a particular company's brand. This is known as selective demand stimulation. The purpose of selective demand stimulation advertising is to point out a brand's unique benefits compared to the competition. For example, examine the Tropicana ad in Exhibit 1.33—it touts this brand's superiority (contrast this brand ad with the primary demand stimulation ad in Exhibit 1.32). Likewise, now that the VCR is past the stage of primary demand stimulation and is a mature product category, households accept the value of this product and each brand selectively appeals to different consumer needs. Current advertising for VCRs emphasizes brand features such as hi-fi sound, remote control, and voice recognition programming, as Exhibit 1.34 illustrates. This is selective demand stimulation.

Another important type of advertising involves goals related to the immediacy of consumer response. Direct response advertising asks the receiver of the message

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to act immediately. An ad that suggests that you “call this toll-free number” or “mail your $19.95 before midnight tonight” is an example of direct response advertising. The ad in Exhibit 1.35 is a good example. Here, the company implores consumers to act quickly in order to obtain the Frank Sinatra collector’s plate. That’s direct response advertising.

While exceptions exist, direct response advertising is most often used for products that consumers are familiar with, that do not require inspection at the point of purchase, and that are relatively low-cost. The proliferation of toll-free numbers and the widespread use of credit cards have been a boon to direct response advertisers.

Delayed response advertising relies on imagery and message themes that emphasize the benefits and satisfying characteristics of a brand. Rather than trying to stimulate an immediate action from an audience, delayed response advertising attempts to develop recognition and approval of a brand over time. In general, delayed response advertising attempts to create brand awareness, reinforce the benefits of using a brand, develop a general liking for the brand, and create an image for a brand. When a consumer enters the purchase process, the information from delayed response advertising comes into play. Most advertisements we see on television and

EXHIBIT 1.33
Selective demand stimulation advertising highlights a brand’s superiority in providing satisfaction. In this ad, Tropicana touts its superiority as a brand of orange juice. Compare this ad to the primary demand ad in Exhibit 1.32. www.tropicana.com

EXHIBIT 1.34
Once the VHS video cassette recorder became widely adopted, there was no longer a need for primary demand stimulation. Companies turned to the selective brand stimulation process represented by this Toshiba ad. How is this ad different in its message content from the ad in Exhibit 1.30? www.toshiba.com
in magazines are of the delayed response type. Exhibit 1.36, an ad for hypo-allergenic detergent, provides an example of this common form of advertising. In this ad, the message has as much to do with being a good parent (an image and delayed response message) than with the features of the brand.

**Corporate advertising** is not designed to promote a specific brand, but rather functions to establish a favorable attitude toward the company as a whole. Prominent users of corporate advertising are Phillips Petroleum, Xerox, and IBM. These firms have long-established corporate campaigns aimed at generating favorable public opinion toward the corporation and its products. This type of advertising can also have an effect on the shareholders of a firm. When shareholders see good corporate advertising, it instills confidence and, ultimately, long-term commitment to the firm and its stock. We’ll consider this type of advertising in great detail in Chapter 20.

Another form of corporate advertising is carried out by members of a trade channel. Often, corporate advertising within a trade channel is referred to as institutional advertising. Retailers such as Nordstrom, County Seat, and Wal-Mart advertise to persuade consumers to shop at their stores. While these retailers may occasionally feature a particular manufacturer’s brand in the advertising (County Seat often features Levi’s, in fact), the main purpose of the advertising is to get the audience to shop at their store. Federated Department Stores, for example, invested $160 million in a campaign featuring the retailer’s private-label clothing lines—available only at
Federated stores such as Charter Club and INC—that would encourage consumers to shop at Federated outlets.27

**The Economic Effects of Advertising.** Our discussion of advertising as a business process has focused strictly on the use of advertising by individual business organizations. However, some aspects of advertising relate to broad effects across an entire economic system of a country and beyond.

**Advertising’s Effect on Gross Domestic Product.** Gross domestic product (GDP) is a measure of the total value of goods and services produced within an economic system. Earlier, we discussed advertising’s role in the marketing mix. Recall that, as advertising contributes to marketing mix strategy, it can contribute to sales—along with the right product, the right price, and the right distribution. Because of this role, advertising is related to GDP in that it can contribute to levels of overall consumer demand when it plays a key role in introducing new products, such as VCRs, microcomputers, the Internet, or alternative energy sources. As demand for these new products grows, the resultant consumer spending fuels retail sales, housing starts, and corporate investment in finished goods and capital equipment. Consequently, GDP is affected by sales of products in new, innovative product categories.28

**Advertising’s Effect on Business Cycles.** Advertising can have a stabilizing effect on downturns in business activity. There is evidence that many firms increase advertising during times of recession in an effort to spend their way out of a business downturn. Similarly, there is research to suggest that firms that maintain advertising during a recession perform better afterward, relative to firms that cut advertising spending.29

**Advertising’s Effect on Competition.** Advertising is alleged to stimulate competition and therefore motivate firms to strive for better products, better production methods, and other competitive advantages that ultimately benefit the economy as a whole. Additionally, when advertising serves as a way to enter new markets, competition across the economic system is fostered. For example, Exhibit 1.37 shows an ad in which plastics manufacturers present themselves as competitors to manufacturers of other packaging materials.

Advertising is not universally hailed as a stimulant to competition. Critics point out that the amount of advertising dollars needed to compete effectively in many industries is often prohibitive. As such, advertising can act as a barrier to entry into an industry—that is, a firm may have the capability to compete in an industry in every regard except that the advertising expenditures needed to compete are so great that the firm cannot afford to get into the business. In this way, advertising can actually serve to decrease the overall amount of competition in an economy.30

**Advertising’s Effect on Prices.** One of the widely debated effects of advertising has to do with its effect on the prices consumers pay for products and services. Since advertising is a relatively costly process, then products and services would surely cost much less if firms did no advertising. Right? Wrong!

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29. See, for example, Marion L. Elmquist, “100 Leaders Parry Recession with Heavy Spending,” Advertising Age, September 8, 1983, 1.
30. This argument was well articulated many years ago by Colston E. Warn, “Advertising: A Critic’s View,” Journal of Marketing, vol. 26, no. 4 (October 1962), 12.
First, across all industries, advertising costs incurred by firms range from about 1 percent of sales in the automobile and retail industries to about 15 percent of sales in the personal care and luxury products businesses. Exhibit 1.38 shows the ratio of advertising to sales for various firms in selected industries. Notice that there is no consistent and predictable relationship between advertising spending and sales. Honda spent $1,035 million in advertising to generate about $31 billion in sales; L’Oréal spent $987 million on advertising, about $50 million less than Honda, but generated only $3.4 billion in sales; and Wal-Mart spent only $498 million on advertising to generate over $159 billion in sales! Different products and different market conditions demand that firms spend different amounts of money on advertising. These same conditions make it difficult to identify a predictable relationship between advertising and sales.

It is true that the costs for advertising are built into the costs for products, which are ultimately passed on to consumers. But this effect on price must be judged against how much time and effort a consumer would have to spend in searching for a product or service without the benefit of advertising.

Second, the effect of economies of scale, discussed earlier, has a direct impact on prices. Recall that economies of scale serve to lower the cost of production by spreading fixed costs over a large number of units produced. This lower cost can be passed on to consumers in terms of lower prices, as firms search for competitive advantage with lower prices. Nowhere is this effect more dramatic than the price of personal computers. In the early 1980s, an Apple IIe computer that ran at about 1 MHz and had 64K of total memory cost over $3,000. Today, you can get a computer that is several hundred times faster with vastly increased memory and storage for less than $1,000. And it is likely that companies such as Gateway and Dell are spending more today on advertising than Apple did back in the 1980s.

Advertising’s Effect on Value. Value is the password for successful marketing in the current era. Value refers to a perception by consumers that a brand provides satisfaction beyond the cost incurred to acquire that brand. The value perspective of the modern consumer is based on wanting every purchase to be a “good deal.” Value is added to the consumption experience by advertising. Recall the discussion of Hardee’s versus Wendy’s advertising at the beginning of the chapter. Analysts credit the market success of Wendy’s over the last several years to the firm’s unwavering dedication to the “value” theme. Another argument suggests that advertising contributes to consumer perception of value in an additional but very different way. For example, many advertising professionals and academic researchers believe that the experience of driving a Saab or using L’Oréal cosmetics is significantly enhanced by the expectations advertising has first created and then reinforced within the consumer.
<table>
<thead>
<tr>
<th>Industry</th>
<th>Advertiser</th>
<th>2000 U.S. Ad Spending (millions)</th>
<th>2000 U.S. Sales (millions)</th>
<th>Advertising Spending as % of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Automobiles</strong></td>
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<tr>
<td></td>
<td>General Motors</td>
<td>$3,935</td>
<td>$136,399</td>
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<td></td>
<td>Ford</td>
<td>2,345</td>
<td>118,373</td>
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<td></td>
<td>Volkswagen</td>
<td>551</td>
<td>15,749</td>
<td>3.69</td>
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<td></td>
<td>Honda</td>
<td>1,035</td>
<td>31,604</td>
<td>3.27</td>
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<td><strong>Computers</strong></td>
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<td></td>
<td>IBM</td>
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<td>37,216</td>
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<td></td>
<td>Dell</td>
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<td>21,428</td>
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<td>Microsoft</td>
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<td>15,700</td>
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<td>Intel</td>
<td>773</td>
<td>13,911</td>
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<td><strong>Drugs</strong></td>
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<tr>
<td></td>
<td>Bristol-Myers Squibb</td>
<td>1,191</td>
<td>17,114</td>
<td>9.80</td>
</tr>
<tr>
<td></td>
<td>Johnson &amp; Johnson</td>
<td>1,601</td>
<td>17,000</td>
<td>9.41</td>
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<tr>
<td></td>
<td>Bayer</td>
<td>649</td>
<td>8,961</td>
<td>7.24</td>
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<td><strong>Food</strong></td>
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<td>ConAgra</td>
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<td>Nestlé S.A.</td>
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<td>Kellogg</td>
<td>455</td>
<td>4,067</td>
<td>11.18</td>
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<tr>
<td></td>
<td>Campbell Soup</td>
<td>31</td>
<td>4,668</td>
<td>7.09</td>
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<td><strong>Personal Care</strong></td>
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<td>Procter &amp; Gamble</td>
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<td>20,334</td>
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<td>Gillette</td>
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<td>Estée Lauder</td>
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<td>L’Oréal</td>
<td>987</td>
<td>3,473</td>
<td>28.41</td>
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<td><strong>Retail</strong></td>
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<tr>
<td></td>
<td>JCPenney</td>
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<td>3.17</td>
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<td>Circuit City Stores</td>
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<td>12,959</td>
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<tr>
<td></td>
<td>Wal-Mart</td>
<td>498</td>
<td>159,229</td>
<td>0.31</td>
</tr>
</tbody>
</table>


Advertising also affects a consumer’s perception of value by contributing to the symbolic value and the social meaning of a brand. **Symbolic value** refers to what a product or service means to consumers in a nonliteral way. For example, branded clothing such as Guess jeans or Doc Martens shoes has been said to symbolize self-concept for some consumers. Exhibits 1.39 and 1.40 show examples of ads seeking to create symbolic value for two well-known brands. In reality, all branded products rely to some extent on symbolic value; otherwise they would not be brands, but unmarked commodities.
Social meaning refers to what a product or service means in a societal context. For example, social class is marked by any number of products used and displayed to signify class membership, such as cars, beverages, and clothes. Exhibit 1.41 shows an advertisement for United Airlines that places the company’s service into a societal context.
ad for a service with clear social-class connections. Often, the product’s connection to a social class addresses a need within consumers to move up in class.

Researchers from various disciplines have long argued that objects are never just objects. They take on meaning from culture, society, and consumers. It is important to remember that these meanings often become just as much a part of the product as some physical feature. Since advertising is an essential way in which the image of a brand is developed, it contributes directly to consumers’ perception of the value of the brand. The more value consumers see in a brand, the more they are willing to pay to acquire the brand. If the image of a Gucci watch, a Lexus coupe, or a Four Seasons hotel is valued by consumers, then consumers will pay a premium to acquire that value. Waterford crystal and Gucci watches, shown in Exhibits 1.42 and 1.43, are examples of products that consumers pay premiums to own.

From Integrated Marketing Communications to Integrated Brand Promotion. As we discussed in the section on advertising’s role in the marketing mix, it is important to recognize that advertising is only one of many promotional tools available. It is not always the main choice of companies because in many situations, another tool, such as targeted e-mail, event sponsorship, or direct mail, is better suited to the task at hand. Firms such as Levi Strauss, featured in the IBP box on page 38, often employ a wide range of promotional tools to achieve desired communications coverage and results. Another example is PepsiCo. PepsiCo spends over $2.1 billion a year in advertising. But the firm also spends tens of millions of dollars a year giving away samples to urban youth. Their promotions feature UPS-style vans that visit urban areas such as Philadelphia, Cleveland, and San Francisco, blasting music and giving away samples of Mountain Dew as a way to support the advertising effort.

For the last 10 years or so, the concept of mixing various promotional tools has generally been referred to as integrated marketing communications. Integrated marketing communications (IMC) is the process of using promotional tools in a unified way so that a synergistic communication effect is created. But as the discussion earlier in the chapter highlighted, the current thinking is that the emphasis on communication is not as important as the emphasis on the brand. The result is that there has been a recent evolution from an integrated marketing communications perspective to an integrated brand promotion perspective.

Recall from the definition earlier in the chapter that integrated brand promotion (IBP) is the use of various communication tools, including advertising, in a coordinated manner to build and maintain brand awareness, identity, and preference. The distinction between IBP and IMC is pretty obvious. IMC emphasizes the communication effort, per se, and the need for coordinated and synergistic messages. IBP retains the emphasis on coordination and synergy, but goes beyond the parameters of IMC. In integrated brand promotion, the emphasis is on the brand and not just the communication. With a focus on building brand awareness, identity, and ultimately preference, the IBP perspective recognizes that coordinated promotional messages need to have brand-building effects and not just communication effects.

35. A signal of this change is the most recent edition of Don Schultz’s IMC book, which is no longer called IMC. Schultz has changed the name to Strategic Brand Communication Campaigns. The full citation is Don E. Schultz and Beth E. Barnes, Strategic Brand Communication Campaigns. (Lincolnwood, Ill.: NTC Books, 1999).
Because of the growing importance of IBP to the advertising industry, IBP issues are raised throughout this book in special boxes that highlight the strategy and coordination challenges of every aspect of advertising. In addition, five distinct sections of this book are devoted to a rich case history that features a real-life application of IBP. These five sections conclude each of the major parts of the book, parallel the emphasis of the text, and feature the complete story of the application of IBP concepts by Cincinnati Bell in its marketing of a new, wireless phone service:

- Part 1—Cincinnati Bell Wireless: From IMC to IBP
- Part 2—Cincinnati Bell Wireless: Planning Advertising and Integrated Brand Promotion
- Part 3—Cincinnati Bell Wireless: Preparing Advertising and Integrated Brand Promotion
- Part 4—Cincinnati Bell Wireless: The Launch Campaign
- Part 5—Cincinnati Bell Wireless: Sustaining and Growing the Brand after Launch

These special IBP sections are easy to find because each begins with the distinctive color scheme that designates our Cincinnati Bell Wireless case. These sections focus on the real-world challenges faced by Cincinnati Bell during the planning, development, and execution of nearly two years of brand-building activity for Cincinnati Bell Wireless. Cincinnati Bell, a Broadwing Company, and its advertising agency, Northlich, have generously provided their advertising and other brand promotion materials for use in this text. We believe that IBP is an important enough consideration in contemporary communications and promotion that its role alongside the advertising effort deserves comprehensive assessment. The materials and expertise gained in working with our corporate partners allow us to provide a comprehensive case history that offers a truly unique learning opportunity on the forefront of advertising and integrated brand promotion.

1. Know what advertising is and what it can do.

Since advertising has become so pervasive, it would be reasonable to expect that you might have your own working definition for this critical term. But an informed perspective on advertising goes beyond what is obvious and can be seen on a daily basis. Advertising is distinctive and recognizable as a form of communication by its three essential elements: its paid sponsorship, its use of mass media, and its intent to persuade. An advertisement is a specific message that an advertiser has placed to persuade or inform an audience. An advertising campaign is a series of ads with a common theme also placed to persuade or inform an audience over a specified period of time.

2. Discuss a basic model of advertising communication.

Advertising cannot be effective unless some form of communication takes place between the advertiser and the audience. But advertising is about mass communication. There are many models that might be used to help explain how advertising works or does not work as a communication platform. The model introduced in this chapter features basic considerations such as the message-production process versus the message-reception process, and this model says that consumers create their own meanings when they interpret advertisements.

3. Describe the different ways of classifying audiences for advertising.

While it is possible to provide a simple and clear definition of what advertising is, it is also true that advertising takes many forms and serves different purposes from one application to another. One way to appreciate the complexity and diversity of advertising is to classify it by audience category or by geographic focus. For example, advertising might be directed at households or government officials. Using another perspective, it can be global or local in its focus.

4. Explain the key roles of advertising as a business process.

Many different types of organizations use advertising to achieve their business purposes. For major multinational corporations, such as Procter & Gamble, and for smaller more localized businesses, such as the San Diego Zoo, advertising is one part of a critical business process known as marketing. Advertising is one element of the marketing mix; the other key elements are the firm's products, their prices, and the distribution network. Advertising must work in conjunction with these other marketing mix elements if the organization's marketing objectives are to be achieved. It is important to recognize that of all the roles played by advertising in the marketing process, none is more important than contributing to building brand awareness and brand equity. Similarly, firms have turned to more diverse methods of communication beyond advertising that we have referred to as integrated brand promotion. That is, firms are using communication tools such as public relations, sponsorship, direct marketing, sales promotion, and others along with advertising to achieve communication goals.

5. Understand the concept of integrated brand promotion (IBP) and the role advertising plays in the process.

Integrated brand promotion (IBP) is the use of various promotional tools, including advertising, in a coordinated manner to build and maintain brand awareness, identity, and preference. When marketers use advertising in conjunction with other promotional tools, this creates an integrated brand promotion that highlights brand features and value. Note that the word coordinated is central to this definition. Over the last 30 years, the advertising and promotion industry has evolved to recognize that integration and coordination of promotional elements is key to effective communication and lasting brand identity.
1. What does it mean when we say that advertising is intended to persuade? How do different ads persuade in different ways?

2. Explain the differences between regional advertising, local advertising, and cooperative advertising. What would you look for in an ad to identify it as a cooperative ad?

3. How do the goals of direct response and delayed response advertising differ? How would you explain marketers' growing interest in direct response advertising?

4. When can a firm use global advertising? How does global advertising differ from international advertising?

5. Give an example of an advertising campaign that you know has been running for more than one year. Why do some advertising campaigns last for years, whereas others come and go in a matter of months?

6. If a firm developed a new line of athletic shoes, priced them competitively, and distributed them in appropriate retail shops, would there be any need for advertising? Is advertising really needed for a good product that is priced right?

7. Many companies now spend millions of dollars to sponsor and have their names associated with events such as stock-car races or rock concerts. Do these event sponsorships fit the definition for advertising given in this chapter?

8. How does the process of market segmentation lead an organization to spend its advertising dollars more efficiently and more effectively?

9. What does it mean to say that a brand has symbolic value? Is there any good reason to believe that consumers will actually pay higher prices for brands with the right symbolic value?

10. What is the concept of integrated brand promotion (IBP)? How are IBP and advertising related?
1. In this chapter, audiences for advertising were divided into five broad audience categories. For each, find one ad that appears to be targeted to members of that audience. Analyze the message and style of each ad and determine whether the message seems effective, given the intended audience category. Why was the ad effective or ineffective? Did you have difficulty locating ads for any specific audience category? If so, explain why you think that might have occurred and what it reveals about the nature and methods of advertising to that audience category.

2. Very few advertisements or brands have the same appeal to all consumers worldwide. Advertisers must therefore strategically place ads based on geographic regions. List four favorite products or brands that you use in your everyday life. For each, decide whether it is appropriate to advertise the product at the global, international, national, regional, local, or cooperative level. Explain your answer.

EXPERIENTIAL EXERCISES

1-1 What Is Advertising?

As a part of the recent settlement between the tobacco industry and attorneys general in 46 states, the Truth campaign is dedicated to distributing facts about the harmful effects of tobacco use, especially among young people. Run by the nonprofit American Legacy Foundation, the campaign gets its message out through TV, radio, magazines, and the Internet in the hopes of preventing the spread of tobacco use among its target audience while encouraging higher ethical standards for tobacco advertisers.

Truth: www.thetruth.com

1. Browse around the Truth Web site and describe its features. What audience category does the Truth campaign appear to be targeting?

2. What criteria need to be met for the Truth campaign to be considered advertising? Based on these criteria, should this campaign be classified as advertising?

3. List an advertising campaign that you have seen or heard recently that cannot be considered advertising and explain why.

1-2 Advertising as a Business Process

The wireless revolution is bringing about a whole new communications network based on computing devices that keep people connected to their work and lifestyle from almost any location. The race to supply consumers with instant e-mail and Internet access on handheld devices has increased the importance of advertising in the overall marketing and brand promotion programs of wireless-product manufacturers.

Palm: www.palm.com

1. What is a brand? Give reasons why the Palm brand name is so significant to the successful marketing of the company's computing products.

2. Using the text, list one of the ways advertising affects brand development and management, and give an example of how the Palm site accomplishes this.

3. Explain how the term value relates to the popularity of wireless computing products among your peer groups. Be sure to use the concepts of symbolic value and social meaning in your answer.