



EIILM UNIVERSITY
S I K K I M

ADVERTISING INSIGHTS

SYLLABUS

Concepts of Advertising – The Field of Advertising, Introduction, Integrated Marketing Communication, Advertising and its types, Comparative Advertising, case study, Communication Models in Advertising

Integrated Advertising Program Analysis of Mission & Market Objective Setting & Determining Target Audience, Understanding Segmentation, Positioning, Budget Decision, case study on Budgets

Understanding Message Strategy, Message & Copy in Advertising, Headlines in Print & TV Advertising, Visualization & Layout, AD Appeals, Testimonials & Celebrity Endorsement

Media Types & Decision Types of Media, Media Selection, Media Planning: New Perspective, Media Decision

Campaign Making, Three Phases of Campaign Creation, Steps of Effective Advertising, Upsetting the applecart in the scooterette category In Style! Case study, Understanding Campaigns,

Advertising Stake Holders – Advertising Organization, Evolution & History of advertising Agency, The working of AD agencies, Organization Structure of Advertising Department, Interface with other Departments, Functions of Advertising Agency

Suggested Readings:

1. S a Chunawalla, K C Sethia, Foundations of Advertising: Theory & Practice, Himalaya Pub. House
2. M. S. Ramaswamy, Marketing, Salesmanship, and Advertising
3. Rajeev Batra, David A. Aaker, Advertising Management, Prentice Hall

COURSE OVERVIEW

Primary emphasis will be placed on styles, trends, and how the contemporary culture contributes to the development of advertising messages. This is a subject that will also review current events and news as they relate to advertising. This subject takes a close look at the people, places, agencies, events and campaigns that shape today's advertising industry.

Content

Past and present cultural advertising trends. Ads and its impact on society and culture; ads mimicking society and vice versa. How movies, music videos, television shows influence advertising. Trends, old and new, even creating one's own trends. Media fragmentation, micro-marketing, media costs and use of new media and its impact. Increasing use of sales promotion techniques and its affect on advertising. The nature of the advertising industry, the working of an advertising agency and different opportunities within the business. The impact of integrated marketing communications (IMC) and 360 Degree branding and its impact on Asian brands. How impact of the marketplace on you and you and your career. Lastly there is a section of case studies and campaigns.

To Achieve this Unit the Student must

1. Understand past, present and future trends in advertising and examine the impact of advertising on society.
2. Analyze the advertising industry dynamics to attain a better understanding of the world of marketing.
3. Analyze and understand the business of advertising and marketing communications.
4. Investigate the new scenario for brands in the 360 Degree branding scenario.
5. Understand the implications for you in the market - as a professional of the future.
6. To get an in-depth look at brands and thus gain an insight into their success stories.

Salient Features

You would be going through various topics, which would give you an overview about the scenario and terminology used in the advertising industry.

Current Advertising Issues

Today's advertising industry, as in earlier eras, is affected by changing technology and social and media environment. Additional changes involve customer orientation in a truly

global world. Here we examine several current trends, including interactive advertising, integrated marketing communication, globalization, niche marketing, customer empowerment, relationship marketing, and mass customization.

Interactive Advertising

Many speculate about the future of advertising. Some experts believe that technology, especially interactive technology, will change the face of advertising completely. Others contend that the promise of technology is exaggerated and that advertising will retain its basic characteristics. The truth probably lies somewhere between these two perspectives.

Interactive technology is not yet available to a majority of consumers. Even when it becomes available, its main purpose will be to gather and evaluate information, not advertise. However, advertisers will need a different kind of creativity. Traditional advertising in mass media will continue to be appropriate in a number of situations: for certain food and beverage categories (Coke and Pepsi, for instance), for persuasive emotional appeals, for events that must be seen in real time (the NBA and WNBA playoffs), and for the mass efficiency of global brands.

Integrated Marketing Communication

Throughout the 1990s integrated marketing communication (IMC) continued to grow. IMC is the practice of unifying all marketing communication tools so they send a consistent, persuasive message to target audiences that promotes company goals. Marketing communication tools include such marketing areas as advertising, sales promotion, direct marketing, public relations, packaging, and personal selling. In companies that use IMC, marketers coordinate all marketing communication messages to create synergy, which means each individual message has more impact working jointly to promote a product than it would working on its own.

According to Northwestern University advertising professor Don E. Schultz, IMC starts with the consumer's needs and wants. He contends that marketers now have the ability to capture data about consumers that allows them to shift from inside-out to outside-in advertising planning. Inside-out planning means marketers plan advertising messages based on what they believe is important. Outside-in planning means that marketers start with data about customers and prospects to plan the advertising message.

Problem solved? Hardly. These breakthroughs are happening at the educational level and for some advertisers and agencies. However, applying IMC in practice is tough. A number of studies show that IMC is hard to implement because of what is known as functional silos, which are really turf wars between departments. These studies also found that even though clients want to adopt a more integrated approach, they don't know how to do it.

Furthermore, clients often do not understand how the advertising agency fits in an integrated marketing plan. Often the agencies aren't sure how to organize themselves to manage an IMC program or how to bill for it. According to a study of 100 senior-level marketing executives commissioned by the Promotion Marketing Association of America, 60 percent rated IMC as the most important strategy factor for their firms in the next three to five years. However, as few as 10 percent believed that an advertising agency could meet their companies' IMC needs.

No one knows for sure whether true integration will ever be adopted by the majority of advertising clients, agencies, and media. Although IMC is the best approach to marketing communication strategy, the hurdles are significant, especially changing the industry's culture. Despite the challenges, it is best to strive for IMC and adjust accordingly. We stress the IMC approach here.

Globalization

Another trend that continues to affect advertising is globalization. In the early 1990s the trade barriers throughout much of Europe came down, making it the largest contiguous market in the world. Eastern Europe, Russia, and China have at least partially opened their markets to Western businesses. Advertisers are moving into these markets, and ad agencies are forming huge multinational agencies with international research and media-buying capabilities.

The advertising challenge is to practice global and local advertising simultaneously. That is, should advertisers standardize ads across all cultures or customize ads for each culture? The answer to that strategic question is still open to debate.

Niche Marketing

Although advertising has gone global, many advertisers have moved toward tighter and tighter niche markets. Instead of marketing to the masses, they target market segments. New technologies enable advertisers to reach select groups of consumers with selective media. Marketers now search for and implement media and marketing plans aimed at special selective markets.

Knowledge is power. You see the retailer thus taking more active role in the communication efforts, so that they have more information about their customers. Retailers have taken this role partly because they are often closest to the niches they serve.

The bywords for advertising in the future will be accountability and adaptability. Advertising will be forced to walk the precarious tightrope between creativity and profitability, and survival will go to the fittest.

Consumer Power, Relationship Marketing, and Customization

Three trends have changed advertising. First, with technological changes, consumers have more information to give them more muscle in the marketplace. Today, for instance, consumers don't have to endure the harangues of car dealers. Instead, they can visit a car manufacturer's Web site or an Internet auto dealer's site, find out a fair car price, and order the car to specification. Retailers and manufacturers should respond to consumer demands for information access or risk losing business.

Two other trends that will grow in importance are relationship marketing and mass customization. Relationship marketing is a strategy that takes advantage of computer data bases to provide targeted services and product offerings based on the customer's history transactions with the company.

Mass Customization is a product development process that relies on flexible manufacturing to make customized products for select target markets or individuals.

The technology of the Internet will allow these techniques to merge, providing a new marketing technique referred to as adaptive marketing.

360 Degree Branding which help create more effective communications. Imagine all communications reflecting the same deep insight. Imagine all media, from TV to packaging, from web sites to bus shelters all contributing to the brand. This is what you can achieve for your brand.

You and the market and your career will help you to look at yourself and how to find a fit in the industry. It will make you aware of what you should check out in the immediate advertising world around you.

The reading activity section is a compilation of case studies and campaigns so that you could study these and gain an insight into what went into the making of their success stories. Of course you will be required to do more research so that you could get a better understanding of the subject.

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LESSON 1: PAST TRENDS I

From Advertising to Marketing

Topics Covered

The Shift in Economic theory, Early American Advertising, Early Advertising Innovators, Growth of National Agencies, The Beginning of the New Consumer Movement, Advertising and War, The Age of Television, and the Creative Revolution.

Objectives

1. To be aware of the beginning of American advertising and the necessities for modern advertising .
2. To realize who the great advertising innovators were.
3. To understand how advertising fared in war and how it evolved further with the Age of Television and the creative revolution that followed .

First an insight into the starting point – the small beginnings of great advertising happenings that produced great people in the trade.

One Friday Night In 1897, a young reporter had a date.

He was also assigned to cover a play that night.

He was familiar with the play, so he wrote the review ahead of time - and went out on his date.

Next morning, Albert Lasker discovered two things.

First, the theater had burned down the night before. Second, he needed to find a new career.

His father suggested advertising.

- In 1911, a young woman from Covington, Kentucky, took the train from Cincinnati to New York with the man she would marry. Together, Helen and Stanley Resor would grow the world's largest ad agency.
- In 1940, after graduating from NYU and working as a writer for the head of the 1939 World's Fair, Bill Bernbach got his first advertising agency job at the William H. Weintraub ad agency. There, the young writer became friends with a hot young graphic designer named Paul Rand.

Rand had a new approach to combining words and pictures. He and his writer friend talked about how it could be applied to advertising. A few years later, Bill Bernbach applied this approach at his new agency, Doyle Dane Bernbach.

The result was "*The Creative Revolution*" - a dramatic change in the way advertising was created.

- In the '60s, two Portland, Oregon, ad executives, Homer Groening and "Duke" Wieden, would occasionally meet and wonder if their young sons would ever amount to anything. Homer's kid, Matt, was always drawing cartoons. (Remember the Simpsons TV show?) Duke's kid, Dan Wieden, followed in his father's footsteps with a local shoe account - Nike.

All these people, and many more, play an important role in the history of advertising.

The American Advertising Museum is in Portland.

A Uniquely American Experience.

The museum is fascinating. Using an advertising narrative, you can see America's economic growth, changing technology, and the evolution of their culture's communications - how people talk to each other and see ourselves.

One Fascinating Book.

There's a marvelous book on the history of advertising - *The Mirror Makers*, by Stephen Fox.

We'll be referring to it during this lesson.

You can find out even more about some of the people you'll meet in this book. It's a great read!

Two Core Topics and One Big Change.

The core of this history lesson will be people and ideas.

In this lesson, you'll become acquainted with...

1. Some unique individuals.

Advertising is a business where people can make a difference.

This history is as much about people as brands.

We've selected key individuals from each decade.

2. The development of ideas.

Advertising is also a business of ideas. We'll talk about how and when key concepts were introduced and established.

And, you'll see one big change - a shift from advertising to marketing. You'll see that one of advertising's biggest ideas was marketing - a way of doing business that has changed virtually every business.

Advertising Began Thousands of Years ago.....as innkeepers, merchants, and tradesmen posted signs to tell the public what they had for sale. But we did not have modern mass advertising until we had mass manufacturing, mass communication, mass distribution and mass education.

Marketing Began During the 20th Century.....as manufacturers looked for better ways to bring their products to market. Though the principles have been around as long as the marketplace, marketing is a relatively recent 20th century phenomenon.

A History of Ideas.

American Advertising History is the story of the cultural and economic developments of the nation as we moved into an industrial economy

It parallels the development of the modern American economy as it became the most prosperous in the world.

Four necessities for Modern Advertising.

While advertising in a limited form has been around for centuries, there were four necessary prerequisites for modern advertising:

- **Mass-Produced Goods.** We had to have mass-produced goods so that there was something to advertise. This happened as a result of the Industrial Revolution. In 1860, for example, there were 7,600 patent applications.
- **Mass Communication.** We had to have mass communication. The typewriter, linotype, and better printing presses helped make this possible.
- **Mass Distribution.** Goods had to be generally and easily available. We needed a good national transportation system to move goods and people from one place to another. Distribution was also necessary to allow mail order to function.
- **Mass Education.** We also had to have education - so that advertising could be read by the masses. Education also meant greater prosperity for a greater number of people.

After all, advertising cannot exist without consumers who are willing and able to purchase.

Just before the turn of the century, these prerequisites were in place in America. And Americans added one more vital ingredient - individual initiative.

Industrialization and Individualism.

Industrialization was the driving force in the initial movement toward manufacturing branded products.

But the driving force behind the products themselves was most often a single creative individual - or two partners who shared a vision. You will see this time and time again.

At the same time, a combination of technology and enterprise developed the media to carry ad messages.

But, before we start our journey, let's talk about ideas.

First, the idea of America, which is hundreds of years old.

Second, some brand new ideas in economic theory.

American Ideals and New Ideas.

America was an idea before it was a country.

Ideas about the rights of man and the right to have new thoughts and express them and the idea that the power of government resides in the hands of the people are all woven into the fabric of the system.

Sometimes we take them for granted, but this willingness to encourage and accept new ideas helps explain why these things happened in America.

In fact, if you think about it, even before there were things to sell in America, Americans were selling ideas.

Early American Thought.

While resting on abundant natural resources, the early colonial American economy depended upon human resourcefulness to take full advantage of them.

Imagination and perseverance - two qualities recognized by some as essential to a developing economy - were abundant in the early days of America. And virtually every immigrant brought these qualities with them.

"The First American" Was Also an Ad Man.

Benjamin Franklin, called by some "the first American," was a creative entrepreneur who became one of America's richest men despite humble beginnings.

He wrote ads, virtually invented promotion, and helped develop early print communications in the colonies with his *Pennsylvania Gazette* and *Poor Richard's Almanac*.

The Importance of Persuasion and Opportunity.

A small persuasive pamphlet, *Common Sense* by Thomas Paine, "sold" the idea of independence. Virtually everyone in Colonial America read it - or had it read to them.

The thoughts of Alexander Hamilton and others as to how government should be an active and benevolent business partner were not unknown; the British certainly took that view.

But in America, government support for business was implemented in a way that led to an abundance of opportunity for the common man and the small businessman - not just the privileged few.

This was a dramatic departure from anything before in history. These ideas and opportunities attracted people who wanted to make the most of them. As you watch history unfold, you will see new groups and new individuals enter the stage. Many of them were immigrants attracted to the idea of America.

The American Economic Idea.

The economic system - capitalism and a free market - operates on a few basic assumptions:

- **Supply and Demand.** The principles of supply and demand help regulate the pricing of goods. Over-abundance drives prices down; scarcity drives prices up and also provides the environment for the growth of new opportunities for the development of lower-cost alternatives.
- **Access to Information.** Everyone in the market has equal access to information. Within America's democratic system, commercial speech, like other forms of speech, is protected to some degree under the First Amendment.
- **Caveat Emptor.** "Buyer beware" assumes the consumer is a knowledgeable buyer able to make rational decisions.
- **Reasonable Behavior.** Reasonable men and women participating in this system cause it to work.

Entrepreneurs and Opportunity.

This was a powerful combination: resources, a resourceful population, and an economic and political environment that encouraged individual initiative and achievement.

Their names live on in the brands they founded.

- Immigrants such as Heinrich Steinweg, who moved to America and brought traditional craft skills to the new world in the form of the Steinway piano.
- Adventurers like Levi Strauss, who sailed to the California gold rush with a small stock of dry goods, including some rough canvas intended for sale to miners for tents. Then he had the idea of making rugged canvas trousers - Levi's!
- Entrepreneurs such as Joseph Campbell and Abraham Anderson, who formed the Campbell's Soup company in 1869.

And others with new ideas, like King Gillette.

But now let's turn to what some call "the dismal science," economics. Right now, a major shift is taking place in economic thinking. And it's not dismal at all.

A Major Shift in Economic Theory.

IN A 1930 ESSAY, John Maynard Keynes wrote that wealth creation was bound to taper off. He claimed market economies had seen their best days.

This was not the first time this idea surfaced. During the 1800s, David Ricardo proposed that scarce land and diminishing returns would be the future. And today, many thoughtful people raise concerns about other limits - clean water, biodiversity, and environmental resources, for example.

But for years, most economic thinkers did little to address a resource which is virtually infinite - ideas, or, to use a current phrase, intellectual capital.

Ideas are a Powerful Driving Force in The Economy.

Today, Paul Romer, an economist at UC Berkeley, uses theoretical mathematics to show this power.

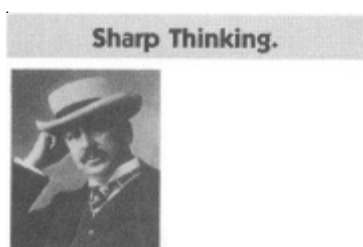
To Romer, the economy is not bound by scarcity and limits on growth. To him, new ideas breed new products, new markets, and new possibilities for abundance.

His work quantifies thinking first offered by Austrian economist **Joseph Schumpeter**, who described the "**creative destruction**" of innovation and the entrepreneurial spirit.

Romer sees that new ideas, planted firmly in technological change, drive economic growth. He encourages us to revise the bleak future economists have so often predicted.

A Break with Tradition.

Traditional economists separated the world into wants and physical objects. Since physical objects were subject to scarcity, economists concluded that the only real decision was how to allocate scarce resources to maximize wealth.



King Gillette was a turn-of-the-century inventor and entrepreneur. (Yes, that was his real name.)

The Idea? He had an idea - the initial idea was for a disposable product - one people would use up and then repurchase. This is the basic concept of packaged goods. Gillette focused on the perfect expression of that idea - a razor blade sharp enough on both sides to provide a good shave, yet cheap enough to be thrown away when dull. His invention was to replace straight hollow-ground razors - made to last forever but needing sharpening after each use.

A Ten -Year Struggle... Gillette struggled for more than ten years. He had trouble finding investors and someone to work on the prototype. Cutlery, metalworkers, and experts at MIT told him that a blade made to his technical specifications was impossible. But he did it. It was four years before he could give himself a shave with the world's first throwaway blade and six to get the product on the market - Gillette.

Maintaining an Edge! Fifty-one razor sets were sold the first year, for \$5. Second year sales leapt to 90,844, an increase of more than 180,000 percent. In the third year, sales went up 304 percent and the revolution in shaving had arrived. In 1904, the U.S. Patent Office granted Gillette a seventeen-year patent. More than 300 competitors sprang up, but only Gillette had the patent on the double-edge blade. Foreign counterfeits flooded the market with names such as Agillette, Billette, and Gillotin. His plan to incorporate the entire world never caught on - his disposable razor blade did.

But in the 1950s, Nobel Laureate Robert Solow noted the power of ideas and technology to generate economic growth.

Romer divides the world into physical objects and ideas.

Objects are scarce and subject to the law of diminishing returns.

Objects alone cannot fuel economic growth; ideas can.

Humans, says Romer, possess a nearly infinite capacity to reinvent physical objects and their uses.

As for ideas, there is no scarcity at all.

Romer's thinking places emphasis on the abundance of the human imagination as the source of economic growth.

We will see how this has been evident throughout the development of branded products and the history of advertising.

Early American Advertising.

FROM BENJAMIN FRANKLIN and the Pennsylvania Gazette through the 19th century, most ads merely notified readers of the arrival of goods or the availability of new items. Most advertising was local and resembled current -day classified notices in newspapers.

1880 -1900 During this period we saw the growth and development of:

Low -cost, mass manufactured consumer products.

- Mass communication vehicles.
- Distribution infrastructure.
- A large market of educated consumers with disposable income.

Infrastructure Requirements.

Manufacturing, transportation, and communication systems had to arrive before national advertising was possible.

In the 1880s, the US economy was based on agriculture and the manufacture of things like flour, lumber and textiles - products that could be made into bread, homes, and clothing. Most goods were sold as unbranded commodities. Wholesalers dominated the distribution system. Before advertising could take place on a national level, certain conditions had to be in place: industrialization, education, and improvements in transportation and communications.

Growth in Manufacturing.

Between the Civil War and World War I, the American economy featured important growth in manufacturing. It is important to go through the history, to understand the relevance of that time and its evolution.

During the 1880s, inventors developed machinery that made **flow production** possible in the manufacture of goods like soap, cigarettes, matches, breakfast cereals, and canned goods. Factories could now process huge amounts of raw materials. As mass-produced consumer products became available, manufacturers looked for ways to tell people about them.

An early form of communication consisted of lithographed advertising cards. They live on as baseball and trading cards.

In 1900, the linotype was invented, producing a full line of typography in metal pieces that could be set quickly and accurately, speeding up newspaper and magazine production.

Mass media could now be manufactured more efficiently.

The Beginnings of the American Consumer.

Between 1870 and 1900, America entered a period of economic boom. US wealth quadrupled - from \$30 billion to \$127 billion. This period featured the invention of electric lights, the telephone, phonograph, and motion picture camera.

Other inventions allowed mass production, industrial production, and distribution. The sale of packaged goods and foods grew in volume. And so did advertising.

Changing Households.

Americans were changing, too. Household routines evolved into making fewer things and purchasing more.

Consumption of all kinds of items, including canned or processed food, became part of almost every household.

Toothpaste, cornflakes, chewing gum, and safety razors fostered new rituals and habits. Americans began to eat, drink, clean with, and wear products made in factories.

In the 1890s, four brands began to advertise on a large scale. Three were soaps: Sapolio, Pear's, and Ivory (made by Procter & Gamble). The fourth was Royal Baking Powder.

New companies and their brands joined this list: Quaker Oats, Annour, Cudahy, American Tobacco, P. Lorillard, and Remington Typewriters.

In just two decades, the advertising expenditures of manufacturers had grown rapidly, and the types of manufacturers making those expenditures had changed dramatically.

Advertising Cleans Up Its Act.

In 1893, half the companies spending over \$50,000 a year on national advertising were patent medicine manufacturers.

They accounted for most of the advertising dollars placed in magazine and newspapers.

In 1904, Ladies' Home Journal published a series of articles exposing patent medicines as deceptive fraudulent products.

The articles also exposed the advertising - showing an ad claiming that Lydia Pinkham was working in her laboratory next to a photo of her tombstone (she'd died 22 years earlier).

In 1906, Congress passed the Pure Food and Drug Act.

Twenty years later, all but seven of those companies had disappeared from the list.

Department Stores - The First Large Local Advertisers.

By the 1880s, department stores in large cities had adopted fixed pricing. They began selling items in the newspapers.

They announced goods and prices through local newspaper ads - it worked. Consumers began using the information in department store ads as guides for shopping.

By 1900, brand-named nationally advertised goods began to gain more importance in department stores such as Macy's in New York City and Wanamaker's in Philadelphia, but the retailer was still the primary advertiser.

Today, retailers are still the primary users of newspapers.

A Philadelphia agency, NW Ayer & Son, pioneered the placement of newspaper advertising and became the first major national agency.

They're still in business today, "Keeping Everlastingly at it."

Growth of National Brand Advertising.

Ayer's improvement made it easier to advertise nationally.

Soon, two-thirds of the revenue for newspapers came from advertising, and advertising for national brands in newspapers had surpassed regional and local retail advertising.

But a change in the media was about to change advertising.

Magazines - The First National Media Form.

With the advent of popular national magazines, there was now a real place to advertise nationally to a large audience.

In the beginning, "polite" magazines took pride in not including advertising among their pages. (Remember, much of the advertising at that time was for those patent medicines.)

Two magazines that did merely sold their back covers to the Great American Tea Company and limited advertising to less than a page per issue.

J. Walter Thompson Has a Big Idea.

A young ad man noticed that most magazines ran only a page or two of advertising.



J. Walter Thompson thought it amazing that no one had thought to use these prestigious publications as an advertising medium.

He approached the literary monthlies, who found the thought of extra income quite persuasive. By 1876, Scribner's was carrying twenty pages of advertising per issue.

J. Walter Thompson (JWT) specialized in magazines and soon monopolized the field. His success led him to buy the business from his boss - for \$500 - and put his name on the door.

JWT became known for the "Standard List" of 25 to 30 of the best magazines in America under its exclusive contract.

Just as newspapers helped establish NW Ayer, the growing magazine industry helped establish J. Walter Thompson.

But a magazine publisher was about to make an even bigger change. His idea would create a whole industry - the modern advertising agency.

That person was Cyrus H. Curtis.

The Commissioner. Cyrus H. Curtis of Curtis Publishing encouraged the development of advertising agencies by promoting the agency commission system.

Cyrus Curtis Has a Bigger Idea.

Cyrus H. Curtis of Curtis Publishing had a different attitude about the media and advertising. It was revolutionary. In many ways, Curtis invented both the modern American magazine and the American advertising industry. Growth in the media and the increase in the number of nationally advertised products got things growing. But it was the establishment of the commission system that led directly to the growth of advertising agencies. Curtis believed in advertising. He believed advertising was an investment - and for him it paid handsomely.

His advertising brought increased circulation - which attracted other advertisers and enabled him to lower costs to his subscribers even further. Most important, with this policy Curtis recruited an enthusiastic sales force - advertising agencies.

The Commission System.

As publisher of the Saturday Evening Post and the Ladies' Home Journal, Curtis established an unbreakable commission system 10% commission to responsible agencies on advertising space cost, plus 5 % discount for cash payment. Agencies were to charge advertisers the full rate for services. And, of course, they did.

He started the Ladies' Home Journal in 1883 - a magazine based on articles that were initially written by his wife. Curtis achieved a circulation of 750,000 readers by 1895.

From 2,200 to 2 Million.

Curtis then purchased the Saturday Evening Post, which he took from a circulation of 2,200 to 2 million subscribers in just ten years.

These magazines featured the latest fashions and fiction, and provided news of the latest products.

A National Advertising Medium for National Advertisers.

This new American magazine audience was an advertiser's dream. They were educated, they had money to spend, and they paid attention to the ads.

Now manufacturers could speak to huge numbers of potential customers at one time.

A National Marketing Infrastructure.

The infrastructure was now in place:

- National transportation
- National brands
- National media vehicles
- An educated and affluent audience

The Final Component Was New Thinking.

There was just one thing left to do.

It needed an idea to make this infrastructure more effective. It was time for someone to invent modern advertising. That person was **Albert Lasker**.

"The Age of Lasker."

DURING THE PERIOD BETWEEN 1900 AND 1920, advertising and marketing were defined by an important group of new thinkers: Claude Hopkins, Elmo Calkins, John E. Kennedy, Charles Coolidge Parlin, Cyrus Cunis, Henry Ford, Albert Sloan, W.K. Kellogg, and most important, Albert Lasker.

Almost from the beginning, there was controversy.

Two Schools of Thought - "Push" and "Pull."

Two schools of thought emerged regarding advertising messages. We'll refer to them as "Push" and "Pull."

In marketing, push refers to pushing product into the distribution channel.

Pull marketing refers to stimulating demand, which pulls product off the shelf.

And successful marketing often has some of both.

Push Advertising.

Push advertising is more commonly referred to as "hard sell" and "reason why." It emphasizes pushing a strong logical sales proposition at the consumer consistently and often. It counts on people remembering the proposition, whether they like it or not, and choosing brands based on logic and residual memory.

Pull Advertising.

Today, Pull advertising is more commonly referred to as "soft sell" and "image." It emphasizes pulling consumers into the message with an engaging or entertaining presentation. It counts on people thinking well of the brand because of values communicated in the ad message and choosing the brand based on an emotional as well as a logical connection.

Each approach can point to dramatic success. And, in fact, much advertising contains elements of both Push and Pull.

It's a debate that continues to this day.

Early Advertising Innovators.

From its earliest days, advertising has been a personality-driven business. Several individuals left their mark on this period with ideas that set the tone for decades to come.

Charles Coolidge Parlin Invents Market Research.



For example, let's take a look at how the process we now refer to as marketing research originated. Charles Coolidge Parlin worked for Curtis Publishing at the turn of the century.

In 1902, he attempted to persuade Campbell's Soup to advertise in the Saturday Post; he was told only working people who made their soup from scratch read the "Post".

Evening Post; he was told only working people who made their soup from scratch read the "Post."

Parlin collected samples from Philadelphia garbage routes and proved Campbell's customers lived in these blue-collar areas.

Campbell's contracted for ads 52 weeks a year, with this condition - ads must appear on the first page after the reading matter in the magazine. This became the "Campbell's Soup Position." It is one of the earliest examples of marketing emanating from the world of advertising - but not the last.

Elmo Calkins and "Artful Advertising."

Elmo Calkins and Ralph Holden began the first "creative driven" advertising agency.

Calkins, deafened by a childhood illness, was a copywriter by trade. However, he ultimately made his greatest impact with art and the design of advertising.

Calkins was dissatisfied with the appearance of the common look of ads that used only typography and brought fine artists and illustrators into his agency to help create ads with more aesthetic appeal. He often claimed his greatest satisfaction was in "improving the physical appearance of advertising."

The Core Idea of Modern Advertising.

An early copywriter, John E. Kennedy, gave us the first definition of modern advertising: "salesmanship-on-paper," or, as it is more commonly used, salesmanship in print. "

This is the core idea of modern advertising.

Up to that time, the advertising business was about selling space, not about making the most of what was in that space.

This single concept made all the difference.

Kennedy was an ex-Mountie and a bit of a character. He was hired by Lord & Thomas as the chief copywriter and first described "reason-why" advertising. "True reason-why copy is

Logic, plus persuasion, plus conviction all woven into a certain simplicity of thought pre-digested for the average mind. "

He believed in finding a place to have rational dialogue, but not talking over the public's head.

These early concepts still have application today.

Kennedy worked at Lord & Thomas for two years, longer than most of his other jobs. After his departure, Claude Hopkins - the first great copywriter, followed him.

Claude Hopkins and "Scientific Advertising."

Hopkins had been encouraged to join the ministry as a youth, but rebelled. His calling was writing advertising.

Hopkins loved everything about it. He liked writing for mail order and using coupons and premiums.

He liked testing advertising. And he got results.

Hopkins wrote about his methods in Scientific Advertising, which some call "the greatest advertising book ever published. "

Both Hopkins and Kennedy worked for a man who became not only the most powerful (and wealthiest) person in advertising, but an important influence on American society and culture though it has been generally unrecognized.

In 1908 Hopkins made \$185,000 a year, probably equivalent to \$5 million today. His boss made more.

His boss was Albert Lasker.

Albert Lasker.



Advertising has often welcomed new people with new ideas.

Albert Lasker is a classic example. He was born in the boom town of Galveston, Texas, in 1880.

His father, Morris Lasker, was a successful businessman.

Reflecting his father's entrepreneurial spirit, Albert began his own weekly newspaper at the age of 12 - the Galveston Free Press. Albert solicited advertising for the paper and published it for over a year - at a profit.

But two events changed the path of his life.

The first twist of fate happened when he was just

16 - already working full-time for the Galveston News.

Albert is the young reporter at the beginning of this lesson the one who filed the review of the play he didn't see!

Familiar with the play, he wrote the review ahead of time, skipped the performance to go out on a date, and then discovered the next morning that the theater had burned down!

With this embarrassment following him, Albert moved to New Orleans, then Dallas, all the time working as a reporter.

Albert decided to try his fate in New York. His father opposed this idea and Albert's newspaper career.

So Morris Lasker made a deal with his son, as fathers will.

If Albert would try working in advertising for three months, he could then go to New York.

Lasker Joins Lord and Thomas.

Through business dealings, Morris Lasker had met D.M. Lord of the Lord & Thomas advertising agency in Chicago.

He arranged with Mr. Lord for Albert to work there for \$10 a week.

initial responsibilities included sweeping floors and emptying cuspidors.

A Roll of the Dice...

Now the second twist of fate. One night after work, Lasker lost five hundred dollars in a crap game - a huge sum at the time.

The gambler demanded payment immediately, Albert persuaded Ambrose Thomas, to loan him the money. Lasker's dream of moving to New York ended. A larger one began.

At the age of 19, Albert went on the road as a salesman for Lord & Thomas. He quickly acquired \$50,000 of new business and persuaded an existing client to increase both the ad budget and the commissions paid to the agency if the agency wrote the copy.

Albert hired a newspaper friend to write the copy. Agency income on the account went from \$300 to \$3,000 a month.

Lasker Gets Lucky.

Now Lasker's luck really started to turn. He met John E. Kennedy and was exposed to the new concept of advertising. Kennedy had called upon the agency and wanted to meet Mr. Thomas.

Thomas sent Lasker down to the lobby to talk to him. This meeting marked the first time anyone had suggested a definition for advertising, "salesmanship in print." Kennedy's thoughts so impressed Lasker that he hired him on the spot.

Albert Lasker already believed in the power of the written word, and he understood the importance of this simple idea.

This was a defining moment. It also points up another key aspect of the nature of ideas.

Clearly, Kennedy had the original idea. Just as clearly, it was Lasker's follow-through that transformed it from an idea with potential into a stunningly profitable reality.

By the age of 24, with a \$50,000 salary, Lasker bought a quarter interest in the agency. Eight years later he bought out his partners - owning the biggest agency in advertising at the age of 32.

Printer's Ink reported, "Mr. Lasker enjoys a degree of confidence and an initiative that have probably been given to no man of his few years in publishing and advertising affairs."

Lasker's Accomplishments.

As you can see, Lasker accomplished a lot.

From the development of basic advertising techniques used today to the organization of major league baseball, Lasker's influence is still with us.

And he made a lot of money doing it. Though his country estate was sold off long ago, you can still drive through it.

It's the Chicago suburb of Lincolnshire. The whole thing.

The "Pull" of Calkins and MacManus.

While Lasker built an empire on the "reason why" of Kennedy and Hopkins, Elmo Calkins of Calkins and Holden took pride in bringing art into advertising.

He was also having some success at it.

With the influence of the European posters popular at the time, art-nouveau inspired layouts strived to create a feeling of class - a feeling very much in tune with the aspirations of the growing American middle class, now buying automobiles and consumer goods in unprecedented numbers.

By 1910, a new "atmospheric" style of advertising emerged. A prime mover was the copywriter Theodore E MacManus.

His ad, "The Penalty of Leadership" was one that influenced businessmen and copywriters for years.

Times were good. Sales were good.

The economic boom lifted spirits, the stock market, incomes, and advertising budgets.

The Penalty of Leadership The favorite ad of the times, created by Theodore F. MacManus, was an inspiring piece of "atmospheric" copy written for Cadillac, but with no mention of the client's name. The ad directly addressed a problem with a faulty engine by talking about the problems with being first and in the limelight. For years, more than 10,000 copies of this ad were sent out annually. In 1945, *Printer's Ink* magazine asked readers to choose the all-time outstanding advertisement. "The Penalty of Leadership" written for Cadillac by Theodore F. MacManus won by an overwhelming margin. This ad ran only once on January 2, 1915, but thousands of reprints were sent out over time. The ad was finally repeated in the 250th anniversary issue of the *Saturday Evening Post* in 1967, 62 years after the initial insertion.

Somewhere West of Laramie. (ad for Jordon motor car)

Push and pull co-existed, but not peacefully. While reason-why proponents believed people were persuaded systematically, MacManus argued that it assumed all men are fools, and that he held the public in higher esteem.

One example of pull in action is this ad for the Jordan motor car - a roadster manufactured by a copywriter.

As printing techniques improved and ad budgets grew, Calkins influenced ads became more common in American magazines, providing income for a new generation of illustrators and artists like Maxfield Parrish.

Advertising Gets Organized.

Printer's Ink, an advertising trade magazine, was first published by George Rowell in 1895.

This period also saw the emergence of industry organizations. The first was the Associated Advertising Clubs of America (1904), which included manufacturers, media, and agencies as members.

In 1914, the large advertisers left this organization and formed the Association of National Advertisers (ANA) which addressed their needs more specifically.

A few years later, agencies followed and became the American Association of Advertising Agencies (4 AS).

This basic structure continues to the present day, with the ANA representing advertisers, the 4AS representing agencies, and the American Advertising Federation (MF) representing local ad clubs.

Today, the MF sponsors "The College World Series of Advertising," also known as the NSAC (National Student Advertising Competition), a challenging "real world" competition involving most of the college ad programs in America.

Advertising Goes to War.

In the meantime, other advertising experts helped President Woodrow Wilson "sell" the war to the American people.

The famous recruitment poster by James Montgomery Flagg is one example - a very pushy piece of "pull."

Companies that had previously advertised using the reason-why approach, found it awkward to be promoting non-essential products when the country was at war.

MacManus' "atmospheric" approach was the solution.

More Consumer Products and Evolving Consumers.

During this same time, manufacturers were inventing foods such as cereals (e.g., Shredded Wheat and Puffed Rice) and toothpaste (e.g., Pepsodent).

At the same time, advertisers were inventing reasons to buy them-like plaque, body odor, and halitosis.

As American consumers became more and more familiar with these new products, advertising evolved from the informational approach to a focus on benefits.

By 1920, not only had the products represented by advertising diversified, almost eliminating patent medicine, but advertising had established a better reputation through the success of its efforts to help during World War 1.

Growth of National Agencies.

THE WAR OVER, AMERICA WENT BACK TO BUSINESS, expansion, and manufacture. President Coolidge summed it up in 1920: "The business of America is business."

That statement set the tone for the times. Business was robust. Improvements in manufacturing made goods more available than ever.

This competitive environment of plenty required a more important place for advertising - now advertising was needed to ensure enough demand for the increased production.

1920 -1929This period will cover :

- The beginnings of multi-brand organization at General Motors.
- The growth of advertising agency professionalism.
- The initial growth of two key national advertising agencies - JWT and BBDO.

GM - The Beginnings of Multi-Brand Marketing.

Branding also evolved through advertising.

As more goods became available, bought, and used, advertising began to be less instructive.

As people became more familiar with products, advertising began to stress product advantages to an even greater degree.



A Drive for Change.

Up to this point, Ford had dominated the automobile market with vertically integrated mass production techniques and a low price. But choice was limited.

Henry Ford was fond of saying you could have a Model T "in any color you wanted, so long as it was black."

Albert Sloan applied what was then revolutionary thinking to the automobile industry. (You can read the whole story in the business classic by Peter Drucker, *The Concept of the Corporation*.)

General Motors initiated the idea of changing tastes with the introduction of model changes and different "brands" of automobiles at different price points. GM was essentially the first large multi-brand marketer.

And it established an organizational model that made sense to more and more businesses.

Better Customer Focus was Another Gm Advantage.

While Ford Motor Company introduced installment buying for automobiles, GM improved upon it.

By 1925, three-fourths of car sales were made on time payments.

And GM had become the #1 auto manufacturer.

The Marketplace of Ideas Keeps Changing.

This dramatizes another key point about ideas.

A good idea may not stay a good idea. Marketplace responses, or other change, can alter the competitive environment - sometimes very quickly..

One car for everybody was a good idea when Ford first had the idea. He made it good. He made it cheap. He made it black.

Then the marketplace said, "Been there. Done that."

As the automotive market evolved, the GM concept was an idea whose time had come.

Advertising Agency Professionalism.

The entire advertising industry made big strides toward professionalism during this decade.

Advertising Awards.

The first advertising awards contest, the Harvard Bok award, was launched in 1923.

Established by Edward Bok of the Ladies' Home Journal, the contest was administered by the Harvard Business School.

During the seven years these awards were given, Barton, Durstine and Osborn (BDO) won more awards than any other agency.

Advertising Publications.

Advertising Age was launched at the end of the 1920s.

Franklin D. Roosevelt (FDR), then governor of New York state, said he would choose advertising as a career if he had it to do over again because "it is essentially a form of education and the progress of civilization depends upon education."

FDR's high regard for advertising illustrates the attitude toward advertising in the 1920s.

Mr. Lasker Goes to Washington.

Once again, Lasker's involvement in Harding's campaign should be noted. This was, in many ways, the first modern media campaign for a politician.

Harding, a handsome man, was presented in ways designed to appeal to the newest part of the electorate - women.

His "front porch" campaign was a series of media events designed to feed well-crafted stories to reporters as they camped out, and were wined and dined, in the candidate's home town.

As Harding took the high road, a nasty anti-Wilson, anti-League of Nations campaign was also launched.

The result was a landslide of massive proportions - 61.6%!

Lasker, a primary strategist and member of the "Kitchen Cabinet," was rewarded with an important government post. As he journeyed to Washington, others came to the forefront.

Helen & Stanley Resor.

The Original Account/Creative Team.

Stanley Resor and Helen Lansdowne Resor became advertising's premiere account/creative team.

Under their leadership, JWT became the largest agency in the world.

It Began in Cincinnati.

Stanley Resor was hired in 1908 to open a Cincinnati branch of JWT along with his brother Walter. When he opened the office, he brought along a copywriter he'd previously hired at Procter and Collier, P&Gs "house" agency. Her name was Helen Lansdowne.

Helen Lansdowne's Influence.

Stanley liked to coin brand names and persuade the middle class to imitate the habits of richer people. Helen was in touch with women. She wrote ads for products used by women. She preferred an intuitive approach to Stanley's more "scientific" approach.



Ads created under Helen Lansdowne's guidance were beautiful to see and had emotional appeal. She combined the "reason why" of Hopkins with the visual appeal of Calkins.

Some of her most memorable work was for Woodbury's facial soap and Ponds cold cream.

In 1921, her ads for Woodbury's Facial Soap reflected a return to luxury and romance with "A Skin You Love to Touch."

Star Value. JWT's advertising for **Helen Lansdowne Resor**

Lux Soap helped establish it as a leading brand.

The campaign ran for 20 years.

JWT gained the reputation of the “Women’s Agency” due to the number of clients with advertising directed at women and the significant number of women on staff as copywriters and illustrators.

Mr. & Mrs. Resor.

Helen Lansdowne and Stanley Resor married in 1917.

Though Helen was not even given the title of vice-president, it was clear to all that Stanley consulted her in most aspects of the agency business.

Her most obvious influence was in creative style, though there is evidence she was a principal policy maker, as well.

Remember, these were different times. At the beginning of the century, women did not yet have the vote. In fact, one of Helens major outside activities was the Suffrage movement.

“The University of Advertising.”

Advertising agencies were beginning to become a source for marketing as well as advertising. Stanley Resor implemented training that caused JWT to be thought of as “the university of advertising.”

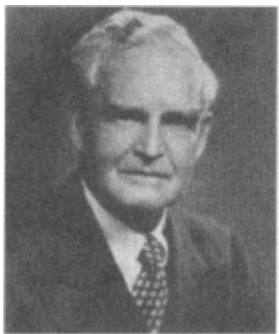
To further his ambition to professionalize advertising, Stanley hired Professor Paul Chirington, a Harvard University marketing professor, as director of research.

He began the formal study of consumer choices with surveys using questionnaires designed “to elicit the truth.”

This was one of the first steps to establish agencies as leaders in the emerging discipline of marketing.

Chirington was followed by the well-known behavioral psychologist, John B. Watson. Watson had no impact on JWT’s advertising, except that his credentials impressed clients.

Bruce Barton : The AdMan Nobody Knows.



Though little known today, one of the better known leaders of this period was Bruce Barton, a founder of BDO (Barton, Durstine and Osborn). He was a best-selling author and a US congressman (RINY) who also ran for the Senate.

Tom between advertising and what he thought of as more serious writing - he ended up doing both. The son of a liberal Protestant circuit-riding minister, Barton had a tolerant attitude toward religion demonstrated in *The Man Nobody Knows*, a

book about an everyday Jesus Christ. The book sold 25,000 copies in 18 months.

Barton saw advertising as “the handmaiden of business.”

A graduate of Amherst, he led BDO in the creative area with an emphasis on beauty and quick, succinct copy.

He would remind his employees that “You’re not talking to a mass meeting, you’re talking to a parade.”

BDO was a hot agency during this decade, hiring college graduates “with salesmens’ minds and some writing ability” and consistently winning industry awards.

The BDO account list included General Electric in 1920 and 1923; General Motors in 1922; Dunlop Tire in 1923; and Lever Brothers in 1924.

BBDO.

In 1928 BDO merged with Batten to become Batten, Barton, Durstine and Osborn. (Radio comedian Fred Allen commented that the name sounded like a trunk falling down the stairs.)

Most people just used the initials. BBDO was now a \$32 million agency competing with JWT and NW Ayer.

Lasker Returns...

During the beginning of the Harding administration, Albert Lasker played an important role helping to divest the US of excess wartime material. He was, as usual, quite successful.

How Lucky Can You Get? The most widely advertised product of the time Lucky Strike cigarettes. A major strategic insight resulted in Luckies being advertised successfully to women - positioning cigarettes as an alternative to sweets and other fattening foods.



The same could not be said of the Harding Administration, which was notoriously corrupt. Tired of Washington, D.C., its politics, and his own great disappointment, he returned to Lord & Thomas in 1922. Claude Hopkins had led the agency during Laskers absence, and, in Lasker’s opinion, had mistakenly

moved away from “reason why” Lasker was going to move them back.

Lasker Gets Luckies.

To restore Lord & Thomas’ leadership, Lasker acquired the American Tobacco Co.’s Lucky Strike account and its eccentric client,

George Washington Hill.

Hill believed in the power of advertising.

In 1929, Lucky Strike cigarettes spent \$12.3 million - more than had ever been spent advertising a single product.

Hill liked testimonials almost as much as Lasker disliked them. But, succumbing to Hill’s wishes, ads were created with opera stars claiming Lucky Strikes benefited their singing.

In January 1930, the Federal Trade Commission demanded American Tobacco stop running endorsement ads if the endorsers had not used the product. But that didn’t stop Hill.

He developed a new selling strategy, coining the phrase “Reach for a Lucky instead of a sweet.”

A Plain Brown Wrapper

Kotex and toothbrushes were new products that resulted from WWI. Prior to WWI, only 26% of the population took care of their teeth. After the war, it was 40 %.

Nurses at the battlefield discovered that cellucotton bandages, produced from wood fiber, were a good replacement for the rewashable cloth then used for menstruation.

Kotex became a new Lord & Thomas client. And, as the story goes, Lasker asked his wife for marketing advice.

The result was one of the earliest examples of consumer insight developing a better marketing approach.

Kotex eliminated the awkward moment of asking a male druggist for the product, by stacking boxes of the product, wrapped in brown paper, on the counter. The customer came in, took a box and left the money on the counter.

Some of this money went directly to Lasker, as he became a major investor in the company, which became Kimberly-Clark.

Campaigns and Controversies.

Campaigns of this period include Listerine’s “halitosis,” Absorbine’s “athlete’s foot,” and Lifebuoy soap’s “body odor.”

This new public discussion of bodily functions caused public dismay similar to that associated with contemporary Calvin Klein or Benneton advertising efforts.

One of the more controversial ads was an ad that seems to the eye a fairly restrained piece titled “Within the Curve of a Woman’s Arm.” James Webb Young JWT wrote it, but a number of magazines refused to run it.

Pushing cultural barriers for commercial gain has often been a part of advertising’s communication job.

Other product innovations - tile, porcelain, and linoleum - replaced wood and cast iron materials in the bathroom.

This led to lifestyle changes, improvements in both cleanliness and health - and the growth of personal care products.

The Queen of Rumania.

Toward the end of this decade the testimonial had reached new heights. The Queen of Rumania seemed to support herself on fees paid for her endorsements and testimonials.

A demonstration of the extreme use of testimonials was the appearance of the actress Constance Talmadge endorsing eight different products in one issue of Liberty magazine.

It was 1929. The good times were about to end.

Rubicam & Radio

AFTER THE WALL STREET CRASH OF 1929, the economy was in dire straits. So was advertising.

The exhilarating economic growth of the 1920s was over.

Annual advertising volume dropped from \$3.4 billion in 1929 to \$2.6 billion in 1930 and \$2.3 billion a year later, bottoming out at \$1.3 billion in 1933. Meanwhile, unemployment grew from 4 million workers in 1930 to 8 million in 1931 and 12 million in 1932.

One worker in four was out of a job.

Hard Sell for Hard Times.

Advertising agencies were forced to layoff personnel.

Copywriters’ salaries were slashed from \$230 to \$60 a week. Lasker cut salaries by 25%.

Though overstaffed, BBDO tried to carry its people. Hard sell, reason-why copy came back into favor. This established what would become a recurring pattern – hard sell in hard times.



Two friends go into business together. Ray Rubicam and John Young wrote, “Clients none. Cash meager. Hopes high.”

Raymond Rubicam.

IF THERE WAS EVER A CASE FOR A “GREAT MAN” THEORY of advertising history, suggests Mirror Makers author Stephen Fox, Raymond Rubicam is it.

Coming from a family situation that left him on his own at an early age, he began writing freelance feature stories in Philadelphia. This helped him land a job as a newspaper reporter.

Soon after, his desire to make more money motivated him to try selling automobiles.

Then he discovered advertising. It was an opportunity to combine both his interests - writing and selling.

Young Meets Rubicam.

Rubicam landed a job at F. Wallis Armstrong, an agency with a reputation for tyrannical leadership. There he learned about copywriting by studying ads produced by J. Walter Thompson and others.

At the Armstrong agency, Rubicam met John Orr Young, who was working as an account and new business man. They became friends. Rubicam soon moved on to NW Ayer. Shortly thereafter, he brought over Young. The friendship grew.

Among the campaigns, Rubicam created at NW Ayer was one for Steinway piano. During the '20s, radios and Victrolas had cut into piano production.

Using Rubicam's slogan, "The Instrument of the Immortals," Steinway sales soared 70%.

Young and Rubicam.

In 1923 these two close friends opened their own agency in Philadelphia - Young & Rubicam - without a client to their name.

This in an industry where stealing clients was common.

Not only was this 70 years before the TV series thirty something, but Y&R had a longer run.

The Rubicam Style. "Resist the Usual."

During a time of hard sell, Raymond Rubicam believed in the pull of stylish persuasion. He had the talent to make it work - even in tough times. He was committed to well-crafted and visually attractive ads that sometimes used humor.

For the first time in advertising history, creative control



Y&R at Work. Part of a long-running series of ads for Jell-O - part of a long running relationship with General Foods.

was given to those who were doing the actual creating: artists and copywriters - the account man was forbidden to revise an

ad to suit himself or a client. Revolutionary. But it worked. And it was not surprising that this revolutionary new agency, Y&R, became an oasis for creatives.

Rubicam hired unconventional people. He created an open, friendly, informal atmosphere, full of people dedicated to creating original work. He said, "Our job is to resist the usual."

The Gallup Influence.

Y & R creative had another secret ingredient - research.

Another unique individual Rubicam attracted to Y&R was George Gallup, then a professor at Northwestern University. Gallup had surveyed over 40,000 people to determine which part of the print media was most noticed by the audience.

His research gathered incredible attention, and he was sought after by many agencies. He said he went to work for Rubicam because Rubicam was the only person he'd met who was interested in learning more about how advertising worked.

In his research, Gallup discovered that quality and sexual appeals were most persuasive for men and that women responded to appeals based on sexuality, vanity, and quality.

After Gallup's work, more nudity and sex appeals began appearing in advertising along with more comic strip formats - another popular form with people in the survey.

Unlike John B. Watson at JWT, Gallup had a major effect on Y&R's product. In fact, his research findings had an effect that reached far into the industry. And agencies continued to grow as a source of marketing knowledge and information.

Y & R Leadership.

During the decade of economic depression, Y&R thundered to second place in annual billings, behind only JWT.

Rubicam believed, "A company which must hire leaders from the outside either doesn't hire good employees or doesn't train or treat them properly." Putting that into practice, Y&R grew its own people.

In its first 25 years of business, nobody left the agency with an account. Many people stayed with the agency, despite offers of higher salaries elsewhere.

Some who did leave returned at a smaller salary. Rubicam stood for ethical restraint and would not solicit clients by preparing speculative work. The head of the Consumers' Union said, "When Ray Rubicam was in the room, one could think of advertising as a profession." One man recalled, "Young & Rubicam was heaven, or next door to it, and God's name was Raymond Rubicam."

Y&R at Work.

General Foods liked Y&R's work for Postum and Grape Nuts so much they lured them from Philadelphia to New York with the promise of more business. With the move came Jell-G, Sanka, Calumet Baking Powder, and other General Foods products.

Jell-G is still a Y&R account today.

Soon, other clients followed: Travelers Insurance, Packard automobiles, Arrow Shirts, and Bordens for whom they created Elsie the Cow.

The Consumer Movement Begins.

Y&R'S SUCCESS, while exhibiting higher standards, ran parallel to the success of the consumer movement.

Publication of Thorstein Veblen's Absentee Ownership and the Lynds Middletown fanned the flames of consumerism.

Consumers' Research, an organization with the purpose of informing and lobbying for the consumer, was launched. In 1927, its membership was 1,200 strong; by 1933 it was 45,000.

Simultaneously, advertising was attacked for promoting waste at a time when there was nothing to spare.

Other Consumer Groups.

Other consumer groups emerged. The Consumers' Union, the League of Women Voters, the PTA, American Home Economics Association, and many other groups organized for the purpose of some aspect of consumer protection.

In 1934, Printer Ink noted, "There is in progress a consumer rebellion of a kind that almost nobody seems to have anticipated."

The growth of the consumer movement was accompanied by a move to give more power to the Food and Drug Administration in the form of the Copeland Bill.

This bill was designed to give power to the FDA to establish grades and standards for all food products and to extend regulation of food product, drug, and cosmetic product labels and advertising.

The Copeland Bill finally passed in 1938, granting the FDA new power over the manufacturer and sale of drugs. But it contained no compulsory standards for foods and said nothing about advertising.

Consumerism Grows...

While the Copeland Bill did nothing about regulating advertising, the Wheeler-Lea Amendment and the Federal Trade Commission Act, both passed in 1938, did.

Both declared deceptive acts of commerce unlawful. Between 1938 and 1940, the FTC handed down eighteen injunctions to stop advertisers from making false claims. Among those were Fleischmann's Yeast, Lifebuoy, Lux soap, and Borden's dairy products.

By the end of the decade the Consumers' Union was 80,000 members strong, and Consumers' Research reached 60,000 members. A Gallup poll revealed that one in four people had read a consumer book.

But Then the World Changed... Again.

World War II quickly overshadowed the consumer movement, and the various groups' activities shifted from a focus on advertising to wartime conservation measures.

World War II drew the attention of consumers away from advertising and toward wartime conservation efforts.

The FTC stopped pursuing deceptive claims. For example, the FTC gave up its challenge to Listerine for making false claims about curing dandruff and colds.

The consumer movement would not re-emerge for decades

The Age of Radio.

RADIO SURGED AHEAD. Although the first radio commercial was broadcast in 1922, it was nearly a decade before the medium hit its stride.

In some ways, it was perfect for the tough times of the '30s. .

The First Free Entertainment Medium.

For the cost of a radio and a bit of electricity, America's finest entertainers performed in your kitchen or living room.

By 1932, Americans owned 15 million radios and 10 million were tuned in every day.

Radio manufacturers, the telephone company, newly formed radio networks, ad agencies, advertisers, and Hollywood all had a hand in the creation of this exciting new medium.

A New World for Agencies and Advertisers.

Early sponsorship occurred by advertisers underwriting entire radio shows. Eveready Batteries began this trend by sponsoring a one-hour show in 1923.

Other manufacturers followed with programs, and sponsors names were mentioned at the start and finish.

Generally, agencies and their sponsors produced the most popular shows. Popular performing talent boosted the ratings of these shows, while networks produced high-minded sustaining shows such as the Mercury Theater of Orson Welles.

Benton & Bowles.

Benton & Bowles was a new advertising agency founded by two young men, Charles Benton and Chester Bowles.

It opened in 1929, just before the Great Crash.

Only a few months later, facing bankruptcy, they were given the opportunity to produce The Maxwell House Showboat.

This program replaced The Fleischmann Hour as the top rated show by 1934. Benton & Bowles created two other shows that made it into the top four.

But the Depression-created fear of hiring too much additional staff, as well as the unrelenting demands of a weekly program deadlines, led Benton to quit two years later on his 36th birthday. Bowles quit a couple of years after that. It was said that once they were both out of advertising neither ever listened to the radio again.

Even as business boomed, there was tension. As agency-produced programming brought more listeners to radio, radio networks raised the fees charged to agency clients.

More Push and Pull.

New techniques were developed - singing commercials, jingles, were now possible, and commercials could be woven into the plot of the radio show (which already included the sponsor's name in the title).

The same debate over the MacManus soft-sell approach vs. the Hopkins hard-sell approach confronted those who were trying to work with this new audio medium.

Radio shows did not reflect the economic crisis. Comedy, variety hours, and dance bands offered welcome escape.

Programs developed by both Y&R and Benton & Bowles, using the soft-sell approach, became the most popular. Y&R

had their first “prime-time” hit with its Jell-O sponsored Jack Benny Comedy-Variety Show.

Lucky Strike’s Hit Parade lasted into the early days of TV.

The Invention of the Soap Opera.

Daytime radio developed. Frank Hummert and his assistant, Anne Ashenhert, created the “soap opera.”

They believed human interest stories like those found in newspapers would appeal to homemakers. Hummert kept ownership of these shows, which ultimately made him more powerful than his clients or the networks.

In 1937, he was the best paid man in advertising.

Then the World Changed... Again.

In 1939, Hitler’s army invaded Poland, and Europe entered what was to become World War II. Eventually, everyone went to war - including advertising.



Advertising Goes to War.

ADVERTISING HAD PROVEN ITSELF A HERO in WWI for

public service messages. It helped recruit people into the armed forces and persuaded people to support other issues that were important to the country’s well-being.

Now, the advertising industry mobilized for WWII.

The War Advertising Council.

Industry leaders such as Helen Resor and James Webb Young of J. Walter Thompson were asked to join the War Advertising Council.

The advertising industry ended up donating about a billion dollars

in time and space to the war effort. The Treasury Department ruled that advertising could continue during the war, in reasonable amounts.

Those advertisers who did advertise often connected their product to the war - either by advertising its use in the war effort or by cognizing the people who were fighting in it.

Women Join the Labor Force.



During WWII, American women played a major role on the home front. Two million went to work in heavy industry - as welders, riveters, lathe operators - in shipyards and factories. In total, more than six million women entered the work force.

This new American woman was encouraged by the War Advertising Council through ads like this one

“We Can Do It.”

Women joined the work force at home. Companies like Campbell’s manufactured special products for the Army and Navy.

But that didn’t stop all progress, and even though the company was forced to cut back on production, they managed to introduce a few new products - like Franco-American Macaroni.

Change & Growth.

THERE WAS A WAR GOING ON. But other things were going on as well. The economy was growing - and so was advertising.

Slow Growth in Agency Income.

Between 1941 and 1945, US ad volume grew from \$2.2 billion to \$2.9 billion - still a half billion dollars below its 1929 peak.

During this period, JWT led all agencies in billings, and Y&R followed. In 1947, JWT became the first \$100 million agency.

Growth in Consumer Spending.

After WWII, soldiers returned to their jobs and people began spending all the money they’d saved during the war.

Their return from the war and the accompanying personal abundance set spending in motion. The Post-War Boom was beginning.

Meanwhile, the agency business was changing leadership.

The Changing of the Guard.

Raymond Rubicam retired in 1944.

Bruce Barton ran for the Senate in 1940, but lost. He returned as president of BBDO, but in 1946 turned the agency over to the street smart Ben Duffy (who featured on the cover of Forbes), aggressive about new business and the power of television.

How aggressive? One of his clients was General Dwight D. Eisenhower. Duffy provided major assistance in both of Ike’s

campaigns and led the charge into TV BBDO put 80% of its budgets into this new medium. Billings quadrupled! Lasker Liquidates - forms FCB.

Albert Lasker tried to find a replacement for himself but failed. Men he chose either died or left Lord & Thomas.

When his son finally said he wouldn't go into the ad business, Lasker liquidated his stock for \$10 million, selling his agency to three senior employees, the managers of the New York, Chicago, and LA offices: Emerson Foote, Fairfax Cone, and Don Belding.

The agency reopened in 1943 as Foote, Cone & Belding.

Growth in Agency Services.

The traditional agency commission was 15 %. But after the war, clients began to expect more for their money.

Agencies began to add staff to cover areas of expertise not formerly offered clients, such as marketing research, merchandising, publicity, media, and traffic.

As overhead went up, profits came down. Some smaller agencies merged with larger ones to meet this increased demand for services.

Birth of "the Brainstorm."

The wartime experience had reshaped American business. Even creativity developed a paramilitary game plan. In 1940, Alex Osborn of BBDO created brainstorming. His books, such as *Applied Imagination*, were quite popular. And many of Osborn's basic principles - such as the thought that idea generation should be done without the discouraging effect of judgment - are still used today. *Soup on the Rocks* - product of By 1956, BBDO participated in 401 brainstorming sessions which produced 34,000 tentative ideas. Of these, 2,000 were considered worthy. One of the most memorable was Campbell's "Soup on the Rocks."

The Growth of Qualitative Research.

About this time, Ernest Dichter, a Freudian psychologist, created motivation research. Motivation research had a significant impact on creative work and on the public's perception of advertising in general.

Dichter applied projective tests to discover consumer's hidden motives. As awareness of motivation research grew inside and outside of the industry, the controversy raged.

Many industry people dismissed it as "hocus pocus."

Outside, it fueled suspicion about advertising and led novelists to a favorite new villain - "the advertising man."

And a Little Literature.

In stark contrast to how advertising was viewed in the 1920s, fiction of this time portrayed advertising as a false world filled with long hours, questionable ethics, and villainous people.

The advertising man was portrayed in moral conflict as a result of his day-to-day business practices.

Frederic Wakeman's *The Hucksters* launched this trend.

His antagonist was suspiciously similar to George Washington Hill, the infamous tobacco baron - Wakeman wrote this novel while working on the Lucky Strike account.

It became a number-one bestseller and was picked up by the Book-of-the-Month-Club, condensed by Reader's Digest, and made into a motion picture starring Clark Gable.

Meanwhile, another change in the media was about to change advertising - and the world.

Advertising was about to turn on television.

The Age of Television.

TELEVISION WAS THE EVENT OF THIS DECADE. Also influential were a new highway infrastructure, the growth of the suburbs, new patterns of consumption, and the number of automobiles being purchased.

After the war, the United States lived in a prosperity that hadn't been seen since the 1920s. Or ever.

Advertising expenditures tripled - from \$1.9 billion in 1945 to \$5.7 billion in 1950. This still represented 2.9% of consumer spending in 1950, the same as in prewar 1940.

But consumer spending was going through the roof!

1950 - 1959

This period will cover :

- The growth of American advertising agencies worldwide.
- The establishment of the brand management system.
- The rise of television and a new kind of advertising - "The Spot"
- And underneath, the nature of advertising was changing. Because advertisers were changing.

The Growth of Marketing.

During the 1950s, P&G reached the billion dollar mark. Half their revenue came from new products invented during this decade, General Foods sold \$300 million worth of products a year during this same time period.

Brand Management.

Though not yet widely implemented, the brand management system proposed by Neil McElroy at P&G was becoming the industry standard. President Eisenhower named McElroy secretary of Defense. The booming post-war university population was discovering new classes in the relatively new discipline of marketing. The same military structure that had always been a part of the manufacturing side of business now became part of the marketing side of business.

The same "can do" attitude that brought victory in WW II was there to bring victory in the post-war marketplace.

The '50s Marketplace Goes into Overdrive.

There was not only a Baby Boom, but a construction boom and an automobile boom.

An interstate highway system was built, creating a massive change in the transportation and distribution infrastructure.

Automobiles became the most heavily advertised products, with GM passing P&G as the leading national advertiser.

The only other manufacturer among the top ten advertisers that did not make automobiles was Coca-Cola.

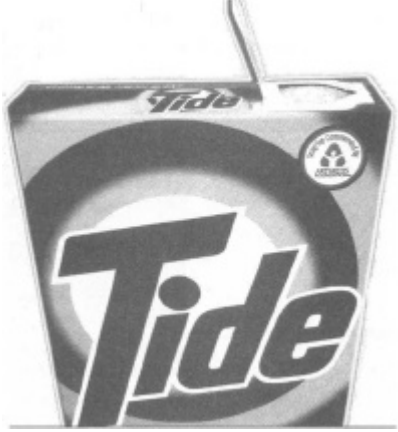
In this period, motor-vehicle registration began its leap - from \$31 million in 1945 to \$78.8 million in 1960.

The \$100 Million Agency Club Grows.

BBDO and Y&R became \$100 million agencies in 1951. McCann-Erickson joined this elite group in 1954.

By 1957, all four agencies passed \$200 million in billings.

The Tide Turns



Detergents, a byproduct of wartime munitions chemistry, enter the market with a better way to clean clothes. The brand management system enters the market with a better way to manage multiple brands. The inventor - Secretary of Defense Neil McElroy,

More Marketing Services from Agencies.

Each agency, looking for ways to serve clients better, gradually added more and more marketing services. Agencies now had marketing departments, which assisted clients in such things as budgets and marketing plans.

While sophisticated clients like P&G and General Foods had their own marketing resources, in most cases the more experienced marketers were those at the advertising agency.

Agency marketing people had the benefit of being involved in marketing plans for all their clients, whereas many clients were still new to the disciplines of marketing. Furthermore, their companies usually lacked the agency's more sophisticated resources and broader experience.

Stability and International Growth.

While everyone was prospering, some things stayed the same. JWT stood for stability in the remodeled Graybar Building in New York City. Its reception room resembled a stately library lined with books chosen by noted author Lewis Mumford.

The agency rarely lost business, but when it did jobs were found for those previously assigned to the departed account.

JWT also prospered because they were international - just as American business was beginning to expand.

One rumor had JWT offices used as CIA staging areas during this period. The basis for these rumors was that Ed Wilson, a top executive in JWT's New York office had been a high-ranking OSS official - the wartime predecessor of the CIA.

By the end of WWII, JWT had fifteen foreign offices.

By 1960, JWT was billing \$120 million abroad, about half the agency's total domestic billing.

Y&R expanded into Canada and Great Britain.

McCann and BBDO also grew in this period.

In 1957, McCann-Erickson moved its office of 1,100 employees - the largest office move ever by an agency

Advertising Museum

As you travel...In 1950, the trend in outdoor advertising was toward larger images and cutout extensions, keeping pace with the increased automobile speed and freeway travel. **In living color** In 1953, the Federal Commission approved color television. The "spectacular" became a staple of television entertainment.

Marketing DisasterIn 1957, the Ford Motor Company introduced the **Edsel**. Agency research into what American public wanted in a new car caused the production of a choice that straddled 18 models and became one of the greatest product disasters of all time.

Advertising iconsIn 1957, Leo Burnett invented the Pillsbury Doughboy, Tony the Tiger, and the Jolly Green Giant.

The USP

Here is Reeves original definition of USP from his book Reality in Advertising. In many ways Reeves' USP is a made-for-TV version of the classic Claude Hopkins "reason why".

Proposition

1. Each advertisement must make a proposition to the consumer. Not just words, not just product puffery, not just show-window advertising. Each advertisement must say to each reader, "Buy this product and you get this specific benefit".

Unique

2. The proposition must be one that the competition either cannot, or does not offer.

Selling

3. The proposition must be so strong that it can move millions ie pull over new customers to your product.

America Turns on TV.

IN 1950, SOMEONE SAID, "...television affords little profit for advertising agencies since most TV appropriations are small compared with those of other media. "

Ben Duffy didn't agree. In 1949, he was already spending 80% of BBDO's media time on TV and only 20% on radio.

In 1948 the FCC refused to license any new stations until signal interference among the existing 108 was worked out.

Even so, the advertising industry's total TV business grew from \$12.3 million in 1949 to \$40.8 million in 1950, and \$128 million in 1959.

It had taken radio sixteen years to reach that level.

CBS made its first net profit in 1953. One year later, it was the largest advertising medium in the world. In the beginning, advertising agencies owned the shows they produced for their

single-sponsor clients. Shows bore the name of the advertiser. The network provided facilities, air time, and censorship.

Shows were produced and controlled by an agency for a single sponsor. The Voice of Firestone debuted along with Texaco Star Theater with Milton Berle, Kraft Television Theater, and Goodyear TV Playhouse.

Many times the sales pitch was integrated into the entertainment, particularly in comedy and variety shows. And the sponsor could demand changes.

When a contestant named Ford appeared on Groucho Marx's quiz show, the DeSoto car company, which was sponsoring the show, asked the contestant to use another surname. A gas sponsor changed the phrase "gas chambers" to "chambers."

From Sponsorship to Spot.

When a single sponsor was responsible for a whole show, it felt responsible for the manner and frequency of the ads.

When a sponsor was one of many, it was a lot easier.

The networks came up with the idea of multiple sponsorships and eventually took control of programming.

This also changed advertising.

Push on TV - The USP & "the Spot".

A new force on television was the Ted Bates agency, which created some of the most memorable, though not most-beloved, advertising campaigns.

Bates became known as "the spot" agency for its hard-hitting, intrusive and repetitive commercials.

This was the beginning of a new type of commercial - **the spot**.

Rosser Reeves, mentored in the Hopkins "reason-why" tradition, was the mind behind the work at Bates.

Reeves conceived the Unique Selling Proposition or USP.

He strongly believed only one idea or concept could be made memorable in an ad. Some claims the agency made for their client's product pushed the limits of propriety and the law.

Commercials of "personal" products were banned by the National Association of Broadcasters' television code.

Bates continued to run ads for Preparation H. The NAB had no power to enforce their code, but the FTC did and stepped in to force the agency to drop false claims being made on five client's products. Reeves was extremely insulted.

He wrote a full-page rebuttal and spent \$23,000 placing it in seven major newspapers. But, a few months after this, all the offending campaigns had been taken off the air.

Reeves and "The Man from Abilene."

Modern television advertising entered politics in a big way during the 1952 presidential campaign.

Rosser Reeves was hired by the Republicans to create commercials for Dwight D. Eisenhower. The result, a classic case of presidential packaging, was "The Man from Abilene."

It was the first clear demonstration in politics of the power of TV combined with the tools of advertising. (There would be more in years to come.)

Meanwhile, the marketplace was full of demonstrations of the power of television to build brands. On the spot.

Campaigns and Controversies.

As television added more messages to daily life, messages became shorter. Vivid visuals were used to get attention.

Among memorable campaigns from this decade were "The Marlboro Man," Hathaway shirts, Polaroid, and Clairol - campaigns that set the stage for the Creative Revolution.

Research Grows in Importance.

Research had earned a place in advertising. All big agencies now had research departments. The marketing concepts that were emerging brought even more emphasis on research. Now, demographics and hard statistics backed up marketing decisions.

Motivation Research.

Another research school of thought emerged. Motivation research advocates thought the qualitative approach would illuminate the more subtle aspects of communication needed to sell some products. Leo Burnett and Foote, Cone & Belding enthusiastically embraced this type of research, adding "M.R." departments. Rosser Reeves at Bates dismissed it as "the Freudian hoax."

Other industry people remained fearful or skeptical.

Alfred Politz, a psychologist and also a prominent marketing researcher, criticized the methodology. One thing was certain. Research was here to stay. But business was good and it was time for another change in Advertising - it came from the creative department.

USPs at Work: "Wonder Bread helps build strong bodies 12 ways." "M&M's melt in your mouth, not in your hands." "Colgate cleans your breath while it cleans your teeth."

The Creative Revolution.

THE '60s WERE A TIME OF CONFLICT AND CHANGE. These changes occurred both inside and outside advertising.

1960 - 1969

This period will cover :

- Social change in advertising.
- The Creative Revolution - a new style of advertising creativity featuring writer/art director teams.
- Three individuals : Bill Bernbach, Leo Burnett and David Ogilvy.

Social Change.

As Stephen Fox observed, "Since the 1920s, advertising functioned as a mirror responding to the culture, more than shaping it."

American society was opening to greater cultural diversity. An Irish Catholic, John F. Kennedy, was elected president. The WASP (White Anglo-Saxon Protestant) establishment began to be challenged on social, political, and economic fronts. Conflict on issues concerning equality, consumer protection, civil rights, and the war in Vietnam dominated the decade.

The Civil Rights and woman's movements pressed for equal

treatment of all in the workplace. Some unions, like the International Ladies Garment Workers (ILGWU), began to advertise.



The Congress on Racial Equality (CORE) and the New York City Commission on Human Rights monitored the progress of business as well as the ad industry in the hiring of blacks and their accurate representation in the media. The National Organization for Women (NOW) did for the same for women.

From WASP to Ethnic.

These changes affected advertising. The creative revolution was, in many ways, an ethnic revolution with the WASP stronghold finally giving way to broader representation.

But increased representation did not come easily or evenly.

Though Albert Lasker was Jewish, advertising generally trailed behind related fields, including business and entertainment, in admitting Jews and other minorities to positions of high authority. (An exception has been women, where advertising agencies have tended to be at the forefront.)

JWT, BBDO, Y&R, Ayer, and McCann-Erickson were WASP agencies, largely dominated by white, Anglo-Saxon males.

Doyle Dane Bernbach (DDB) emerged from Grey, one of the few Jewish agencies of any size. They influenced the entire industry.

As Jerry Della Femina said at the time, "It doesn't hurt to be born Italian or Jewish in the streets of the City of New York," reflecting the fact that the Creative Revolution was led by Jewish copywriters and Italian art directors.

There were other changes going on as well.

Social Change for Creative Impact.

As always, cosmetics and fashion sell using the cutting edge of change. Here, an ad for the "liberated" fragrance - Charlie.

Smoke Signals.

In 1964, the Surgeon General's landmark report identified the use of cigarettes as harmful to health.

The first warning sign was a 1957 Reader's Digest article. Soon after the article had appeared in print, BBDO resigned the \$1.6 million Reader's Digest account in what appeared to be deference to the \$15 million American Tobacco account.

Two years later, TV personality Arthur Godfrey mentioned on his program that smoking made him "feel badly" Lorillard immediately stopped sponsoring his show: (Godfrey later died of lung cancer.)

These events made the message quite clear to agencies. As recently as 1988, a Northwest Airlines commercial cheerfully announced an end to smoking on flights. This caused the "offending agency" to lose substantial non-tobacco billings from the parent company - which was also a cigarette marketer.

But some agencies stepped up to the issue. After the Surgeon General's report, the New Yorker banned cigarette advertising. O&M and DDB announced they would no longer accept cigarette accounts. Tobacco Fires Back.

The tobacco industry quickly reacted by adopting their own advertising code. In it, they agreed to stop pitches aimed at young people and to adhere to the newly outlawed claims against stating that smoking "was good for health."

All the while, television advertising budgets for cigarettes continued to grow - to over \$200 million.

Responding to pressure, Congress banned cigarette ads from television and radio, beginning January 1, 1971.

Cigarette accounts now emphasized print - primarily magazines and outdoor - and tobacco profits continued to grow.

Industry Debate and Regulation.

As early as 1961, industry leaders were admitting to themselves, if not to one another, that self-regulation was not working. Fairfax Cone wrote the head of the Federal Communication Commission in Washington, D.C., complaining that there was too much tasteless programming and too much advertising for products of little interest.

On the West Coast, Howard Gossage publicly asked, "Is advertising worth saving?" He described advertising as "a billion dollar hammer on a ten cent thumb tack" and voiced concerns on issues ranging from automobile safety; to outdoor billboards to the agency commission system.

NARB Is Formed.

In 1971, the National Advertising Review Board (NARB) was fanned as an extension of the Better Business Bureau.

The NARB consisted of a five-member panel with three members representing advertisers, one member representing an agency, and one member representing the public.

In the first ten years of its existence, 1,845 cases were heard 42% resulted in modification or discontinuance of advertising.

From the Social Revolution to the Creative One.

Advertising created for an ugly little car - the Volkswagen, a re\let from Nazi Germany - by an agency with Jewish founders and many ethnic employees led the Creative Revolution.

Copy written by Julian Koenig told the truth and seemed to champion the car's deficiencies, making advantages out of its

basic functional nature (cheap to buy, cheap to run) and its low horse. power (high mileage).

Art direction by Helmut Krone innovated advertising design by the use of "white space," a more realistic photographic style, and a new handling of typography.

VW advertising became the most admired, most influential campaign of the early '60s and brought national attention to DDB.

It was part of the advertising that changed advertising.

The Queen of The Creative Revolution.



There were many talented people who rose to prominence during this time. But one deserves particular mention - Mary Wells.

Not only did she set new standards for individual performance, she established trends that would reshape the industry during the next two decades.

Along the way, she became the richest, most celebrated woman in the history of advertising.

Mary Wells arrived in New York from Youngstown, Ohio, at the age of 18 and began writing copy for *Macy's*.

Then she joined DDB.

From DDB...

She worked seven years at DDB, becoming associate copy chief and the head of new business.

Her copy attracted attention and so did she.

Bright and beautiful, "Bunny" Wells exuded poise and was easily at home with clients and upper management.

... to InterPublic...

In 1963, Marion Harper paid her \$60,000 to move to Jack Tinker & Partners, a unique creative-only shop.

There, she supervised Dick Rich and Stewart Greene, creators of the *Alka Seltzer* campaign famous for the theme line "*No matter what shape your stomach is in.*"

The *Alka Seltzer* jingle actually became a minor hit, reaching number 13 on the *Billboard* chart.

When Jack Tinker had a heart attack, Mary was passed over as the choice for head of the agency.

She left Tinker - taking with her two other top creatives

. ...to Wells Rich Greene...

A few months later, Mary Wells, Dick Rich, and Stewart Greene opened their own shop with the *Braniff* airline account.

The "Braniff Air Strip" commercial shown here showed off the new outfits Mary had designed for the stewardesses.

Though some of their advertising might seem frivolous, the thinking behind it was not.

Their goal was to become "*the most profitable agency in history with the smallest possible staff.*" And they did it.

Wells Rich Greene established a new pay and profit standard deeply attractive to salary and profit-hungry agency executives.

The agency specialized in television and contracted out for other services as needed. She organized the agency like DDB, with writer/ art director teams who were paid generously.

In 1969, she emerged as the highest paid executive in advertising at the time - \$250,000 a year.

In five years, WRG reached \$100 million in US billing, the fastest growth record in advertising history.

...to France.

She married Harding Lawrence, head of Braniff Airlines.

They lived a jet-set lifestyle with homes in Dallas, Arizona, Acapulco, the East Side of Manhattan, and the French Riviera.

Shortly after her marriage, WRG dropped *Braniff* and exchanged it for TWA. Their client list grew to include *P&G*, *Phillip Morris*, *Miles Laboratories*, *Hertz*, *American Motors*, and the State of New York (I Love New York).

New Agencies. New Issues.

OTHER LEGENDARY AGENCIES started during this decade were Papert, Koenig, Lois; Ally Gargano; McCaffry & McCall; Della Femina Travisano & Partners; Scali, McCabe & Sloves; and Rosenfeld, Sirowitz & Lawson - virtually all were located in New York. Many had DDB alumni as principles.

A New Standard.

In 1960, 100 creative directors were polled to identify the ten best campaigns of the previous decade.

Leo Burnett won two - *Pillsbury* and *Marlboro*.

Ogilvy won three - *Hathaway*, *Schweppes*, and *Rolls Royce*.

(These were Ogilvy's first three campaigns.)

DDB won four - *Ohrbach's*, *Polaroid*, *EI Al* and *VW*

Sixteen years later, *Advertising Age* asked a panel of industry professionals to name the best ads they'd ever seen.

Volkswagen was listed in 60 of the 97 replies.

A Change in Compensation.

Ogilvy changed his agency's method of compensation. He placed *Shell*, *Sears*, *KLM*, *American Express*, and *IBM* on fee contracts - the cost of operating the account plus 25%.

It was the first time agency compensation had changed since agencies began being paid based upon percentages of clients media expenditures as established by NW Ayer in 1868.

This anticipated big changes to come.

Summary

In this lesson we dealt with Early American Advertising, Early Advertising Innovators, Growth of National Agencies with examples of early agencies, The Beginning of the New Consumer Movement, How War had an impact on Advertising in America, The Age of Television, and the Creative Revolution that followed.

Assignments

1. Study one advertising agency in India and give a historical account of its growth, along with mergers (if any) and the accounts handled.
2. Study one prominent ad person in India or abroad, and give a report on that person's contribution to advertising. Give examples of his visible work too.
3. Write a report on the impact of Television on advertising in India.

LESSON 2: PAST TRENDS II

The Marketing Revolution.

Topics Covered

The Change in Marketing, Positioning, Advertising and Politics, the big changes that began, and Marketing Driving more Changes.

Objectives

1. To be aware the sweeping changes that have taken place and that are taking place.
2. To compare how advertising and politics work.
3. To understand how marketing drives more changes.

THE '70s WERE DRIVEN BY MARKETING. Spurred by a recession that began in 1971, the pendulum swung from a creative emphasis to an emphasis on marketing.

Another trend had also taken hold - more and more advertised were now full-fledged marketers.

1970-1979.

This period will cover:

- The growing importance of marketing in advertising
- The growing importance of advertising in politics

A Change in Marketing.

The art of marketing had been developing. There were three major changes in marketing thinking – they each related to each other and all became dominant.

These key marketing concepts were:

- Market Segmentation
- Marketing-Driven Manufacturing
- Positioning

You will easily see how they link together.

One additional result was a final shift of control to client marketing organizations.

Market Segmentation.

Through the mid 20th century, industry had been driven by the idea of product standardization. Manufacturing growth came from more assembly lines and more efficient output.

Then along came the concept of **market segmentation**. In 1956, the concept was defined by Wendell R. Smith as a response to people's differing needs. Product differentiation focuses on something about brands that is preferable to all buyers. For example, cleaning power in a detergent. In contrast, market segmentation looks at a market, including people with many different demands, and sees it as many smaller, homogeneous markets. Now, different claims are made for products aimed at different groups of buyers.

Example: P&G Detergent Positioning

P & G had now formalized detergent positionings - matching product formulations with market segment positionings

though, in fact, the detergents were not all that different.

Tide had a powerful cleaning position (the most important attribute) with a strategy of continued formula improvements.

Bold, a new brand, was for colors - with a formula that featured color brighteners. Gain, a new brand with enzymes, emphasized stain removal. Dreft was for baby's diapers.

Dash was concentrated.

And Cheer, a traditional "whiteness" brand (Blue Cheer contained a bit of bluing) was re-formulated and re-positioned as All-Temperature Cheer. This re-positioning connected Cheer to the new fabrics that needed different washing temperatures.

With this positioning, Cheer became the No. 2 detergent brand.

From Production-Driven to Marketing-Driven.

The inventions and manufacturing techniques of the early part of the century resulted in a production-driven focus.

Quite naturally, a company sold what it could make.

But now, a company could make pretty much anything – or have it made by someone else. The manufacturing technology was there - and so was the manufacturing capacity:

The concern shifted from making it to selling it - or, to be more accurate - marketing it.

This new type of thinking had a powerful influence on how products were made and what products were made.

The Importance of the Consumer.

Most importantly, the point-of-view taken is that of the consumer, not the manufacturer. Instead of just selling what they made, manufacturers paid more attention to making what people wanted and then sold it based on those strengths.

From Production-Driven to Marketing-Driven Thinking.

This shift from production-driven thinking to marketing-driven thinking is a major change.

Note how it affected P&G's detergent formulas.

Recognizing that not everyone wanted the same product qualities led to huge innovations in production, marketing, and advertising.

With segmentation in place, greater emphasis began to be placed on the consumer. The idea of marketing segmentation had taken hold in most companies by 1970.

Now marketing, rather than manufacturing, began to become the core function of more and more businesses.

Example: The Edsel (Car). The ill-fated Edsel – a failed attempt by Ford to launch a new mid price brand.

As the dramatic failure of the Edsel demonstrated, it was not enough to make a product - it had to be right for the market.

The Marketing MBAs Take Over.

As MBAs schooled in marketing took over at virtually every major company, this was now the new point of view.

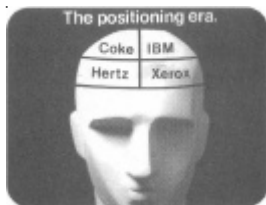
One of the most popular expressions of this new point of view was **positioning**.

Positioning.

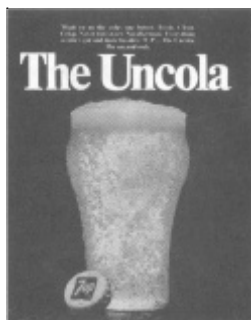
Al Ries and Jack Trout claimed, "Today creativity is dead. The name of the game on Madison Avenue is positioning."

They promoted the concept of positioning - emphasizing a product's place in the mind of the consumer.

The idea, which originated at GE, emphasized naming a product memorably, then focusing on one specific selling point, similar to Rosser Reeves' USP.



Positioning occurs inside the mind of the consumer. This graphic dramatizes that there is little room for many brands.



Early Positioning : 7 - Up

Too Many Products. Too Many Messages.

It was also a response to another new reality of the marketplace too many products, too many messages.

The new problem of the American marketplace was competition and abundance.

More and more products were at parity with the competition differences were minor and product improvements were more easily matched .

With increased high-quality manufacturing capacity, "private label" and "generic" products became more and more common on retailer's shelves.

Positioning was a way of simplifying the marketing task in an increasingly complicated market.

It was a way of thinking that connected the new realities of marketing segmentation and marketing-driven thinking all the way through to the advertising message.

Big Changes Begin...

Major advertising agencies, influenced by their largest clients, began to regard themselves as marketers who specialized in advertising. Creative shops struggled.

Cutting-edge creative work was in conflict with the growing bureaucracies of risk-averse marketing people. And costs were going up - for everything.

As the stakes got higher and client marketing sophistication grew, creative marketing thinking became as important as creative advertising thinking - perhaps more important. Because now you absolutely had to do the marketing before you could do the advertising.

More Marketing Muscle.

Ogilvy's agency and Leo Burnett, which had added marketing muscle, grew as they connected with client marketing operations.

Marketing-driven companies producing packaged goods increasingly relied on marketing strategies rather than advertising strategies.

In an attempt to reduce risk, research was used as much as possible - from initial concepts to copy testing of finished commercials.

Not all were unhappy about this trend, which harkened back to the 1950s hard-sell style.

David Ogilvy said, "Today, thank God, we are back in business as salesmen instead of pretentious entertainers.

The pendulum is swinging back our way - the Hopkins way."

Agencies Go Public...

The agency business became more of a business.

As agencies evolved, some turned to Wall Street. Papert Koenig & Lois was the first agency to sell stock to the general public. By 1969,JWT, FCB, DDB, Grey, and O&M had all gone public. At this time, the industry began to see itself as a service business with talent as the major resource, not capital.

The Japanese Invasion

Japanese brands made great inroads in the American market during this period. They took over the home electronics industry - from stereos to TVs.SONY brought the U-Matic cassette to the market, along with the Walkman and Trinitron Color TV Yamaha and Honda entered with motorbikes.Toyota and Datsun (now Nissan) began importing cars with a lower price and greater dependability than most American models of the time.Their fuel efficiency coincided with gasoline scarcity and higher gas prices, making them fierce competitors with American-made cars.Chrysler almost went out of business, but was bailed out with a government loan.

American manufacturers eventually rose to the challenge.For an interesting insight into these times, read David Halberstram's The Reckoning. (Nissan's smiling "Mr. K" is a salute to the executive who helped them adjust to the American market.)



At the end of this period, a number of Japanese brands had become major American brands - and turned LA into a major advertising center.

Advertising and Politics.

WITH THE FINAL BREAKDOWN of big city political machines and the impossibility of organizing the new more mobile suburban American, advertising became a more and more important part of politics on every level.

A few aspects are worth mentioning.

The Nixon White House and the Tuesday Team. Before becoming White House Chief of Staff, H.R. Haldemann was head of JWT/LA - and a major player in Nixon's political recovery (after his defeat by Kennedy in 1960, he'd also lost a race for governor of California).

Other JWT staffers also moved up. Ron Ziegler went from account exec to press secretary. In addition, the technology of advertising from initial focus groups to last-minute media buys became institutionalized.

For decades, the Tuesday Team, led by Pete Dailey of LAS Dailey & Associates, had a once-every-four-years mobilization of top ad industry professionals that gave the Republicans an instant agency

The advisory board read like "Who's Who in Advertising."

Meanwhile, the Democrats advertising efforts were in continual disarray at the national level.

Only Jimmy Carter, with the street smart Jerry Rafshoon as his advertising advisor, was able to mount a winning campaign.

P&G also maintained a presence. Bryce Harlow (Secret Service code name, "Soap Suds") was a key presidential advisor.

"The Second Toughest Job in America."

A few veterans of the Creative Revolution, notably George Lois, stayed involved in politics.

One of the first political advertising gurus was David Garth.

(The advisor in Robert Redford's *The Candidate* is based on Garth.) With savvy media advisors such as former Robert F. Kennedy aide Jeff Greenfield (now a network political commentator), Garth provided specialized advertising help that included positioning the entire political campaign.

One successful example was New York Mayor John Lindsey's re-election campaign. Way behind in the polls, bold television ads had Lindsey admit mistakes while reminding New York City voters that this was "The Second Toughest Job in America." Lindsey won.

A Brother in Advertising. And a Job in Advertising.

A former movie actor (and former president of the Screen Actors Guild) had fallen on tough times. His movie career was over, and he was reduced to trying to work up a Las Vegas act - with little hope of long-term success.

Though he'd made some money as an actor, his best earning year had occurred when marginal tax rates on large incomes were as high as 90%. Fortunately, he had a brother in advertising.

The successful brother was Neil Reagan, a management supervisor at McCann-Erickson in Los Angeles. He got his

brother a job working for McCann client Borax as host for Death Valley Days.

From there, Ronald Reagan moved on to host GE Theater, where he met the Orange County Republicans that promoted his candidacy for governor of California. The rest is history.



In 1964, Lyndon Johnson was running against Republican Barry Goldwater, who'd advocated using nuclear weapons - under certain specific circumstances. A commercial by DDB (with sound by Tony Schwartz) featured a cute little blonde girl counting daisy petals. The counting changed into a rocket countdown, a missile fires, and a mushroom cloud fills the screen. It blew Goldwater out of the water.



Entertainment. Politics. Marketing. They have a lot in common. Here, Ronald Reagan, future president, promotes an upcoming movie as he pitches V-8.

Big Changes Begin.

THE FINANCIAL MARKETPLACE was also changing. The same forces that were creating conglomerates were beginning to affect the agency business.

Interpublic bought Campbell-Ewald and SSC&B.

Ogilvy bought Scali, McCabe & Sloves, the hottest new agency of the 1970s. Wells Rich Greene absorbed Gardner, a St. Louis agency. Bates bought Campbell-Mithun in Minneapolis. The three biggest public relations firms were acquired by JWT, Y&R, and FCB. With increased emphasis on the bottom line, a tougher-minded business approach was also emerging. Here is an example - Y&R.

Y & R Gets Tough.

Y&R's chairman and CEO, Ed Ney, and Alex Kroll, then the chief creative officer, formed a management team and made decisions others quickly emulated. They fired half the New York office, cut staff and expenses, and announced creative work with discipline.

Kroll said, "We believe that creativity is tactical. It should be measured by the cold, gritty eye of the marketplace." Y & R then grew by acquiring agencies. They acquired Sudler & Hennessey - an agency specializing in healthcare advertising and Wunderman, Ricotta and Kleiner - a direct marketing company - which allowed them to pass JWT in total US billings, the first time anyone had done this since the 1920s. In 1979, Y&R acquired Marsteller, bringing in \$306 million, replacing JWT as the leader in world billings, though the real age of mergers was yet to begin.

Tough Times for the Creative Revolution.

Meanwhile, Creative Revolution agencies faced tough times.

In 1970, DDB lost its first major account - Alka Seltzer.

By 1973, DDB had lost Lever Brothers, Whirlpool, Sara Lee, Quaker Oats, and Cracker Jack. How tough was it? In 1971, DDB created "Mikey," a TV spot for LIFE Cereal, which became an instant classic. Sales increased 20%. In 1974, Quaker moved their UFE Cereal account to BBDO and kept running the DDB-created advertising. Tough.



Mikey likes it. This ad for Life Cereal kept running, even after the agency was fired.

Children

Consumer activism in the 1960s had overlooked one group - children. Advertising's responsibilities toward children were asserted by a Boston group called Action for Children's Television and led by Peggy Charen, Evelyn Sarsen, and

others. Recognizing that advertising spent over \$200 million on products aimed at children (toys, cereal, candy) and that the average child saw 20,000 thirty-second spots a year (three hours of television a week) the group petitioned regulatory agencies to limit and improve commercials aimed at kids. Their victories included: The withdrawal of vitamin ads appealing to children. The reduction of commercials during the weekend on children's programs. A ban on hosts or stars making pitches - an activity that blurred the separation between programming and advertising. Providing public service spots on good nutrition habits. A prohibition of appeals urging children to ask their parents to buy products. An agreement that commercials aimed at children could not exaggerate the size or the speed of a toy. Much of the support for these demands came from psychological research demonstrating that children under the age of eight years old cannot distinguish between programming and a commercial. (Not until around 6th grade do children become skeptical of advertising.)

Minor Minority Progress.

Overall, Blacks made little progress in the industry. There had been 5% representation in 1967 - by 1976, it had increased to 13%. They appeared more often as actors in public service and promotional spots than in ad industry management.

However, an increased interest in more effective targeting resulted in the support and funding of new Black-owned agencies by major advertisers such as Coke, McDonald's, AT&T, Phillip Morris, and KFC. "Doing good" may have been part of it, but it was also good business.

Work done by minority agencies such as Vince Cullers, Burrell Advertising, Mingo-Jones, Zebra, and others was not only effective with Black Americans, it was effective, period.

Burrell's commercials for Coke and McDonald's were consistently among the best for those brands. Kentucky Fried Chicken's long-term theme "We Do Chicken Right" originated with Mingo-Jones.

One exceptional leader was William Sharp, a JWT/Chicago exec. Sharp started a basic advertising class for minority students.

He identified talented individuals and provided initial training. From there, Sharp went client side, where he played an important role in Coke's advertising department.

Sharp also chaired the AAF, and after leaving Coke, founded his own agency in Atlanta.

Early graduates of Sharp's advertising course included Alma Hopkins, now an Executive CD at Burrell Advertising, and Carol Williams, later named Chicago Ad Woman of the Year, who now heads her own agency in Oakland, California.



Changing Social Values.

Bill Cosby becomes one of the first Black spokespersons with appeal to a general audience.

Tough-Minded Marketing.

For years, Pepsi kept hammering away at their preference in taste tests. It built share for Pepsi and caused Coke to respond with New Coke - a marketing disaster!

Comparison Advertising - Marketing Gets Aggressive.

Competitiveness - a driving force of American marketing increased dramatically. Advertising became much less polite during this period. Comparison ads had been discouraged by major agencies, large advertisers, and trade groups. But they were supported by the FTC and consumers because they supposedly reported more facts and used less "puffery." NBC dropped its ban on comparative ads in 1964. By 1972, both ABC, CBS, and the 4& agreed.

The Supreme Court gave advertising legal standing as protected speech under the first amendment in 1976. Ries and Trout claimed that comparison advertising was one of the best ways to position a product, since positioning a product against a leader allowed your brand to connect with what was already in the consumer's mind. Finally, the marketplace was becoming more and more crowded. Often, the only way to quickly communicate what was unique about your product was to compare it to another. Comparison advertising became one of the most characteristic advertising techniques of the '70s. By 1980, one in four commercials on ABC drew comparisons.

Deregulation.

The economy took an additional step toward more competition with deregulation. By the end of the decade, there was a general trend toward deregulation in industry after industry. Advertising was thought to be an aid to competition.

In 1980, Congress removed the FTC's power to stop unfair advertising, restricting the FTC to monitoring deceptive ads. More choice and better prices were two of the results - another result was cutthroat competition.

The Cola Wars.

Memorable campaigns of the decade include "Uncola" for Seven-Up, Cokes "Its the Real Thing," and "The Pepsi Challenge."

Pepsi took on Coke with their "Pepsi Challenge" taste tests and began the "cola wars." This was a marketing campaign that resulted in increased share for Pepsi.

One result was Coke's development of "New Coke."

This was a short-term marketing failure which dramatized the importance of a consumer's connection with a brand.

Even though blind taste tests demonstrated that consumers preferred the taste of the new Coke formula, when the labels were on, results were dramatically different.

A few years later, a re-focused and re-invigorated Coca-Cola counterattacked, winning back share and building an even more powerful Coca-Cola brand.

Advertising Tries Harder.

Comparison advertising was so prevalent that DDB relaunched their Avis "We Try Harder" campaign.

Campaigns originated by Scali McCabe & Sloves included the Frank Perdue spokesman campaign for Perdue chickens: "It Takes a Tough Man to Make a Tender Chicken." This was not just great advertising, it was great marketing.

The poultry business was, indeed, a tough one, and Frank Perdue knew how to work "the Five P's" to his own advantage.

He had a great product (he even fed the chickens flower petals to give the skin a differentiating yellow tone), and he used advertising to help stimulate distribution and justify his products slightly higher price.

Marketing Drives More Change.

AS ADVERTISING BECAME MARKETING-DRIVEN, the pace of change accelerated. New computer-based technology, new lifestyles, and a faster interaction with change kicked in.

With higher costs, agencies needed to be more "productive." Other aspects of the advertising business were also changing:

- Changing media channels
- Changing consumers
- A changing marketplace

By the middle of the decade, advertisers were too concerned with these new issues to place much concern on agency mergers.

Changing Media Channels and Habits.

The emergence of new media alternatives slowly began to have an impact. By 1986, network television advertising by the top 100 American advertisers fell nearly 3%, though total advertising expenditures increased.

The early '80s witnessed the introduction of VCRs and cable television. CNN was created by Ted Turner and landed two important sponsors, Procter & Gamble and General Foods. MTV was introduced. And by 1986, ABC, CBS, and NBC were starting to have trouble selling commercial time for sports programs. Rates

dropped 15% from the prior year.

By 1987, half of all the US households were wired for cable.

Changing Consumers - "YUPPIES & DINKS."

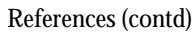
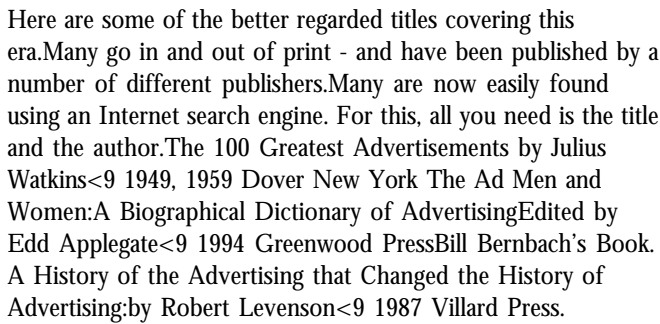
Consumers profited from the abundance of the '80s. And marketers recognizing social trends and increased income potential began to segment and target specific groups.

Two acronyms signaling the '80s were YUPPIE, which stood for "young urban professional," and DINKS, representing "double-income-no-kids" households.

A Changed Marketplace.

As the decade came to a close, marketing decisions and marketing-driven thinking such as "positioning" had become the dominant values in advertising. Marketing, which had begun as a minor service advertising agencies offered their clients, had become the driving force of American business. Client marketing departments were now in charge.

The brand, which had begun as something to put on the label, had become the organizing force of marketing departments.



By Stephen Fox

Applied Imaginationby Alex Osborn

The Benevolent Dictatorsby Barton Cummings

Confessions of an Advertising Man by David Ogilvy

From Those Wonderful Folks Who Gave You Pearl Harbor

The Branding of America by Ronald Hambleton

George, Be Careful!by George Lois

The Hidden Persuadersby Vance Packard

How to Advertiseby Kenneth Roman and Jane Maas

[illegible]

LESSON 3: PRESENT TRENDS

The Modern Marketplace

Topics Covered

The Modern Marketplace, New World of Advertising, How Advertising Changed, Client –Agency relationships, Rise of regional agencies, Influence of great ad professionals, Why advertising Changed, New Media Thinking, New World of Advertising.

Objectives

When you have completed this LESSON, you should be able to

1. Explain the evolution of the modern marketplace.
2. Summarize how changing advertising scenario.
3. Discuss the changes brought about by the new reality.

IN 1980, AN EX-P&G BRAND MANAGER named Steve Ballmar left the world of packaged goods marketing to work with a friend from college days. His friend had dropped out of Harvard to start a small software company with big ideas - Microsoft.

Mark Goldstein began in a traditional ad agency creative department, then he became President of an agency conglomerate. Today, he's in charge of something called "Integrated Marketing Communications" for a powerful new agency

Beth Uyenco joined the DDB agency after graduating from Michigan State. In just ten years, she's seen a revolutionary change in her job in the media department.

And when Megan Stockton first plugged in her computer, she didn't know it would plug her into a whole new career.

Marketers, agencies, media, and marketing services - each has experienced new challenges and new opportunities that are part of revolutions in the modern marketplace.

This lesson is complicated and difficult - bad news alternates with good news. Revolutions can be like that.

You'll see complex forces at work - some have nothing to do with advertising - and some are changing as you read about them.

This lesson may be difficult at times, because that's the way business is. And you have to get ready for it.

So pay attention as we cover the changes creating today's tough, fast-changing marketplace. Ready? Hang on!

1984. This is the Apple commercial that started it all- with advertising that was more than advertising - part of an integrated event.

"The New Advertising."

THE ADVERTISING YOU SEE MAY SEEM THE SAME, but the business behind advertising has changed dramatically.

In Lesson One, you saw an evolution from an emphasis on advertising to an emphasis on marketing.



Now the evolution took one more step - integration.

"1984" - More than Advertising.

Some mark the official change to this new way of doing things with the famous Apple "1984" commercial.

That one commercial was the most noticeable part of an integrated campaign for this new computer brand.

It ran only once during the Super Bowl.

But today, almost everyone knows it and has seen it.

It was more than advertising.

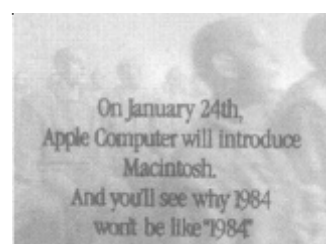
It was marketing where everything worked together.



A room full of drones sits passively before a face on a giant screen. They are interrupted by a blonde with a hammer. She tosses the hammer, which shatters the screen... and the message appears...And you'll see why 1984...



... won't be like "1984."



You can see the whole commercial in QuickTime on adbuzz.com.

Apple's Integrated Campaign Included:

- **Public Relations** - primarily product publicity, with lots of lead time, press events, and the building of relationships with software developers, computer editors, and other key industry people.
- **New Media Vehicles** - the brand helped create three new magazines: MacWeek, MacWorld, and MacUser. These new media vehicles supported a range of software and hardware marketers and served a new target - Mac users.
- **Point-of-Purchase** - a coordinated program of PO.P displays, product literature, and packaging was distributed through a national retail channel.
- **Sales Promotion** - a dramatic "Test Drive a Macintosh" program designed to induce trial at the retailer.
- **Advertising** - including a high-impact eight-page insert in national magazines, targeted print ads, and unique TV commercials which highlighted product benefits.

This was a classic example of the integration of all elements of marketing communications.

But though the ads were powerful and the program superbly executed, underlying marketing problems remained.



Think Different. Apple goes back to Chiat/Day for a breakthrough campaign.



Think Again. Steve Hayden, who wrote the original Apple spot, now hammers out advertising on IBM account for O&M.



One year later, Apple followed their Super Bowl triumph with a commercial called "Lemmings." That commercial, and their failure to crack the business market, were judged harshly.

Eventually, Apple changed agencies - in a business that was changing dramatically. Ten years later, they changed back to their original agency. Often, their advertising was superb. But today, it takes more than great advertising. It takes great marketing.

Tough Competition. Fast Changes.

In contrast, just north of Seattle, a small software company was moving relentlessly forward. Though the advertising wasn't as flashy, tough-minded marketing was helping to drive Microsoft to a dominant position. Then Microsoft hired Nike's agency - for a while. And key members of the Apple team went to IBM. Meanwhile, older brands, their marketers, and agencies were dealing with a growing list of problems - and relationships that had lasted decades were changing.

These were the growing pains of the modern marketplace. And that's what this lesson is all about.

How This Lesson is Organized.

In this lesson, we'll cover five topics:

- **How Advertising Changed**
Financially driven agency mergers had a huge impact on the advertising agency business. A wide range of other changes each, in their own way, changed advertising.
- **The Rise of Regional Agencies**
Important new agencies began doing breakthrough creative work across the country. This was a revolution that had its roots in new marketing realities and the '60s Creative Revolution.
- **Why Advertising Changed**
We'll survey underlying changes in the marketplace - you need to understand them because they might affect your future.
- **The New World for Marketing Communications**
We'll look at the evolution from advertising to "IMC" and the new business that have grown out of that evolution.
- **The New World for Advertising**
Finally, we'll take a look at all the new opportunities in today's marketplace, including new companies, new jobs,

and new thinking - some of them may have an impact on your career.

Ideas and Information - A Driving Force.

Economist Paul Romer's theories on how ideas are a driving force in the economy are being demonstrated every day - as people and companies come to grips with the new forces and the new ideas driving today's marketplace.

Throughout, you'll see examples of people and companies dealing with change as they build their careers, companies, and brands.

In fact, change is coming so fast that some of this lesson may have gone out of date by the time you finish it - better hurry.

How Advertising Changed.

LARGE AGENCY MERGERS MADE HEADLINES in the 1980s, but other fundamental changes were also going on:

- **Financially Driven Agency Mergers**
The marketplace had a dramatic effect on advertising agencies as businesses.
- **Changes in Agency-Client Relationships**
This is a continuation of issues and trends that began in Chapter One as marketing moved to the forefront.
- **Effectiveness Questions**
There was an underlying change in the effectiveness of advertising - particularly in mature product categories.
- **Lowered Budgets in More Competitive Markets**
As the marketplace became more competitive, costs rose and marketing options expanded. This squeezed out some of the margins used to fund advertising.

Let's take them one at a time.

Financially Driven Agency Mergers.

THE BIGGEST NEWS OF THE '80S WAS AGENCY MERGERS, which re-configured the industry in an important way and had its own effect on agency-client relationships.

At the beginning of the decade, hundreds of agencies, large and small, dotted the business landscape.

Mergers Hit Clients First.

"Mergermania" first resulted in the consolidation of client businesses, whether voluntarily, by necessity, or forcibly. One example of client consolidation came in 1988 when Philip Morris purchased Kraft for \$13 billion. This new company, which also included General Foods and Miller Brewing, replaced P&G as the largest national advertiser. Client consolidation had been going on for quite some time. It was followed by the consolidation of agencies.

From Eighteen to Eight.

Some of the oldest and largest agencies became part of large holding companies such as Interpublic, WPP, Omnicom, or Saatchi & Saatchi.

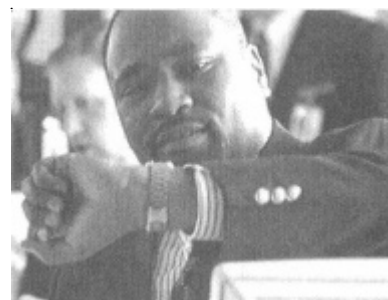
Other agencies, such as Foote Cone & Belding and Leo Burnett, merged to accumulate the size needed to remain competitive. In the Indian context, it was Chaitra Leo Burnett, RKSwamy BBDO, Lowe Lintas (now just Lowe), Enterprise

Nexus, Ambience D Arcy, Rediffusion, Young & Rubicam, Trikaya Grey (now Grey Worldwide) etc

At one count, eighteen formerly well-known agency names had been merged and reduced to eight. The careers of thousands of agency people were affected by these consolidations. Throughout the economy, mergers of other companies brought additional dislocations for many thousands more. Certainly, the desire for more size and efficiency played a role, but just as the information contained in the UPC code changed the power relationship in retailing, something barely related to advertising turned the agency world upside down - stock values and P/E ratios.



New Relationships. New Advertising. The Coca-Cola Polar Bear ads were not done by an advertising agency. A Hollywood talent agency - Creative Artists Associates - hired independent creative suppliers. Good ads. No agency!



New Advertising. New Consumers. This United commercial begins with employees having to wait for a "Training Session." This advertising was based on research that showed frequent travelers hated being kept in the dark by airlines. Advertising with happy people in happy airplanes just irritated them more demonstrating the airline didn't have a clue about what they went through. The new United campaign, from their new agency, worked to connect with more experienced (and cynical) consumers.



P/E Ratios & the Saatchi Brothers.

In 1970, two brothers in their mid 20s, Maurice Saatchi and Charles Saatchi, started a London agency. By 1979, Saatchi & Saatchi was the largest British ad agency and fifth in the world. Their clients included the Prime Minister of England and the ruling Conservative Party. They wanted to have the largest advertising agency in the world. And they did it. Briefly. The mergers that made this happen began when the two Saatchi brothers discovered one interesting financial fact.

Winning Advertising. This campaign by Saatchi & Saatchi helped Margaret Thatcher and the Conservative Party win in Britain.

A Difference in P/E Ratios.

They noted that the P/E Ratio (Price/Earnings Ratio), a measure of stock value, was almost twice as high for ad agency stocks in London than it was in New York. Apparently, the London Stock Exchange valued agency stocks more highly. Here's what they did.

Using this bit of trans-Atlantic financial leverage, they secured financing and began to buy American agencies.

They could offer the American owners more than they would receive in the US, and still have a higher share price once the stock became part of the British company - Saatchi & Saatchi.

In 1982, the Saatchis purchased Compton, an American agency three times their size, for \$29.2 million.

Prior to purchasing the Compton US, Saatchi & Saatchi purchased the London Compton which gave them their first international clients including P&G, IBM, DuPont, and Kodak.

In 1986, they purchased Ted Bates Worldwide for \$450 million and became the largest agency in the world. Briefly.

The Omnicom Bomb.

After buying Ted Bates, Saatchi & Saatchi reigned as the largest agency in the world - for two weeks.

Concerned about these mergers, BBDO, Doyle Dane Bernbach, and Needham Harper Worldwide joined together to form a \$5 billion agency - one too big to be bought by someone else. Their concerns were genuine.

WPP = Wire Plastic Products?

Can anyone do this trick? Well not anyone, but if you happen to be Martin Sorrell, a key financial player for the Saatchi brothers, you can give it a try. Here's what he did.

Sorrell bought a British shopping cart manufacturer, WPP - Wire Plastic Products. It was a very small company with one very big asset - a London Stock Exchange listing. Quick as you can say "hostile take-over," Sorrell became the owner of Ogilvy & Mather and J. Walter Thompson. More recently, Y & R became part of this agency group. Meanwhile, the first of the mega-agency groups, Interpublic (started by Marion Harper) also grew - Marion Harper was right.

New realities - some of which had nothing to do with advertising - had totally re-shaped the agency business. And there were more changes.

80's Agency Merger Timeline March 1982 - British agency Saatchi & Saatchi buys Compton Communications - enters US market.

June 1985 - Benton & Bowles and D'Arcy MacManus Masius merge to become D'Arcy Masius Benton & Bowles (DMB&B).

January 1986 - Bozell & Jacobs and Kenyon & Eckhardt become Bozell Jacobs Kenyon & Eckhardt (BJK&E).

February 1986 - Saatchi & Saatchi owned Dorland and Dancer Fitzgerald Sample merge to become DFS/ Dorland.

April 1986 - Doyle Dane Bernbach and Needham merge into DDB Needham and then join with BBDO to form Omnicom.

April 1986 - Saatchi & Saatchi buys Backer & Spielvogel.

May 1986 - Saatchi buys Ted Bates.

June 1987 - Saatchi & Saatchi/DFS/Compton formed.

July 1987 - WPP Group, a British holding company, buys JWT.

July 1987 - Young & Rubicam (US), Eurocom (France), and Dentsu Oapan) create joint venture - HDM.

May 1989 - WPP Group buys O&M.

Emperors of Adland: Inside the Advertising Revolution. This entertaining book by Nancy Millman gives you a good view of the mergermania that totally changed the world of advertising agencies. Or, as it says, "A True Tale of Ad Moguls, Mega-Agencies, and TakeoverFrenzy on Madison Avenue."

Agency-Client Relationships.

THOUGH AGENCIES WERE GETTING BIGGER and some global relationships were strengthening, agency-client relationships did not change for the better.

There has been a fundamental, and seismic, shift in the relationships between clients and the advertising agencies who work on behalf of their brands.

Traditionally, agencies have been the intermediary between consumers and the advertising they consume. In the not-so-distant past, the client viewed their agency as a trusted partner, an equal, in the stewardship of the brand. Often as a leader.

The agency unquestionably housed the best and the brightest people. The agency had people who understood the product, and were experts on the consumer and the marketplace.

A Source of Marketing Knowledge.

Advertising agency research staffs spent considerable time studying consumer behavior, mapping out how people interacted with the products.

Clients trusted that agencies were not just advertising experts, but communication experts. Agencies had the ability to translate product features into selling benefits and dramatize these benefits with effective and long-running campaigns.

As a result, client-agency relationships were long-standing. Clients recognized and respected the time it took to develop brand expertise. The best agencies viewed themselves as protectors and defenders of the brand.

A Shift of Power.

But, as we discussed in Lesson One, there had been a shift of power to the marketing departments on the client side. For years, top agency executives had been the marketing experts. Now client-side marketers were catching up and, in many ways, passing the marketers on the agency side.

Client Training Grounds.

Client training grounds such as P&G, General Foods, Colgate-Palmolive, and Pepsico were turning out bright, well-trained marketers who joined marketers of other brands - often, as the head of marketing or advertising.

Steve Ballmer left P&G, where he'd been working on Duncan Hines Cake Mixes, to go to business school. Then, he left B-school for his friend's fledgling software company with a chaotic business operation. He grew with Microsoft - so did his 7% of the stock. Now he's working on Vision Version 2.0.

Steve's story is both exceptional and typical. (Another Steve, Steve Case, left P&G to start the company that became AOL.)

In addition, many top agency people moved to the client side.

Mike Miles, the head of Kraft/General Foods (KGF) and then Phillip Morris had been a Leo Burnett account executive.

Newer companies, like Nike and Starbucks, recruited younger agency people, like Scott Bedbury.



McDonald's feeds a lot of agencies. Here's a current list:

Burrell Communications Group African-American Consumer Public Relations & Marketing

Frankel & Company National Sales Promotion

Leo Burnett Kids, other major projects

DDB Agency of record

del Rivero Messianu Advertising Hispanic Marketing

More on Mergers

Here are some of the other reasons why the mergers made sense.

Multi-National Clients. As marketers merged, it made sense that fewer larger clients would want to deal with fewer larger agencies. Better service and more services for multi-national clients through global agency networks were mentioned as motivating reasons. Many clients did not agree. Account conflicts plagued many mergers. A number of large clients ended long-standing relationships.

Staff Cuts and Increased Debt. Many merged agencies downsized to eliminate "redundant" positions and acquired agencies cut staff to help pay the new debt burden.

Growing Size and Resources.

Meanwhile, client marketing departments grew in size, sophistication, experience, and resources - they no longer needed to depend only on agency expertise.

Former agency people, like Lisa Fortini-Campbell, began offering their services directly to clients.

Less client dependency also led to a long-term squeeze on the agency commission system, since commissions had been used to pay for these extra marketing services.

How deep was the shift to marketing? The world's largest manufacturer, General Motors, brought in a new chairman of the board - John Smale, former head of P&G, the place where brand management was born. Smale was extremely influential in implementing a deep-rooted change in GM management.

Example: United Airlines

United Airlines' switch was a good example. First, they hired a non-agency research group to get at attitudes of frequent flyers.

When the agency did not respond to the implications of this outside research as the client wished, United put its \$120 million account in review: The account had been at Leo Burnett for 31 years. Had Burnett been doing a bad job? Not really.

"Fly the Friendly Skies" with Gershwin's "Rhapsody in Blue" was some of the more memorable advertising in the category.

However, it was not connecting with the target. A competing agency described it as "the world's best irrelevant advertising." They won the business.

United's explanation for taking their account away from Burnett hinged on the agency's failure to connect with today's airline passengers. They felt the advertising needed something more than a catchy slogan and memorable music.

"The world is changing in dramatic ways, and the rules of success are different," said Pat Fallon, chairman of the Minneapolis creative shop Fallon McElligott which was hired as lead global agency for United. "If a client understands that before an agency, an agency can get into real trouble."

More Account Changes.

The United review started a trend. Delta Airlines fired their agency a few months later, ending a 51-year relationship. They ended up hiring Leo Burnett, United's old agency.

Then came a barrage of other reviews: by May of 1997, twenty-seven other accounts worth at least \$30 million in billings had switched agencies. One client-agency relationship, Kodak/JWT had lasted since the turn of the century. No more.

A 1996 study from the American Association of Advertising Agencies found that agency-client relationships had dropped to 5.3 years on average from 7.2 years in 1984.

That's a 25% decrease - and the changes may be accelerating.

Steve Ballmer had to make some dramatic shifts of focus when he moved from P&G in Cincinnati to Microsoft in Redmond, Washington. As an assistant brand manager on Duncan Hines Cake Mixes, he was learning at one of the premiere packaged goods marketers in the world. He worked on a brand that had remained fairly constant, with a very traditional target. From there, he went to a business that was re-inventing itself every

two years. Today, he's facing the challenge of managing one of the world's largest new brands. In addition, to legal issues, here are some of the marketing issues he will be focusing on:

- Customer Satisfaction. A whole re-organization will be put in place organized around customer needs. This also means a boost to customer support and sending engineers into the field to meet with corporate customers.
- Corporate Software Sales. He'll focus on increasing share in the corporate database and e-commerce businesses.
- The Web Business. This has been a tough road for Microsoft.
- Small Is Smart. With over 27,000 employees, Steve will try to get everyone focused on their customers. It's a big change from bundt cake.

Sources: *Business Week*, 9/14/98 and 5/17/99; *Chicago Tribune*, 9/20/98

The New Reality. More Vendors. Fewer Partners.

The new reality is this - more and more clients now view agencies as relatively easy-to-replace vendors, not partners.

Unbundling Begins.

Large clients regularly split portions of their account among several agencies - even splitting tasks - with one taking creative responsibility while another handles media buying. (United opted for two agencies: Fallon McElligott to handle US advertising and Y&R for international.)

Even when a client has a lead agency, other shops may be brought in on project work. McDonald's agency of record was Leo Burnett, but several other agencies handled advertising for specialized targets, products, and promotions.

Then, Leo Burnett's relationship with McDonald's changed as DDB/Needham, which had been the major agency in the past, won back large portions of the account.

No longer did sophisticated agencies allocate resources for unsophisticated clients. Agencies had new ground rules.

Example: Coca-Cola.

In 1993, Coca-Cola's chief marketing officer, Sergio Zyman, engaged as many as 24 separate sources to work on Coke Classic. McCann-Erickson still placed media.

This was the "Always" campaign, which has been judged as successful marketing - Coke's share went from 40.7 to 43.9. While many advertising professionals cited Pepsi-Cola for better and more consistent advertising, marketplace results were somewhat at odds with this evaluation. Again, strong marketing beat strong advertising.

Additional Changes...

The agency-client relationship shifted for other reasons, too.

Advertising agencies work under unique pressures of their own - they are very unusual businesses.

Pressures came from everywhere - including from within the agencies themselves. Each caused further change.

The major pressures were:

- Client Mergers
- Compensation

- Costs
- Challenges for Improved "Creativity"

Let's take them one by one.

Client Mergers.

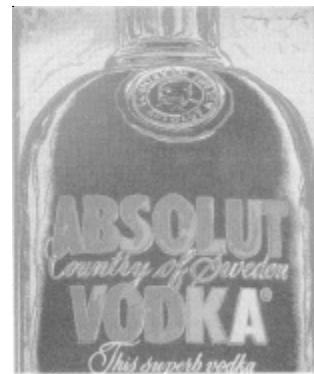
As mentioned, mergers had also been sweeping the marketplace on the client side.

It started well before the agency mergers - and it kept on going. The merging of marketers had two effects on agencies.

First, fewer clients. Second, more financial pressures.

Fewer Clients.

With every merger or acquisition by a major marketer, an "agency re-alignment" was sure to follow.



Absolut Warhol

Absolut Shift.

The client changed agencies - the advertising stayed the same. When Absolut Vodka switched ownership, the advertising went to a new agency - but stayed exactly the same. Their success continues with a campaign that is now part of traveling art shows and even a book!

I think ad agencies are essential to producing good TV commercials. But I also think that ad agencies are self-important, fixated on the wrong things, and overrated," says Sergio Zyman, former Coke marketing director in his book **The End of Marketing As We Know It**.

The result was fewer "clients" overall, even if the number of brands remained the same.

Regional Shrinkage.

This also happened on a local and regional level where mergers of banks and healthcare providers resulted in fewer clients for agencies in smaller markets.

Powerful national retailers like Wal-Mart and Walgreen meant fewer local and regional retail accounts.

These smaller businesses went under in the more competitive modern marketplace.

However, some regional agencies prospered. For example, GSD&M, which was located near

Wal-Mart and Southwest Airlines.

More Financial Pressure.

With the new financing that usually accompanied the merger, there were more pressures on the bottom line.

Marketers had to keep looking for savings. This contributed to another huge change - how agencies were paid.

Compensation.

All this put even more pressure on the media-commission-based compensation system which had been around since the beginning of the century. Erosion was inevitable.

Lower Commissions. More Fees.

More clients reduced the percentage paid on commissions.

Agency reviews usually resulted in a lower commission for the winning agency.

Fee-based compensation became more and more common. A few agency people, notably David Ogilvy and the San Francisco rebel Howard Gossage, had long argued that the system sent the wrong signals.

Agencies were paid for expenditures rather than results. It encouraged a tolerance for inflated media rates and a drive for bigger "commissionable" billings - as opposed to other possibilities. Fees became more common.

Once they only occurred where commissions were not appropriate - such as in new product development. Now they became the standard.

Results-Based Compensation?

Despite much rhetoric and a few attempts, results-based compensation was never adopted on a significant level.

Though it seemed a good idea, some sort of agency control over the advertising was always an implicit part of any results-based arrangement. Clients were reluctant to surrender this kind of control. Occasionally, some sort of "performance bonus" became part of the compensation package.

Unbundling Continues.

The pressure on commissions was accompanied by a further "**unbundling**" of services.

Agency research was no longer "free," and media placement was no longer taken for granted.



Starting today a new agency, Kick-Back Corporation* at 451 Pacific, San Francisco, 415-YUkon 1-0800 will place advertising, prepared by the advertiser, other agency, or creative group. The charge will be 5% of the medium's quoted rates. The remaining 10% will be returned to the originator of the advertising.- Howard Gossage Freeman & Gossage, Inc. Gossage Speaks the Unspeakable. Some trade publications refused to run this announcement. Years later, this became standard practice, as large clients negotiated reduced commissions from their agencies. An Advertising Revolutionary. In the '60s, Howard Gossage's agency was in a San Francisco firehouse. His criticism of the agency commission system inflamed agencies coast to coast. Today, more agencies agree.

With client consolidations and improving media "clout," this side of the business also changed. Higher paid marketing executives expected, and got, the same consideration previously paid to agencies. Clients became bigger players.

Anheuser-Busch and GM formed "in-house" media buying services. In other cases, media buying specialists, such as Western International Media (now Initiative), emerged. Agencies began to promote their media capabilities as a separate service.

In 1998, almost half of the biggest accounts up for grabs were media-only reviews, ranging from Tricon Global Restaurant's \$280 million in media billings to Sara Lees \$80 million.

With that kind of money in play, unbundling stands out as a way for an agency to turn its media department into a stand-alone profit center, and many agencies are doing just that.

An advertising account was becoming a fee for creative, account management, and, often, media planning.

Costs.

Even with all this pressure, costs kept rising. With mergers and buy-outs churning through the industry, agency management felt they should be compensated on a level with top client executives.

Additional cost pressures came with these higher salaries. Salaries for top creative people rose, particularly for agencies desperately needing to improve “creative.”

Agency Pay.

How high are agency salaries? While advertising agencies are notorious for the low salaries paid at entry level (it's a way to weed out the wannabees who don't really have a passion for the business), those who get in can do very well. Advertising Age publishes a salary report every year. Here are figures published 12/7/98:

Lonely but Well-Paid at the Top. Total 1997 compensation (salary plus bonuses) for Grey Advertising's top officers:

Chairman/President/CEO	\$4,634,347
Executive VP, Creative Services	\$1,470,207
President, Grey USA	\$1,340,854
President, Grey International	\$897,280

Creativity Has Its Rewards Average salary plus bonus for creative jobs in US agencies: Creative Director \$106,100

Associate Creative Director	\$85,400
Art Director	\$51,900
Copywriter	\$50,900.00

Working Women.

A recent salary survey by Working Woman magazine showed some good news for women - particularly those in advertising. - In advertising, female chief executives averaged an annual salary of \$275,000, compared with \$253,100 for men.

Fewer Agency “Extras.”

In the good old days, agencies were consumer experts. When merger mania hit advertising in the '80s, personnel cuts hit research departments first, leaving only a handful of large agencies with sizable research staffs.

By largely abandoning research, agencies lost one of their claims to superior consumer expertise. And they felt even more pressure to “unbundle.” The emphasis on the bottom line that came with mergers led many agencies to start offering certain services a la carte.

For example, a number of major agencies now have media departments that are allowed to solicit business from clients who are using other agencies to do their creative work. Once an agency begins unbundling services, it is effectively saying “it doesn't matter who does your creative, we can do your media” (or your creative, or your package design, etc.).

It's not hard to see how to day's more sophisticated clients might begin to view agencies as easily interchangeable.

Bigger is Not Always Better.

Finally, many large clients seem to view the mega-agencies as dinosaurs, at least when it comes to their creative product. Medium sized shops are seen as far edgier, much more likely to produce break-through creative.

Fallon's win on United is one example. Amra awarded its \$120 million account to Suissa Miller in Santa Monica. (Suissa Millers total billings prior to winning Acura were \$80 million.)

Example: The Ad Store

These changes create new opportunities. Here's an example. After a successful agency career, Paul wanted to return to the core

business of creating brand-building ideas. And he did. Now you could do it with some talent and a computer.

Paul Cappelli's philosophy in creating The Ad Store sums up the point nicely: “

“.... The Ad Store gives you the freedom you've always wanted but couldn't get from traditional agencies shackled by outdated overhead operations.”

New small agencies based on talent and technology are just one of many opportunities in today's new marketplace.

Challenges for Improved Creativity.

With all of this, “creative” became even more important. Memorable creative work became the mark of a successful agency and something clients looked for.

Just as one strong creative idea can often have a dramatic impact on advertising effectiveness, a few talented creative people can have enormous impact on an agency's business.

An Agency Strength.

A few fashion industry clients - particularly Calvin Klein and all brands at The Gap (The Gap, Banana Republic, Old Navy) were able to develop very good job “in-house” creative operations.

But even though there were spectacular exceptions, in general, this was the one thing that most clients could not do well.

It was the most unique part of an advertising agency and demanded some fairly non-traditional skills.

While it had always been an important factor, this now became the single most important factor. And, all it took were a few good people and some breakthrough campaigns.

Now agencies of every size were considered by clients looking for fresh ideas. Small agencies with unique creative talent grew dramatically.

This was one of the key factors that fed the rise of creatively driven regional agencies.

Effectiveness Questions.

AN OLD QUESTION IS BEING ASKED more than ever. “Is my advertising working?” Today, it's difficult to identify the immediate effects of most mass media advertising.

While clients can very quickly see the impact of sales promotion programs, count the responses for direct marketing offers, and count the hits on Web marketing efforts, the same can't usually be said for advertising. Put a coupon in the Sunday newspaper, and you can start counting redemptions within a week.

Pay \$500,000 or more to run a 30-second image-building commercial on Seinfeld, and you may wonder what impact it had.

“Brands in Trouble.”

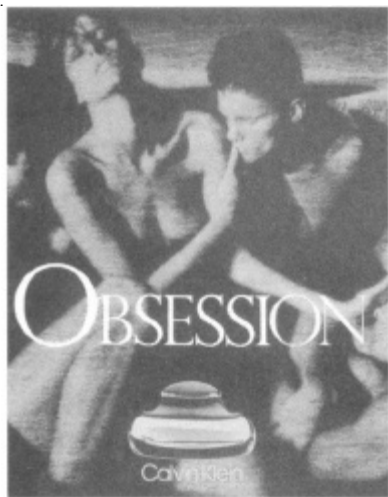
This has been a growing concern.



What's New at Old Navy? In-house advertising groups keep things hip for The Gap, Banana Republic, and Old Navy. Each brand maintains its own style of advertising, promoting their products to a different price point - though the target audiences have some overlap.



Tough Going. And Going. And Going. With only one meaningful product attribute - durability - Energizer had to go up against Duracell - the market leader. They did it with the same basic claim, but an advertising approach that developed great strength. Now, they have to make sure they maintain the connection with consumers - by putting the pink bunny on the packaging.



In-House advertising is no longer a barrier to breakthrough creative work. Calvin Klein has in-house department.

In 1991, Advertising Age featured an article titled "Brands in Trouble." The essence of the story was that brand loyalty was becoming a thing of the past and that marketers and their agencies needed to take drastic steps to salvage brands.

Part of the criticism was directed at advertising for failing to maintain brand identities and not developing clearly differentiated images for brands.

Much of the blame was also attributed to sales promotion and retailers' activities. (More on those later.)

While not everyone in the advertising business might agree with those charges, anyone who's been involved in the field for more than a couple of years will acknowledge that the advertising industry, and the marketplace, have changed greatly.

Sales Promotion and Competition for Resources.

At the same time that the task of advertising became more difficult and more complex, sales promotion - the use of incentives to stimulate sales - became more important. Sales promotion efforts, such as discounts and other incentives, became a larger part of marketing budgets - another result of more and more mature categories.

These incentives produced short-term gains, though not always profitability. The cost of these programs placed further pressures on marketing budgets.

The Going Gets Tough.

Technological advances, such as supermarket scanners, led a drive for much more accountability in all marketing efforts. Combine this difficulty in tracking results (ie. sales) with a few other factors:

- **Tougher Media Decisions.** The increasing challenge of reaching a large audience with messages - due to media costs, audience fragmentation, and clutter.
- **More Messages.** The mere fact of more and more messages essentially trains consumers to tune out a large percentage of all advertising messages.
- **Tougher Competition.** Most product categories are mature - and populated by savvy "been there done that" consumers.

With all that, the basis for concern about the relative effectiveness of most advertising becomes clear (see table below).

Advertising Three Biggest Problems

Let's take a look at the three biggest challenges affecting advertising effectiveness in the marketplace:

1. **Media Efficiency.** Most media costs have risen faster than inflation. Rising CPM (Cost Per Thousand) has also been accompanied by shrinking audiences and increased clutter. The effectiveness of media dollars deteriorates dramatically.
2. **Category Maturity.** As product categories become more mature, advertising becomes less effective. There are two reasons. First, customers are familiar with both your brand and, most likely, the competition. Preferences are now well established and based on experience. This tends to make communication without some sort of major product news relatively unpersuasive. Second, if there is a competitive product change, it is often matched quickly, either with a similar improvement, or a price reduction. Mature categories tend to evolve to more competition based on price and promotion.
3. **Consumer Overload.** A related issue to all of this is the consumer - you, everybody. There are so many messages competing for our attention that it is not humanly possible to respond to all of them. That's why we all become more selective in our responses to messages. This makes it more

important than ever to discover and develop insights into the most effective consumer appeals.

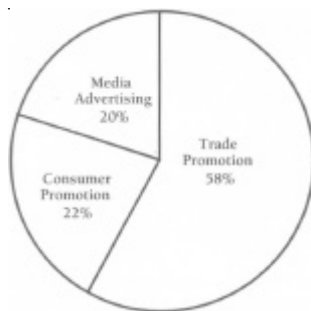
Which brings marketers and agencies alike to the question: does advertising really work anymore, anyway?

That's "advertising" as in traditional, mass media, mass audience advertising.

Many clients have been wondering about that for a while now. While chances are that most marketing people on the client side see benefit in advertising, financial people (the ones who control the budgets) have become increasingly difficult to persuade.

So, marketing people on the client side are feeling pressure from their bosses, and agency people in turn are feeling pressure from clients. And, it gets tougher.

Advertising & Production



Consumer Product Expenditures. From Nielsen's "8th Annual Survey of Trade Promotion Practices," 7/98



The Cost of Promotion. Twinkies offers 25¢ and 35¢ coupons, and they'll buy you a half gallon of milk (with conditions). They paid for the FSI and who knows what else.

Lower Budgets. More Competition.

A Smaller Piece of the Pie.

While overall advertising spending keeps climbing. In many companies advertising gets less of the marketing budget pie than retailer-directed sales promotion, consumer-directed sales promotion, and even direct marketing.

To make matters worse, the continual increase in media rates, combined with media fragmentation, has decreased cost efficiencies even further.

So, for many marketers, there's been a decrease in advertising spending relative to other forms of marketing communications. Advertising is a smaller proportion of budgets.

This isn't obvious, because advertising is the part you see, and it's hard to see things like trade allowances.

But take a look at the pie chart above - that shows how much of the marketing dollar you don't see for consumer products.

Add-on Services - Mixed Success.

As a result, advertising agencies have been feeling the pinch even further. Some have responded by offering sales promotion and direct marketing services - but with mixed success.

In most cases, agencies find themselves fighting for even the budget increases needed to keep up with the rising cost of media time and space. Meanwhile clients try to make up the cost increase by squeezing compensation even more.

The Growth of Promotional Expenditures.

Take another look at the breakdown of relative spending on advertising and promotion.

The chart in the sidebar shows you the size of the squeeze.

For consumer products tracked by Nielsen, advertising is just 20% of the picture. Consumer promotions are big, and promotions to the trade are huge - over half the expense.

These are huge budgetary pressures that every marketer faces, particularly those who deal with strong retailers.

A Vastly Different Marketplace - For Everyone.

This combination of relationship changes, unbundling of marketing services, reduced advertising effectiveness, and shrinking budgets has created a vastly different marketplace - much different than the one we saw in Lesson One.

Virtually all marketers now find the level of competition greatly increased. Traditional advertising agencies find their ability to build brands greatly constrained.

Shrinking and Growing.

That's why, today, you will simultaneously find some parts of the marketing and advertising job market shrinking and under great stress while other parts are expanding rapidly with almost unlimited opportunity.

This situation is the result of some major changes in the marketplace, changes that present challenges to all would-be brand builders.

Rising to the Challenge.

For example, in the midst of all these problems, advertising created another fresh new revolution.

In a business that was becoming more challenging, a whole new generation of agencies grew and prospered.

Billings Rise in the West.

Some examples of the new importance of West Coast marketers:

Automobiles.

In 1980, Honda announced sales of one million cars in America, with over 94% of the imports still in service. Advertising that drove this growth was created by Chiat/Day, which later became Nissan's agency. When GM wanted to build a brand to compete with these cars, they looked West as well. Hal Riney was selected to develop the Saturn brand.

Computers.

In 1982, Apple computer, also a Chiat/Day client, began an aggressive ad campaign to change the image of what was thought to be a complex and mysterious electronic machine the personal computer. And up in Seattle, Microsoft kept on building their brand.

Fashion.

Levis, Nike, The Gap, and others showed that powerful trendsetting fashion advertising no longer had to originate in NY.

and Entertainment.

As movie production budgets rose, so did movie marketing budgets. Soon, big movies took their place among the largest advertisers. And the largest ad medium, television, was becoming a West Coast business.

The Rise of Regional Agencies.

REMEMBER DAN WIEDEN? In the somewhat out-of-the-way city of Portland, Oregon, he and Dave Kennedy were building an agency that reflected the values of their most important client - Nike.

In Austin, Roy Spence and his friends at GSD&M were starting to hit their stride. It was a regional revolution.

A Regional Creative Renaissance.

The '70s had seen a creative renaissance in midsize markets. The creative revolution of the '60s was born and nurtured in Chicago and New York City. This new creative era was diffused across the country.

Strong work emerged from Austin, Boston, Dallas, Los Angeles, Milwaukee, Philadelphia, Richmond, San Francisco, Seattle, and Minneapolis, as well as Portland. New York's share of US ad billings shrunk from 49% in 1974 to 44% in 1984. David Ogilvy observed in a New York Ad Club speech that smaller agencies and clients with small budgets were willing to take more risks. That was just a small part of it.

Three Major Factors.

Three major factors fueled the rise of these creatively driven regional agencies.

- Major Marketers outside of New York
- A "Download" of Creative Tools and Technology
- Bill Bernbach's Influence

All this changed advertising once again.

Major Marketers in Non-Major Markets.

As companies merged, not all major marketers headquartered on the East Coast. Nor did they look to New York.

On the West Coast, Japanese auto manufacturers and Silicon Valley's emerging computer industry fueled explosive growth in

what was once a small advertising market with very few big clients (see sidebar).

Unique breakthrough companies with innovative marketing like 3M in Minneapolis, Timberland in Boston, Southwest Airlines in Texas, and Nike in Portland - connected with cutting edge creative agencies in their markets.

Other new clients with new needs emerged.

Powerful regional marketing forces, ranging from state tourism boards and lotteries to healthcare providers, needed provocative and appealing creative work to compete.

What clients want, clients get.

Tools & Technology.

Now good type, fine photography, and sophisticated broadcast production were available pretty much everywhere - no longer restricted to big markets and big budgets.

Agencies now set type on computers, good photographers were now in every market, and local TV stations had video capabilities once restricted to high-cost specialists.

Bad news for old-line type houses.

Good news for Adobe, H-P, Macintosh and all the other new companies and new brands supplying the new computer-based tools of the creative department.

Perception.



Rolling Stones

Changing Perceptions. One of the early trendsetting Minneapolis campaigns was Fallon McElligott's work for Rolling Stone, changing the image from '60s "protest" to one that was more mainstream.

Bill Bernbach's Influence.

A whole generation had grown up aspiring to the standards of the creative standard bearers - primarily Bill Bernbach. Award books were the learning libraries. In every market, local ad clubs and award shows saluted local and regional work built on Bill Bernbach and Paul Rand's stunning new combinations of words and visuals.

Minneapolis Becomes an Ad Center.

Ron Anderson was credited as the fountainhead, but it was Tom McElligott and Nancy Rice of Fallon, McElligott, Rice who received industry attention.

Minneapolis? Suddenly this pleasant Midwestern center was the winner of national creative awards for Federal Express, Rolling Stone, Hush Puppies, The Wall Street Journal, and Porsche.

But it wasn't just one agency, it was the whole city.

The Minneapolis/St. Paul Advertising Club Award book (called "The Bible") now rivaled any New York show.

Unlike the Saatchis, whose mission was to become the largest agency in the world, Fallon McElligotts mission was more focused. Pat Fallon, the business partner of the agency, set out to acquire twenty-five blue chip clients.

Fallon also attracted top agency execs from other markets, like Mark Goldstein, Bill Westbrook, and Rob White.

Smaller agencies such as Carmichael/Lynch, Clarity Coverdale Rueff, and others attracted business nationwide.

San Francisco Becomes a Major Advertising Market.

San Francisco featured a number of important individuals. Hal Riney grew O&M in San Francisco into his own agency with a unique "heartland" style that often featured his distinctive voice as an announcer.

Hal Riney's voice was even used for President Reagan's "Morning in America" re-election campaign. There was Riney's "geezer chic" for the entirely fictitious Bartels & Jaymes - made by the very real Gallo Brothers. And, of course, his work for GMs Saturn introduction.

- Jeff Goodby, Rich Silverstein, and Andy Berlin left Riney's agency early on and founded one dedicated to the memory of Howard Luck Gossage.

Luck, however, had little to do with the success of Goodby Berlin & Silverstein (now Goodby Silverstein & Partners).

Their creative skill helped grow a \$1 billion agency with a client list that included H-P, Polaroid, Porsche, Isuzu, A-B, and the popular "Got Milk?" campaign.

At staid FCB in San Francisco, Mike Koelker wove some of America's favorite advertising for Levi's.

As the quality and quantity of the work grew, more clients (never reluctant to fly to San Francisco for a meeting) went looking for a San Francisco agency.



Rich Silverstein and Jeff Goodby teamed up to build a billion dollar agency that features some of your favorite campaigns: Louie the Lizard, Got Milk, E*Trade, Chevy~ (Fresh Mex), H-P, and more.

The Power of Creativity. With competitive clutter at an unprecedented level, creativity is the deciding factor for big brands like Discover, H-P, and Budweiser. And that's why Rich and Jeff's agency has grown - through a commitment to those kinds of messages.

The Power of Storytelling. What's their secret? Look at their reel and every commercial tells a story. "We are classic storytellers," says Silverstein. "We look for timeless storytelling, honest scripts, and players that reflect that script. You can see it in something as simple as a poster for milk. Got it?"



And More...

There were many other first-rate creative agencies:

- David Martin and Harry Jacobs of The Martin Agency in Richmond, Virginia, helped lead the renaissance in the South;
- Stan Richards and The Richards Group in Dallas;
- GSD&M (Roy Spence and his friends in Austin);
- Boston featured Hill Holliday, Connors Cosmopolos, and then Arnold Advertising and the Mullen Agency.

These last two now do ads for VW and BMW Hill Holliday copywriter Bill Heater featured himself in the first of a powerful "Real Life. Real Answers" series for John Hancock.

All these were influential. But the two with the most powerful influence were Chiat/Day and Wieden + Kennedy.

Chiat/Day.

Jay Chiat and Guy Day met when they got together to discuss merging their two small agencies. In 1962, the merger created a new agency, Chiat/Day, with 50 employees and a few small local accounts. Guy left the agency early on.

Jay Chiat's stated philosophy was to "take the best people you can find, create an environment that encourages their best work, and then stick up for them when they do it." Chief among them was:

- Lee Clow, a California surfer turned to brilliant art direction. He majored in advertising and design at Long Beach State and joined Chiat/Day as art director in 1972.

Chiat/Day Imports Account Planning.

After seeing the impact account planning was having in the UK, Chiat hired planners from England and became the first major US agency to use the process.

He brought over Jane Newman as their first planner.

Chiat/Day led the way to bringing the power of account planning into the advertising development process in the US.

Chiat/Day produced work for Honda, Porsche, and Nissan, Yamaha, Pizza Hut, American Express, the Nike “ambush” campaign, and Apples “1984.”

Their work had a bold tone and an unmistakable style.



Ambush! Though Nike was not an official sponsor of the 1984 Olympics, their high-impact outdoor boards throughout LA made them look like one.

“Agency of the Decade.”

Ad Age named Chiat/Day “Agency of the Decade” in 1989, based on their growth, award-winning work, and blue-chip client list.

Other influential creative people worked at Chiat/Day: Steve Hayden, of the famous “1984” commercial (now handling IBM for O&M), film directors Jeff Gorman and Gary Johns, and Bob Kuperman, a DDB art director who proved top creatives can be top executives - he became Chiat/Day’s president.

In addition to bringing account planning to the United States, their “virtual office” was one of the more interesting experiments in American business.

Wieden + Kennedy.

IN 1979, A SMALL AGENCY IN PORTLAND began working on advertising for a little known athletic shoe brand - Nike.

By the time ten years had passed, both Nike and Wieden + Kennedy had changed their industries.

Neither shoes nor advertising would be the same.

Early Days.

It was work for Honda Scooters that first indicated W&K would be something different. Supermodel Grace Jones and rocker Lou Reed added their unique looks and music. The early Nike work was handsome and well done - first aiming to reach runners and other dedicated athletes.

A Democratic Approach.

Just as Dan wanted to remove artificial barriers in communication (he didn’t even like calling it advertising), they tried to do the same thing at work.

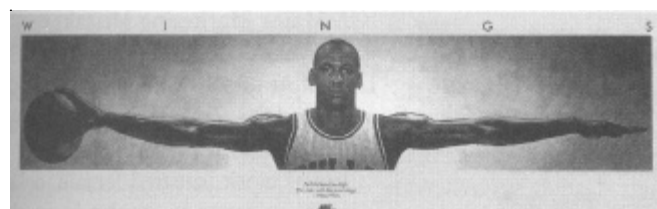
So when it was time to present a campaign idea for a new Nike shoe, the winner was... a young assistant in the production department. She thought the Beatles song “Revolution” would project the right attitude. And it did.

The Personal Truth.

Runners are special people - with a personal focus and dedication to excellence. This attitude was at the core of Phil Knight and his growing shoe company.

To touch that target audience, W + K searched for what Dan called “the personal truth, something that the audience would identify with as true about them.

For long-distance runners, that truth might be one thing, for tennis players another, and for basketball players...



The Kid from North Carolina.

Today Michael Jordan is one of the most recognized personalities on the planet. But it wasn’t always that way.

Talented and personable, he was a basketball player - not a brand. But Jim Riswold and Spike Lee changed all that.

Jim Riswold was a philosophy major turned to copywriting typical of the unique talents at W+K. He connected with Michael Jordan as a fan and got Spike Lee, then a little-known young director, to connect with Jordan as Mars Blackmon, Lees character in his first feature, She’s Gotta Have It.

The chemistry was perfect. It allowed Jordan to evolve from a slam-dunk highlight into a real person. This not only set the stage for Jordan’s (and Nike’s) commercial growth, it set a new standard for other Nike-endorsing athletes. David Robinson in Mr. Robinson’s neighborhood, Charles Barkley with Godzilla (the original one), and multi-sport athlete Bo Jackson in “Bo Knows” with Bo Diddley.

Each commercial seemed to top the previous one -like athletes going for their next personal best.

Just Do It.

As the work grew, three little words at the end of Nike spots grew along with them - “just do it.”

As Dan described it, each of the feelings, each of the “personal truths” in each spot, would feed into these three words. And the Nike logo and theme transcended advertising and entered into the culture.

Now people paid extra to wear the logo and ad theme on their I-shirts and sportswear. As the campaign grew, so did Nike.

Learning from Mistakes.

Even the missteps resulted in better work.

Briefly, Nike added Chiat/Day (the Olympic “ambush” outdoor campaign was the main result). But W+K won the business back.

A Major Marketing Mistake.

The initial mistake was in Nike's first effort to sell women's shoes and sportswear - a major growth opportunity - and they failed. Initial work featured female jocks - with an attitude similar to work aimed at men - pull Michael, stick in Mary. It didn't work. But they learned - and got better. What W+K and Nike learned was that the idea of sport and fitness was an entirely different "personal truth" for women. It's not about copying famous heroes - like it is for boys. For women, it's about your own personal best - not emulating a pro.

The result was, again, even better work - a stunning print campaign that spoke to the heart - what it was like to be the last girl picked in gym class - what it means to exercise.

The first work was done by a writer/art director team Charlotte Moore and Janet Champ.

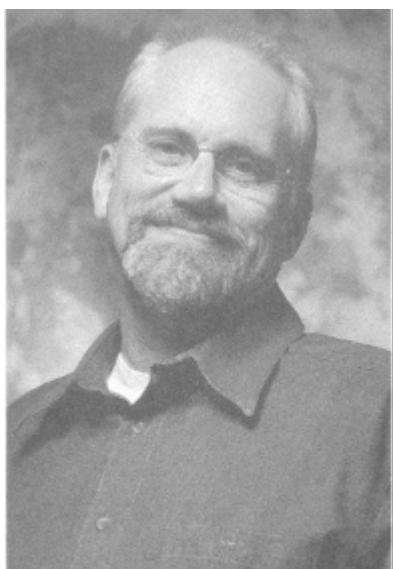
Most Valuable Players.

Around the advertising industry, everyone wanted to "be like Nike," and W+K's client list grew to include (at various times) Microsoft, Miller, and Coca-Cola.

The smart and funny ads for ESPN SportCenter come from that little agency in Portland. So do the ads for PowerBar And, just as Bill Bernbach and his team created a generation of DDB wannabees, Wieden + Kennedy, in some minds, managed to move the center of advertising to Portland, Oregon.

Dan and Dave Go to New York.

But Dan Wieden and Dave Kennedy (now sort of retired) do leave town occasionally. They even go to New York. In 1999, they went there to be honored as the newest members of the Art Director and Copywriter Hall of Fame. Once again, individuals with a vision changed advertising. And just in time. Because advertising was changing again. Dan Wieden, Revolutionary.



Why Advertising Changed.

NOW A VITAL NEW GROUP OF AGENCIES have joined the larger-than-ever agencies of an earlier generation.

All agencies, new and old - from regional shops with a creative orientation to one of the originals (now grown to serve global brands for international marketers) - had to come to grips with a dramatically changing marketplace.

The New World for Brands.

It's a tough world out there for brands. While many of today's category leaders are the same brands that topped sales charts twenty or even thirty years ago, the marketplace they're competing in is dramatically different.

There have been major changes in four key areas:

- **Media Evolution** - an expanding media landscape crowded with players appealing to ever more narrow audiences with powerful new media brands fighting for share and position.
- **Consumer Changes** - we've grown up with advertising and marketing. We've been a target audience since we were old enough to recognize a cereal box. Today's marketplace is full of consumers who are savvier than ever. They present their own unique challenges and opportunities.
- **Globalization and World Brands** - it's a new world all around the world. The globalization of brands, marketers, and agencies is another important influence.
- **Competitive Changes** - there's been a major re-mapping of the competitive playing field. It's tougher, it's faster, and there are some big new players in the game.

Each of these factors has contributed to the "Brands in Trouble" scenario described by Advertising Age, and each has affected the way advertising and other marketing communications efforts are planned and implemented.

Media Evolution.

While advertising agency media departments are working harder than ever to try to find ways to reach their clients' target audiences, the media industry is exploding with more and more "niche" media.

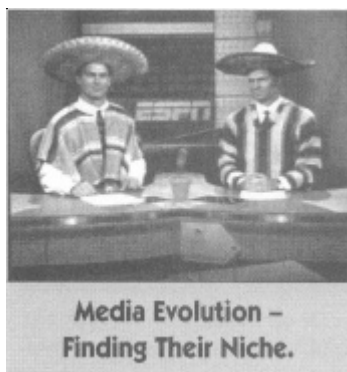
Mass Audience Erosion.

For many marketers, "mass" media is now something of a misnomer in today's marketplace. NBC was the top-rated television network for the 1996-97 season with an average rating of 10.5, meaning that its programs averaged a viewership of only 10.5% of all US television households.

That 10.5 rating was down 10% from the previous television season. As a group, the top 3 networks' (ABC, CBS, and NBC) combined viewership for the 1996-97 season was 8.2% lower than their 1995-96 season viewing.

With network television ratings lower than ever before, you might wonder whether brands can still establish dominance through advertising?

Yes, but at a high price.



ESPN is an excellent example of an emerging media brand: three cable channels - ESPN, ESPN2, and ESPN Classic – a sports radio network, theme sports bars, and a new sports magazine. Plus, great advertising from agencies like Wieden + Kennedy.

Consumer Changes Create Changing Markets

Campbell's sees new habits changing who eats soup and how it's prepared. Meanwhile, Kellogg's is wrestling with a world that has less time for breakfast. Big changes mean that even big brands have new challenges.



"Pushing Water Uphill." Campbell's works hard to connect its traditional products with emerging trends. But even the smartest marketing has its limits.

The top-spending brand during the first six months of 1998 was Chevrolet cars and trucks, spending \$347,700,400. The Ford brand of cars and trucks was second at \$327,591,300.

US Brand Leadership:

In 1988, Landor Associates asked 1,000 consumers which brands they were most familiar with and liked best. Here were the top 20:

1. Coca-Cola
2. Campbell's
3. Pepsi-Cola
4. AT&T
5. McDonald's
6. American Express
7. Kellogg's
8. IBM

9. Levi's
10. Sears
11. Disney
12. Hershey's
13. NBC
14. MasterCard
15. Tylenol
16. Kentucky Fried Chicken
17. Kodak
18. Windex
19. Kleenex
20. Budweiser

That was in 1988.

Many brands are still leaders, but the world has changed.

More Changes.

KFC has removed Fried from its name. Levi's, once the brand of the youth culture, became "your father's blue jeans."

AT and T is trying to enter the worlds of cable and wireless, and Kodak finds itself in a world of digital imaging - with new challenges and competitors. Some of these are not problems that can be fixed by advertising alone.

The World's 10 Most Valuable Brands

Rank	Brand	2002 Brand Value (\$Billions)
------	-------	-------------------------------

1	Coca-cola	69.6
2	Microsoft	64.1
3	Ibm	51.2
4	Ge	41.3
5	Intel	30.9
6	Nokia	30.0
7	Disney	29.3
8	Mcdonald's	26.4
9	Marlboro	24.2
10	Mercedes	21.0

Data: Interbrand Corp., J.P. Morgan Chase & Co.

Niche-Audience Explosion.

Of course, not every brand needs to reach a mass audience. Many brands - rent -a-car companies, for example - depend on a relatively small group of customers for a large part of their business.

In the world of media, there has been a tremendous growth and a new world of exciting opportunities.

The rise in the number of niche-oriented publications and cable television channels has been a boon to such brands, but proliferation pains are being felt there as well. Recently, there were at least six sports-themed magazines targeted at women either being published or in development.

If Columbia House CD Club wants to prospect for new members on cable television, they might need to advertise on MYV, VH-1, CMY (Country Music Television), TNN (The Nashville Network), and BET (Black Entertainment Television) at a minimum (other networks also offer some music programming).

Even their "special introductory offer" might need to feature very different musical styles for each cable network.

All this means that the role of media planning today is much different and much more difficult than it used to be.

Planning for New Media Opportunities.

Let's assume the ad agency media department is staffed by people who have a good handle on standard media options.

They know the difference between Seventeen, YM, and Sassy.

They know when syndicated episodes of Home Improvement air in every major market in the country.

They're fabled throughout the industry for their ability to pick which of the new fall broadcast network series will win in each and every time slot.

As you'll realize when you get to the chapters on media, that's already asking a lot from an agency. But, in today's marketplace, it's still not enough.

New Interactive Opportunities.

What about interactive advertising media?

Should the brand have its own Web site?

If so, where should that Web site be advertised?

Maybe this brand would benefit from sponsorship tie-ins.

Example: Samsonite Luggage

Perhaps your product is targeted at people who do a lot of traveling by air, so ads should be on CNN Airport and airport displays and demonstrations might be considered.

Leo Burnett did this to good effect for their client Samsonite.

They added airport displays and luggage demonstrations aimed at reaching frequent travelers. This was a dramatically different way for a large agency to approach media.

The point is, in addition to the proliferation of traditional media vehicles (magazines, networks, programs), there are a vast array of new media types out there. And, it's tough for a media department to keep up with all the changes in order to come up with a comprehensive media strategy for the brand.

The "Other" Critical Agency Service.

Yet, this is "the other" critical agency service.

Today, marketers look for creative skills and media expertise sometimes from different agencies.

Consumer Changes.

As things move faster, it's difficult for an agency, even one with a research department, to keep up with "been-there-done-that" consumers. And today, that's just about everyone.

Savvier Consumers.

In the US marketplace, and in many other developed countries, consumers view advertising, sales promotion, and other forms of marketing communications as givens.

They take it for granted. They know what advertising's all about, they know marketers want their money, and they tend to ignore far more messages than they heed.

Business Week described today's consumers as "a generation skeptical of any sales pitch and insatiable in its hunger for nonstop entertainment." Persuading these consumers is a real challenge.

In many ways, this group of consumers is far less brand loyal.

Many switch from brand to brand, largely on the basis of price differences or promotional offers. Many see few differences among brands within any given product category.

Today, it's the "Samurai Consumer," a tough, experienced veteran of the marketplace, who expects both quality and value.

(To find out more about the "Samurai Consumer," look up

"The Second Boston Tea Party" on adbuzz.com.)

Changing Loyalties.

Loyalties can change quickly. As this book was being written, leading consumer brands like Nike, Levis, and McDonalds found themselves big brands with big problems.

This is often true as today's marketers work hard to match competitors' product improvements - resulting in a rising level of product parity. Things get better. Things get tougher.

For Nike, Levis, and McDonalds, each found major competitors with improved marketing. And each were, to some extent, the victims of their own success.



Tougher Consumers expect more than ever. That means every marketer has to keep improving on past performance.

McDonald's just invested huge amounts of money to change their kitchens.



Tougher Competitors. Many switch from brand to brand, largely on the basis of price differences, new products, or promotional offers



Levi's, a symbol of the youth culture, became an adult brand as loyal customers aged. And many new customers are not necessarily going to go with their parents' brand.

Now, as sales of the flagship jeans line slip, Levi's is giving more attention to its Dockers and Slates brands, products designed to better fit the aging Baby Boomers that made Levi's synonymous with jeans.

"Pushing Water Uphill."

What's stranger than Levi's losing its hipness? How about Campbell's backing away from condensed soup?

They found that changing meal habits had made selling condensed soup "like pushing water uphill." Abandoning a \$50 million marketing campaign, they decided to refocus on full-strength soups as the growth area.

It's a major business decision: the condensed line represented 66% of Campbell's Soup sales in 1998. But, with consumers becoming more convenience-oriented, Campbell's faced up to the consequences - backing off on their condensed line in favor of their newer ready-to-serve soups.

Store Brands and More Brands.

Many are increasingly likely to choose store brands - like Wal-Mart's 'Equate' - over manufacturers' brands. Many of them actively distrust advertising; others rely on recommendations from magazines like Consumer Reports or the advice of friends when selecting a brand. Successful store brands, for example, have had a huge impact on jeans sales.

Consumers Have learned How to Get What They Want.

Meanwhile, more and more hop on the Internet to read what others have to say about a particular product or service before making their own decision. Add it all up and you have a very smart group of people who know what they want, know how to track down information on products when they have to, and know all the tricks of the advertising trade.

It's going to take something more than a pretty thirty-second TV commercial to get them to buy.

Today's consumers, whether they're Baby Boomers or twenty something's, don't like to be treated as a homogeneous group.

They're individualists, and they seek out products that foster self-expression. So, with the right product mix, a discount retailer like Target can market itself as a destination for unique taste and quality - and develop a unique position in the marketplace.

Expanding Options for Everyone.

Many product categories are crowded with niche brands.

Take a look at the brand lineup for children's fashions in a large regional shopping mall.

Expanded Options - Children's Clothing

Charney's Boys (Regular & Husky)

The Children's Place

The Disney Store

Gamekeeper

GapKids

Gymboree

Kay Bee Boys

Learningsmith

Limited TooMothertimeNoodle KidoodleOld NavyRugged

BearTalbot's KidsWarner Bros. Store



A Major Business Decision. Campbell's is in the process of switching from condensed soups to ready-to-serve soups, even though condensed soups represented 66% of their current business.



Store Brands Growing Strong. Here are some of Wal-Mart's brands including one purchased from P&G White Cloud.



Stores Growing Strong. Here's a visual for the Target brand image- one that combines upbeat contemporary fashion and old-fashioned value.

How Many Niches?

While this drive to increasingly finer segmentation has opened up many opportunities for marketers and their advertising agencies, it also brings challenges.

How do we find these people and communicate with them? What product/service mix do they really want? How can we differentiate our brand offering from that of competitors?

All the while knowing that, if we're successful, other companies will be attracted to our niche, with newer, possibly better, products.

And, if the niches get too small, how do we make money?

Globalization and World Brands.

Another consideration for today's advertisers is globalization. For many companies, the US is only one part of the market-place. They're also trying to sell their brand in other parts of the world. Will the same message work everywhere? The short answer is "It depends." It depends on market conditions, competition, and, most critically, on whether consumer wants and needs and attitudes and behaviors are similar across cultures.

For some products, the similarity is probably pretty high. Think about an airline promoting business travel. Whether a frequent business traveler is Korean, Norwegian, American, or Australian, his desired benefits when it comes to air travel are probably the same: safety, flight availability, on-time service, frequent flyer program points, etc. On the other hand, a company selling food products may encounter very different consumer taste preferences and food preparation habits from culture to culture. That situation's much more of a challenge, but one that many marketers are facing as they turn to non-US markets in the search for sales growth.

Similarities and Differences - Worldwide.

As Barry Day, Worldwide Creative Director for LINTAS points out, "people are becoming more and more dissimilar within regions and more and more similar across regions."

That is, people in Georgia, Kansas, and California were once more different from each other and more similar to their neighbors. The same would be true with people from Quebec, Brazil, and Israel.

But today, aerospace executives in Marietta, Georgia, Wichita, Kansas, or Long Beach, California, have much more in common with each other than they have with their next-door neighbors.

Likewise, executives working for aviation companies in Canada (Montreal is headquarters for Bombardier), Brazil, or Israel may have more in common with people who speak different languages than with their fellow countrymen.

Kenichi Ohmae, of McKinsey/Japan, observes that European, American, and Japanese teens, once you factor out language and facial characteristics, are all pretty much the same.

Teens in these consumer societies have very similar tastes in music, fashion, and attitudes.

These are examples of the concerns and opportunities facing marketers as they work to build "world brands."

Marketing Revolution from 1950 - 2000

Here are some of the big changes that reshaped the world of marketing: 1950-70 Marketing becomes widespread throughout American business.

- Domestically driven.
- A market of shortages.
- Growing consumer wealth 1970-80
- The Japanese change the game.
- Building quality into the product (vs. make the product/use it up).
- Internationally driven.
- A market of surplus 1980-2000 The marketer now has technology.
- Capturing and using data.
- Digitalization of the world.
- New forms of communication The 21st Century Customer now has technology.
- Customer will be the change agent.
- Based on notes from a speech by Don Schultz

Competitive Changes Worldwide.

A third area giving marketers and their agencies headaches is an increasingly complicated competitive landscape.

Many companies are now selling globally and facing different sets of competition in each market where they operate.

That's part of the reason why many multinational companies look for advertising agencies with offices around the world, seeking help from agencies already familiar with a particular country's competitive structure.

Global Agency Networks.

As a result, a stabilization of client -agency relationships seems to be happening around the world.

CW Bank, SC Johnson, Coca-Cola, Chrysler/Mercedes-Benz, and Ford are just a few examples of global clients that now use their agencies on a global scale.

P&G, a loyal long-term client, terminated their relationship with RSCG Tatham in Chicago, not because the work wasn't good, but because the global synergies weren't there.

Competition on the Home Front.

But let's set aside the global aspect of competition for a moment now let's focus on the US. Say you're working on the Head & Shoulders shampoo account for P&G. It's the top brand of medicated shampoo and ranks high in overall shampoo sales as well. So, your primary competition is other brands of medicated shampoo like Selsun Blue and Denorex, with secondary competition of shampoo brands in general, right? Only in part.

What's going on here?

One of your major competitors is also your biggest customer! Wal-Mart sells their own version of Head & Shoulders, Equate dandruff shampoo. Walgreens has its own brand, too.

As with many private label products, the Equate package looks very similar to Head & Shoulders in shape and color. Ingredients are also similar - the primary difference is price, with Equate selling for less than Head & Shoulders.

Now, with over \$93 billion in sales in 1995,⁷ Wal-Mart is the top U.S. retailer by a healthy margin. P&G's sales to Wal-Mart are higher than their total sales to Japan's. So, P&G clearly has a vested interest in keeping Wal-Mart happy as a customer. Yet, P&G's product managers also have to view Wal-Mart as a competitor.

To make it even more confusing, P&G sold Wal-Mart one of their brands - White Cloud - so that they now have an even bigger competitor in paper products.

That's the new competitive reality, and there are similar situations in other product categories. Your biggest partner and your biggest competitor may be the same company.

UPC and the Rise of the Retailer.

One of the culprits behind this change in the competitive landscape is those little bars on the back of the package - the UPC (Universal Product Code). UPC information at the check-out counter generates scanner sales data which provides an unprecedented amount of information to retailers.

Armed with this information, retailers have been able to become smarter marketers - it's added a new dimension to the competitive landscape.

Often, this means squeezing extra margin out of the manufacturers - while offering competitive products at the same time.

Instant Competition.

Another competitive element to be considered is that, today, competitors can come from anywhere. Almost instantly.

A number of years ago, large appliance retailers changed the retail music industry almost overnight.

They began offering the most popular CDs at deep discounts. The loss of sales volume was devastating to the CD stores. It caused many music-only retailers to close their doors. The book superstores like Borders and Barnes & Noble have changed the book business.

And now Amazon.com is introducing more and more people to the advantages of shopping for books on the Internet. Competition is coming faster than ever.

Example: CDNow

With the capabilities offered by the World Wide Web, CDNow, a specialty retailer in a Philadelphia suburb, sold \$6 million in 1996, just two years after it was founded.

Would-be buyers can browse the site's listing of over 250,000 music-oriented products, including CDs, music books, and videos, place their order electronically, and sit back and wait for their merchandise to be delivered.

Any retailer willing to invest in a Web site can sell its products virtually anywhere around the world. It's one more piece of the increasingly complicated competitive puzzle.

The Good News...

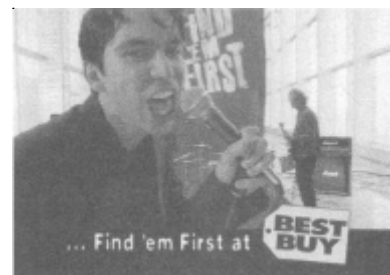
The good news is that we all benefit - as a society.

Though there are certainly many dislocations, the net effect seems to be one we like. Even though it's also tougher for everyone. Despite the changes in the worlds of books and CDs, there are more books and more music for more people than ever before in the history of the world.

We have more available to us than was available for the richest of the rich at the beginning of the 20th century. And for all the inequality and unfairness that still exists - there is a flow of information and opportunity across borders and barriers like never before. Now, a computer programmer in India can scan Silicon Valley want ads on the Internet Edition of the San Jose Mercury News.



Smile. Your competition has just got smarter. UPC information has made retailers smarter about brands.



Rocking the Competition. Appliance retailers changed the CD market by offering them as "loss leaders", products with low margin, or no margin, designed to stimulate sales traffic and volume.

Some of you may find yourselves working for marketers or advertising agencies in the emerging economies of Eastern Europe, where young Americans are valued for their experience with the most amazing economy in the world.

And, whether it's good news or bad, the trends we've discussed - evolving media channels, savvy consumers, increased competition, and globalization - will continue.

A More Competitive World.

Change is everywhere. Happening faster than ever. Rapidly evolving media forms are changing the face of the way we consume information.

As consumers, we're reacting to these changes in very human and very powerful ways. The more we're marketed to and advertised to, the harder we are to reach and persuade.

Now international markets and international marketers are interacting and competing in a truly global marketplace. And all that competition is creating a level of change and competition like the world has never seen.

Summary

While the changes that have affected the traditional way in which advertising agencies operated won't be undone, the marketplace keeps creating new opportunities:

- New opportunities for brand-building
- New ways to connect with the customer
- New ways to make the cash register ring.

Because even with all the changes, that's still what it's about.

Today, most agencies realize accountability is the new watchword, as they work to find new ways to generate brand success. Then again, it stands to reason. Because it's a business based on change. More than ever. It's a business where every day brings new challenges and new opportunities in the modern marketplace.

Assignments

1. Discuss some of the marketplace changes that are taking place and with examples, show how product campaigns are adjusting to these or tailoring their campaigns to suit the current scenario.
2. Discuss some of the major ways that financially driven client mergers affected the advertising agency business.
3. How do you think ad agencies will change in the next ten years? Try to come up with two basic changes that may take place.

LESSON 4: THE NEW WORLD FOR MARKETING COMMUNICATIONS

Topics Covered

The Modern Marketplace, The New World of Marketing Communications, a Broader Range of Opportunities, New Media Thinking

Objectives

When you have completed this LESSON, you should be able to

1. Explain the meaning of IMC.
2. Summarize how emerging world of opportunities all around.
3. Discuss the changes brought about by this new reality.
4. Understand the new world for marketing communications.

THERE HAVE BEEN OTHER CHANGES in marketing communications. Other marketing communications techniques have gained acceptance.

Bigger Markets. More Marketing.

As the marketplace expands, so has the range of marketing communications techniques being used by today's marketers.

Four of the biggest areas being used successfully in the fight to build and maintain brands today are:

- Marketing public relations
- Sales promotion
- Direct marketing
- Event marketing

Here again, in the area of marketing services, you will also find many companies experiencing exciting growth. Following are some examples.

Marketing Public Relations.

In a number of business categories, such as high-tech, effective marketing public relations is the driving force of a successful marketing effort.

High-Tech Marketing.

While you may be familiar with the larger and more established high-tech firms, that industry is one that demands a high degree of marketing-oriented public relations programs as part of a successful marketing effort.

When Steve Ballmer joined Microsoft, he had to manage a marketing process far different than the one at P&G. The importance of marketing PR is one of the major differences.

High-Tech Marketing PR

Here is a quick summary of some of the marketing public relations activities for a small high-tech firm, such as a software company:

- Press kits
- Product reviews
- Trade shows

- Investor relations
- Trade channel relations with the growth of the high-tech sector, opportunities in marketing PR have been growing, too.

Calvinworethem

A More Competitive World – and a More competitive marketplace. Here Levi's takes on competition.

Nonprofit. Big Business.

Every community has an infrastructure of charitable and nonprofit organizations - from large operations like the United Way and Children's Miracle Network through local organizations like galleries, museums, and zoos.

Quite simply, these organizations must market to survive. Fund-raising events and programs are a big part of the operation of these groups - just one more small example of the big role public relations plays in marketing.

The Value of Publicity.

Finally, these tried-and-true tools of public relations have continued to demonstrate their value in brand-building. As Al and Laura Ries note in *The 22 Immutable Laws of Marketing*, publicity is still a key part of building a successful brand.

For many high-tech marketers, PR such as software reviews, trade shows, and word-of-mouth from industry opinion leaders remains critical to a successful marketing program.

Direct Marketing.

In 1994, marketing executives who read *Direct Magazine* were asked how they allocated their budgets among general advertising, sales promotion, and direct response marketing. On average, they reported 67.5% of their budget going to direct, 18.5% to advertising, and 14.0% to sales promotion. While the survey was limited to executives in companies engaged in direct marketing, it gives a good indication of the strength of this area of marketing communications. Want further evidence? Spending on direct mail (which is only one component of direct marketing) increased 5% between 1995 and 1996, and direct mail accounted for 19.7% of total US advertising spending, ranking it third behind television and newspapers.

Two Benefits of Direct Marketing.

Direct marketing has many benefits; two stand out.

1. Customization. Direct marketing techniques make it possible to customize messages to small segments of consumers, and, in some cases, to customize to the individual. That fits neatly with the changes in consumer behavior outlined earlier.

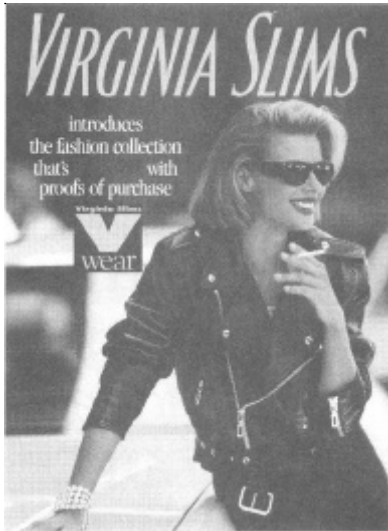
2. Accountability. Direct marketing is highly accountable because its effects can be measured quickly and easily.

How many people call in response to a televised product offer? How many people mail back a postcard requesting more information on a product or service?

So, direct marketing is highly personal, and highly measurable, making it a very strong player in the marketplace today.



Minnesota Zoo Busy as Beavers. Cause Marketing and Event Marketing are carving out new marketing opportunities.



Cigarette marketers are becoming increasingly targeted and increasingly promotional in their approach.



Sales Promotion

Sales Promotion offers an incentive to buy the product by changing the price-value relationship. Sales Promotion offers either temporarily lower the price of the product or service or adds value in some way.

Two audiences.

There are two audiences for sales promotion:

- 1. Consumers** - those who purchase the product.
- 2. "The Trade"** - those who get the product to consumers: retailers, wholesalers, and sales people.

Consumer-directed sales promotion includes techniques such as coupons, rebates, sweepstakes, and premiums.

Trade-directed sales promotion includes trade allowances and "spiffs" (sales incentives).

Build healthier sales figures with consumer promotions.

Short-term, they work. But marketers are concerned with rising costs and long-term benefits. 124 salesmen in one room and not a single ounce of polyester.

Trade promotions That Fit. Here, an ad for Lee Jeans sales conference. Two Primary Reasons for Sales Promotion Growth. Both types of sales promotion became very popular with brand marketers. There were two primary reasons:

1. Measurability. Like direct marketing, sales promotion is highly measurable.

2. Fast Results. Sales promotion activities generate relatively quick results in the marketplace.

The explosion in sales promotion spending was also triggered by the widespread introduction of scanners in supermarkets and drugstores.

Scanner-collected data allow retailers and marketers to track brand sales at the individual store level and clearly document the effects of sales promotions.

Issue a coupon, and sales go up. Now you can prove it almost instantly. Put that couponed product on display, and sales go up even more. You can prove that, too.

Sales Promotions Promote Careers and Stock Prices.

Brand managers quickly became enamored with sales promotion for its sales-generation capabilities.

The key to success in brand management is regular and frequent job advancement. The way you get promoted is simple - increase sales of your brand. And, sales promotion increases brand sales, so ... Couple that with the fact that most US companies are publicly held, and that the stock market rewards sales growth.

So, the impetus for sales promotion efforts also came from brand managers as a way to forward careers and from corporate as a way to improve the stock price.

The Bad News...

Unfortunately, for all its short-term benefits, sales promotion does appear to have some long-term drawbacks.

First, it can be hard to make money this way. These programs can be quite expensive. The cost of each new sale may be greater than the available margin.

That's just the beginning.

Consumers have been trained to expect coupons, to expect rebates, to know every brand will eventually go "on special."

So people may be reluctant to pay full price for brands. Some argue that manufacturers themselves created this large group of brand-switching consumers through sales promotion.

Traditional sales promotion also seems to do little to enhance a product's brand image, unless the desired image is that of a price brand. P&G has played a leading role in trying to scale back both trade and consumer sales promotion efforts in favor of increases in brand-building advertising.

Whether that approach will be successful remains to be seen. What is clear is that sales promotion is here to stay and will likely continue to challenge advertising for budget resources on the basis of greater measurability and accountability.

Event Marketing and Sponsorship.

The new kid on the block, at least in terms of receiving serious budget consideration, is event marketing, defined as "corporate sponsorship of lifestyle-related programs and events."

By either sponsoring existing events or creating their own, brand marketers can draw consumers into close interaction with the brand, tying it to enjoyable, involving activities.

It's one response to the media evolution issues and consumer changes discussed earlier. While it's difficult to get a precise estimate of the size of the event marketing industry, it's clear that marketers are investing heavily in this area.

A Big Business.

The undisputed event king is the Olympic Games. The 1996 Olympics in Atlanta netted \$40 million in sponsorship payments (at \$1 million per sponsor). Total Olympic-related spending was estimated at \$5 billion.

The Super Bowl is another example. Its not only a well-watched commercial fest interrupted by a football game, it's the centerpiece of many sweepstakes and related promotions.

It seems as though every sporting event has at least one sponsor attached, and usually many more than one.

Watch a NASCAR race and see if any driver is ever mentioned without a sponsor reference. The same is increasingly true for museum exhibits, concert tours, and so on.

Event marketing does not offer the precise measurability of direct marketing and sales promotion. Although attendance at events can generally be counted fairly easily, what's not usually known is the direct impact event participation has on sales. Still, event marketing is viewed by many as a good way to reach consumers who are increasingly hard to get via traditional media college students, for example

The New World for Advertising.

ONCE UPON A TIME, COPYWRITERS WROTE ADS.

They wrote print ads, television ads, radio ads. Occasionally, they wrote a brochure or a headline for an outdoor board.

Art directors had the same limits. So did agencies. The commission system that paid agency bills also constricted agency creativity. Not so much in what they said, but in where they could say it. That's changing. Big time.

Need more than thirty seconds for your product? Today, you can have a thirty-minute infomercial, or offer a videotape. You can publish your own magazine. Or, no surprise, you can set up your own Web site. The same visual and verbal techniques used for advertising can now be used for all marketing communications.

Three Core Components:

This New World has three core components:

- A Broader Range of Communication Options
- A Wider Range of Clients for Marketing Services (And they need more of them.)

- New Advertising Agency Opportunities Let's see what this new world looks like.

A Broader Range of Communication Options.

As we've said more than once, advertising isn't just advertising anymore. The other growing forms of marketing communications: public relations, sales promotion, direct marketing, and event marketing each need high degrees of creativity and are each creating new options and opportunities.

More than Just Coupons.

Sales promotion is now more than just coupons. "Drink Pepsi. Get Stuff" is an example. Every summer, you see soft drink companies implementing promotions designed to make you thirst for whatever they're offering.

Now virtually every major marketer is involved in some sort of promotion. Today, marketers look for promotions that support the brands values - so that they add value even as they offer a discount. Starbucks chose to get involved with reading - something that many people do when they have a cup of coffee.

Go to any Starbucks and you'll see brand-value-enhancing promotions involving books and music - promotions that enhance that "third place" that revolves around a cup of coffee.

Direct in Many Directions.

Direct marketing now exists in all media forms: mail, print, radio, television, and the Internet. Some successful new advertisers are running direct campaigns - such as those ads for Bose "Wave" radios. They depend on profitable levels of response to justify their spending.

Breakthrough Checklist :

Here are some of the ways people and companies are making changes for the better in our modern marketplace:

New Strategies: look for new ways to win - new ways to change the game.

New Tactics: Dominos did it with delivery, LensCrafters did it in an hour.

New Technologies: Computers have changed everything, how can you leverage that change?

New Categories: Coffee was an old category, now it's new again

New Media: New magazines, new media channels, and the Internet are all generating their own kind of change.

New Insights: What's your vision of the future? Insights and visions put people and businesses ahead of the curve and lead us into the future.

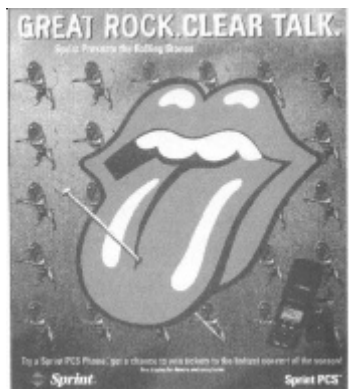
Coffee is more than Starbucks. Gevalia Coffee is another example of a marketer turning a traditional category into a direct marketing business.

Ads for Land's End, Nordic Track - anything with a coupon or 800 number - are building brands with direct.

Even Richard Branson's Virgin, now a global "super brand," began as a direct marketing record business.

Amazon. com is just the beginning. With more transactions on the Internet, the world of direct is growing - and it will use all the great creative and smart marketing it can.

The Rolling Stones meet Sprint. This was part of a concert tour tie-in. Sign-up for Sprint and get concert tickets. Visit the Sprint PCS store and get a Free Poster.



Event Marketing on a Roll.

On the side is a graphic for the Rolling Stones and Sprint.

A surprising combination?

No longer.

Now entertainment, media, and marketing find new combinations every day. Tom Cruise used a Macintosh PowerBook in Mission Impossible. It became part of Apples advertising. As the studio marketed the movie, Apple advertising became part of the event. Powerful new combinations are emerging all the time.

Though Elton John's recording for Princess Diana did not generate profits for the companies or artists involved, it was an event of massive proportions. Richard Branson was no doubt aware he'd be the recipient of great goodwill towards his brand.

A Wider Range of Clients.

Even as mergers have made fewer large multibrand marketers, something else has emerged - more marketing. And, in an important way, there are now even more clients.

More Opportunities - Big and Small.

Today, every small retailer, every Internet provider, and every new rock band can use the same tools the big boys use. The marketing technology download continues.

Today, someone with the right computer program and a bit of taste can generate top-flight design - almost for free.

Convergence at Work.

Switch programs and your small business can have access to a database covering the entire US - again, almost for free. Television advertising was once affordable for only national and large local advertisers. Today, cable TV and new computer-based video editing and graphics makes it possible for small businesses to have their own TV commercials. And not all the opportunities are small.

Marketing Is More Important for Every Company.

For years, some big businesses were quite successful without doing much in the way of marketing. Those days are gone.

Entire industries, such as healthcare, have undergone revolutionary change as they've entered the market economy. Service industries, like banking, and the accounting, and legal professions each need new and different marketing solutions for their changing industries.

With this change and dislocation comes something else - a need for more marketing. Because, quite simply, marketing is how companies deal with change.

This also means additional management opportunities.

CEOs who once came from manufacturing or finance now come from marketing. Those CEOs will also have to be smart marketers as the future becomes more marketing-driven.

And, as marketing becomes the core function of more and more businesses, opportunities for smart marketers keep growing in businesses of every size.

New! More Big Opportunities.

As the marketplace changes, new opportunities emerge. The marketplace always seems to make a place for those with the vision, the insight, or the great new idea that leads the way. Names we all know, like Java, are new this decade. Today, we take it for granted that there's a big video rental store nearby - and a bagel shop. Michael Jordan was a great basketball player who endorsed a shoe - nothing new. Today, he and Nike have teamed up to build a whole new brand. Two of the biggest brands in computers - Gateway and Dell built their business through direct. They saw opportunity. And all these businesses need advertising and marketing communications - more than ever. This is one of the most exciting aspects of the modern marketplace - even though it sometimes takes your breath away. It's also one of the major opportunities for exciting new jobs.

New Advertising Agency Opportunities.

Branding and brand stewardship are hot again in marketing, and advertising has always been recognized for its brand-building capabilities. So even though it's a volatile industry, people are hiring. The advertising industry today is operating under a very different set of ground rules than in the "good old days." But that doesn't mean there isn't opportunity.

The Good News: Response to Changes.

Reviewing the forces creating today's marketplace, you see what we mean by Schumpeter's term "creative destruction." Many things have changed the business of brands in this evolution, including advertising agencies. In many ways, "Advertising and The Business of Brands" is now larger than ever. Because the things that were once done only by advertising agencies are now done by the whole new world of marketing communications.

More Media. More Marketing Services.

In terms of job opportunities, two of those changes have been the emergence of new media vehicles for a more "information rich" society, and the many new suppliers of marketing services. In these two areas alone, there has been huge growth and many new job opportunities. These opportunities go from entry-level all the way to top jobs like Mark Goldstein, Chief Marketing Officer at Fallon, the agency that won United Airlines. As marketing has grown in importance, the number of important marketing jobs has grown as well.

Finally, agencies have met the challenge. In meeting these challenges, the advertising industry has developed some unique and successful responses.

A New Generation of Thinking.

The advertising industry, as well as marketing, is facing difficult challenges. And, just as so many other industries are having to do, they're responding to those challenges.

Some of the most intriguing responses are account planning, consumer insight, and computer-based jobs.

Account Planning.

On the agency side, account planning is one way agencies are regaining their sense of today's new consumer. An account planner is "One person who is charged single-mindedly with understanding the target audience and then representing it throughout the entire advertising development process - thereby ensuring that the advertising is both strategically and executionally relevant to the defined target."

The account planner uses various research techniques to develop a thorough understanding of the consumer and how that consumer interacts with the brand.

The planner then carries that knowledge back to the agency and applies it to the development of the creative strategy and the ads that result from that strategy. Account planning goes beyond traditional research.

It's not just a support function, it's an integral part of the advertising development process. Many agencies, like Chiat/Day, Goodby & Silverstein, and Fallon are having success in winning accounts and developing effective campaigns using account planning.

Consumer Insight.

A related research approach on the marketer's side is generally termed "consumer insight." Lisa Fortini-Campbell of Northwestern University is a leading advocate.

She argues that "all of our marketing efforts, from product design through advertising, are successful only to the extent that they connect with a real, live human being - a consumer... it demands that you go beyond just knowing who your consumer is to something deeper - understanding, respect, and empathy."

A marketer succeeds in "hitting the sweet spot" when an insight into the consumer - who she is, what she cares about, what makes her act and react - is tied to a brand insight, something unique and relevant within the product.

Example: Starbucks, a "Third Place"

When Scott Bedbury went to Starbucks, he brought along a consumer insight person from Nike.

They determined that one of the driving forces of Starbucks was providing a "third place" between home and work. It wasn't just the coffee, it was the experience of being removed from those other two places and having your own private time - to think, to read, to listen to music, whatever. With that insight, a whole range of complicated marketing decisions became easier.

Data - Information - Insight - Inspiration.

That's Dr. Fortini-Campbell's conceptual framework.

Data provide the fact base on the target market. I

Information comes through data analysis and interpretation.

Insight is the intuitive hypothesis about what the consumer's hot button might be relative to the brand that emerges from studying the information.

Inspiration activates - the result is some means of communicating the insight back to the consumer.

"Mac Jockeys" and WebMasters.

Agency creative departments have some new players, too. As computer technology has become more and more a part of the process, all the needs of a state-of-the-art computer network have become part of virtually every agency creative department. Print production work, which was once jobbed out, is now done in-house with skilled "pre-press" computer operators. In other creative operations, from design to videotape editing to preparing materials for printing, new team members with new skills are now a part of agency creative departments.

And, of course, Web design has created not only new jobs, but new agencies specializing in Web sites. There are even more changes going on at agencies - the creative department isn't the only one being challenged.

New Media Thinking.

What's a media department to do in the frightening world of burgeoning media choices and audience fragmentation?

At the media department at DDB Worldwide, the answer is to think about media from the consumer's point of view.

DDB has come up with two important media planning concepts that recognize that the consumer must be at the heart of media planning. Here's a quick overview.

TM

Consumer Aperture

DDB defines Consumer Aperture as "when, where, and under what circumstance the customer's mind is most receptive to the selling message." This is a trademarked name.

For example, your pizza "aperture" on radio might be late drive time or right before a sporting event. To identify the ideal aperture, the media planner has to think about when and where the consumer interacts with the brand or brand-related ideas and images.

Aperture considerations are all about delivering sales messages, trying to spark a response. That's an important way to increase advertising effectiveness.

Exercise: Look for the Insight.

Next time you come across an ad you like - one that catches your mind as well as your eye, see if you can work backwards through Dr. Fortini-Campbell's framework.

Inspiration. The ad represents the inspiration what is that inspiration.

Insight. What do you think was the insight that drove that execution?

Information. What kind of information about the prospects for the product and the product itself do you think sparked the insight that inspired the creative idea?

Data. Keep looking for more examples. By analyzing how companies developed ads you like, you can start to develop the

habits that will help you find those insights on your own. The consumer insight approach is successful because it's a rich way of linking the consumer with the brand.

Personal Media Network (PMN).

An individual's Personal Media Network is "the combination of media vehicles which a customer individually selects to satisfy his or her individual needs."

DDB maps out PMNs for target segments, looking at when various types of media are used, and whether they're used for information, for entertainment, or as background (in the case of television and radio).

From there, it's a question of matching up aperture points with the corresponding PMN-identified media usage to determine where the advertising message should appear.

Brand Contacts.

Another related concept comes from work being done in the area of integrated marketing communications, a customer-driven approach designed to affect consumers' brand behavior.

Brand contacts "occur whenever customers or prospects have contact with a particular brand or organization over time. Every exposure has the potential to provide some new information or message to the consumer about what the brand is, how it is used, who uses it, when it is relevant, and on and on."

The brand contact concept recognizes that advertising is only one source of consumer information, and not necessarily the most influential source.

Organizations that conduct brand contact audits try to identify the most important contact points for their brand in order to better manage their consumer communications.

Database Marketing.

One of the recent growth areas in direct marketing has been in database marketing, which is designed "to help identify a marketer's target audiences and facilitate the ongoing relationship between the target audience and the marketer."

To understand the importance of database marketing to today's brand builders, it's critical that you realize that to "identify a marketer's target audiences" means finding out who the individuals are who buy your product or are prospects for your product and gathering demographic, psychographic, attitudinal, and behavioral information on them.

The basic precepts, as described by David Shepard, one of the leaders in the field, are: "recognition of the fact that not all customers have the same needs, nor have they the same potential, and therefore they should not all be treated the same way."

As such, database marketing moves the brand builder from old demographically defined segments like "Women 18-44" into a new world of truly customized marketing.

Database at Work.

Airline frequent flyer programs are some of the original database marketing applications.

Many other products, including some consumer products packaged goods brands, are actively working to gather customer information and develop databases.

Database marketing can be used to help increase advertising effectiveness through indicating customer needs and pinpointing attitudes and behaviors.

Example: Megan & the Welcome Addition Club

This project was aimed at connecting with expectant mothers. This example isn't just about today's marketers, it's about today's careers. Our example is Megan Stockton, an art director.

Megan graduated from Eastern Illinois with a degree in graphic design. She started on the interactive side, producing "Ernie," a Web site for the accounting and consulting firm of Ernst & Young. Then, she felt she needed to develop her traditional graphic skills as well, and got a job as Creative Supervisor on the Welcome Addition Club, a relationship program for mothers - developed for Similac Baby Formula.

She worked on a communication program that provides information for mothers at each stage of pregnancy and early in fancy. With infant formula, the brand choice is often made before the child is born, so the earlier the better.

The program begins with useful prenatal information. After the baby is born, a variety of materials is sent depending on whether the baby is formula or breast-fed and whether the formula is Similac or a competitor. It's behavior-based.

Megan designed and produced the full range of materials. She even helped develop their Web site. Megan also became involved with Peapod, an online shopping service - working on ways to connect with customers and introduce them to shopping in a brand new way. Then she left the company she worked for - but kept working on the projects. Today, she's freelancing out of her own home on a combination of relationship programs and Web designs.

With the right computer programs, she and her writer partner can connect with clients across the country.

Her high-tech capabilities have given her the skills to be in demand for a changing marketplace and the options to be able to do it from her own home - just in time for some big changes.

Megan just started getting Welcome Addition Club mailings addressed to her. She now has a career that will also allow her to raise a family - high tech with old fashioned values. That's just one more example of the new options and opportunities emerging in today's modern marketplace.

Summary

In this lesson we discussed how the new face of marketing communications was emerging, offering a broader range of communication options. We have new advertising agency opportunities, more media and marketing services. In fact, a whole new generation of thinking.

Assignments

1. Given the marketplace changes discussed, take one example of any current product campaign and elaborate on how these changes have affected it.
2. Discuss major components of Integrated marketing Communications (IMC). Take an example and point out how these components are made use of.

LESSON 5:

INTERNATIONAL TRENDS, INTERNATIONAL ADVERTISING

Topics Covered

Tools of International Management, International advertising, creating and planning international advertising campaigns, and special problems in the international arena.

Objectives

When you have completed this LESSON, you should be able to:

1. Explain the evolution of global marketing.
2. Summarize how international management affects international advertising.
3. Discuss the approaches to international advertising.
4. List the special problems international advertisers face.

P&G: A Leader in Global Branding.

At one time or another, you have used a Procter & Gamble (P&G) product. You probably have a number of P&G products in your home right now. With the dominance of P&G's brands, it's likely that you wash your clothes with **Tide** or **Cheer**, brush your teeth with **Crest**, drink **Folgers** coffee, eat **Pringles** chips, and clean your dishes with **Dawn** or **Cascade**. Although we may think of P&G as a U S company, it currently markets more than 250 products in more than 140 different countries. Its net sales in 2001 were nearly \$40 billion. Moreover, P&G employs almost 106,000 people in approximately 80 countries worldwide.

It's not surprising to learn that P&G has a fully developed global branding strategy in place. Global Marketing Officer Jim Stengel, cogently expressed the philosophy of this global strategy (via satellite) at a conference for the International Advertising Association in Beirut:

"Our goal is global brand leadership in the categories in which we choose to compete. Sometimes we can do that with one brand name and brand positioning, and sometimes it takes several brands with different positionings. "

As you'll see, there are two basic approaches to international marketing and advertising. Companies can either try to standardize their products (and, to a degree, their advertising) to work in many markets. Or, companies can tailor their products and advertising to local markets. The first approach is easier to manage, but runs the risk of not effectively reaching consumers. The second approach targets consumers more specifically, but is more expensive and complicated to implement.

The P&G approach toward global branding is flexible enough to accommodate global strategies at various points on this spectrum. For example, on one end of the spectrum, P&G's global laundry business markets several brands including Ariel, Cheer, Bold, Yes, Gain, and Tide because consumer laundry habits are highly varied from country to country and region to region. On the other end of the spectrum, the company markets its Pampers brand in most of the countries in which

P&G competes. Pampers' global equity is consistent around the globe: helping babies develop better. But when it comes to translating this equity into precise communications strategies and advertising executions, Pampers allows for regional and local variations. Mr. Stengel believes the right global branding decision must be made on a case-by-case basis. He points to the Safeguard brand as a past example of how P&G went too far in standardizing its global branding strategy. Named Escudo in Mexico for many years, P&G changed the name to Safeguard and watched sales and market share drop dramatically. Sales returned when P&G reinstated the Escudo name.

To ensure that P&G's marketing organization is savvy about global marketing,

Mr. Stengel encourages marketing employees to serve in P&G's regional organizations at some point in their careers. And, he's created a number of internal programs that enable marketing employees from all around the world to share knowledge and best practices from their regions. He also expects P&G's advertising agencies to be strategic about how to reach consumers in key markets and build global brands. To enable its agencies to take a more global approach, P&G has moved to align each of its largest global brands with a single global agency, a move that has resulted in efficiency and effectiveness around the world.

The global branding challenges P&G faces are becoming more common in business as world markets open up. By the time you reach the "It's a Wrap" section at the end of this chapter, you should have a pretty good idea of the global strategies of a variety of companies.

Source: Procter & Gamble External Relations Department and Jack Neff, "P&G Flexes Muscle for Global Branding," *Advertising Age* June 3, 2002): 53.

International Business.

Since Wendell Wilkie coined the phrase "One World" in his 1940 presidential campaign, the distance between that vision and the reality has narrowed: The top worldwide markets began spending more than 50 percent of their advertising dollars outside the United States in the early 1990s. The non-U.S. gross income of the top 500 advertising agencies reached \$9 billion as the twentieth century drew to a close. Interestingly, of the top 25 agencies almost half are headquartered in the United States (see Table 18.1).

In this lesson we explore the evolution of advertising from a local venue to a global one. We examine the tools of international management, the means of organizing for international advertising, creating and planning international advertising campaigns, and special problems in the international arena.

The Evolution of Global Marketing.

In most countries markets are composed of local, regional, and international brands. A local brand is one marketed in a single

country. A regional brand is one marketed throughout a region (for example, North America or Europe). An international brand is available virtually everywhere in the world.

Marketing emerged when the emphasis changed from importing products (tea, spices, silk, gold, and silver) to exporting products. Advertising was used to introduce, explain, and sell the benefits of a product – especially a branded product – in markets outside the home country. The current patterns of international expansion emerged largely in the twentieth century. Advertising that promotes the same product in several countries is known as **international** advertising. It did not appear in any organized manner until the late nineteenth century.

World's Top 25 Advertising Organizations				
Ranked by worldwide gross income in 2001 from all marketing-related activities.				
Rank		Advertising organization	Headquarters	Worldwide gross Billing 2001
2001	2000			
1	2	WPP Group	London	\$8,165.0
2	1	Interpublic Group	New York	7,981.4
3	3	Omnicom Group	New York	7,404.2
4	4	Publicis Groupe	Paris	4,769.9
5	5	Dentsu	Tokyo	2,795.5
6	6	Havas Advertising	France	,733.1
7	7	Grey Global Group	New York	1,863.6
8	8	Cordiant Communications Group"	London	1,174.5
9	9	Hakuhodo	Tokyo	874.3
10	10	Asatsu-DK	Tokyo	394.6
11	11	TMP Worldwide	New York	358.5
12	12	Carlson Marketil19 Group	Minneapolis	356.1
13	17	Incepta Group	London	248.4
14	13	Digitas	Boston	235.5
15	15	Tokyo Agency	Tokyo	203.9
16	16	Daiko Advertising	Tokyo	203.0
17	14	Aspen Marketing Group	Los Angeles	189.2
18	18	Maxxcom	Toronto	177.1
19	20	Cheil Communications	Seoul	142.0
20	23	Doner	Southfield, Mich.	114.2
21	19	Ha-Lo Industries	Niles, Ill	105.0
22	22	Yomiko Advertising	Tokyo	102.2
23	21	SPAR Group	Tarrytown, N.Y.	101.8
24	30	Cossette Cornrnunication Group	Quebec City	95.2
25	28	DVC Worldwide	Morristown, NJ.	92.6

Home Country Production

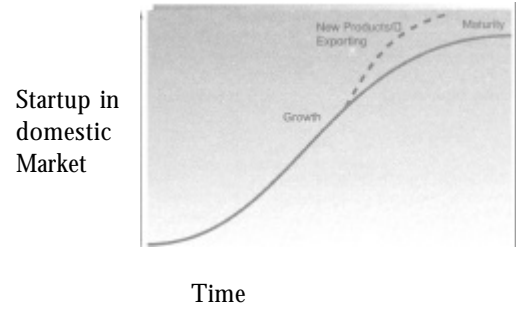
The table below illustrates the development of product marketing from companies outside their home markets. It starts with a product that begins to reach the saturation point in its home market. Management tries to recapture sales by

introducing new products in its home market or expanding into foreign markets.

Saturation of the home country market isn't the sole reason companies venture outside the home market. Research that shows market potential for products in other countries, mergers and acquisitions with foreign businesses, and moving into other markets to preempt development by competitors also prompt international marketing and advertising.

Exporting

The first step in the Table below exporting a product, requires placing the product in the distribution system of another country.



Table

THE TYPICAL LIFE CYCLE OF A PRODUCT'S MARKET-ING Companies looking to enter foreign markets generally export their products first. Then, if the product gains momentum, it enters a growth phase and, finally: a maturity phase.

The exporter typically appoints a distributor or importer, who assumes responsibility for marketing and advertising in the new country. As volume grows, the complexity of product sizes, product lines, pricing, and local adaptation increases. The exporter might send an employee to work with the importer to act as a liaison. Some companies prefer to appoint a local distributor who knows the language and the distribution system and the customers and sentiments better than a foreigner could. Starbucks, for instance, appointed a local distributor in several Asian countries, including Thailand.

A few years ago the Brazil-based chocolate manufacturer, Garoto (which means "boy" in Portuguese), decided to export to other Latin American countries. Even though only \$25 million of Garoto's \$592 million sales come from exports, the company is already Latin America's biggest chocolate exporter. Although sales outside Latin America aren't big enough to merit media advertising beyond the region, Garoto does participate in promotional opportunities such as major food fairs.

Export marketing and advertising are not the exclusive province of large companies. Bu Jin, an innovative company in Boulder, Colorado, creates and markets martial arts products. With only eight full-time employees, its products fill a high-end international niche market worldwide. Most of Bu Jin's business is driven by its catalog.

Many service providers also market internationally. Airlines and transportation companies that serve foreign markets, such as

more than a self-proclamation. A report by market research firm A.C. Nielsen, entitled "Researching the Billion Dollar Mark: A Review of Today's Global Brand," cites only 43 brands that qualify as global. To qualify, a brand needs to have "more than \$1 billion in annual sales, with at least 5% coming outside the company's home region." Coca-Cola's, Philip Morris', Procter & Gamble's, and WalMart's brands lead the way. Several companies did not make the list because they used different brand labels in different countries.

The Global Debate and Advertising

A 1983 Harvard Business Review article by Theodore Levitt, Professor of Business Administration and Marketing at Harvard Business School, ignited a debate over how to achieve global coverage. Levitt argued that companies should operate as if there were only one global market. Why? He argued that differences among nations and cultures were not only diminishing but should be ignored because people throughout the world are motivated by the same desires and wants. Levitt argued further that businesses would be more efficient if they planned for a global market.

Philip Kotler, marketing professor at Northwestern University, disagreed with Levitt's philosophy. According to Kotler, Levitt misinterpreted the overseas success of Coca-Cola, PepsiCo, and McDonald's. "Their success," he reasoned, "is based on variation, not offering the same product everywhere." However, Levitt did not back down. "It's a big mistake for advertisers to think that everything is becoming narrow. The challenge is to effectively come up with ways to communicate the same message to a homogenized audience all over the world."

The outgrowths of this debate have been three main schools of thought on advertising in another country:

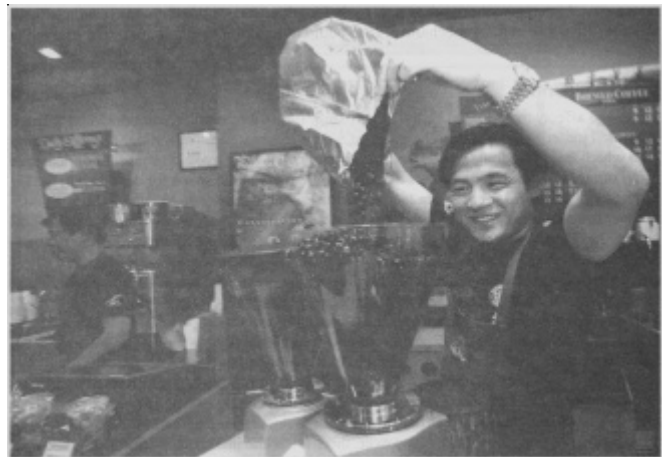
- **Standardization.** This school of thought contends that differences between countries are more a matter of degree than directions, so advertisers must instead focus on the similarities of consumers around the world.
- **Localization (adaptation).** This school of thought argues that advertisers must consider differences among countries, including culture, stage of economic and industrial development, stage of life cycle, media availability, research availability, and legal restrictions.
- **Contingency (moderate).** This school of thought reasons that neither complete standardization nor complete adaptation is necessary and that a combination of the evaluation of factors can affect the effectiveness of such advertising.
- Note that most companies use the middle-of-the-road approach or lean toward localization. Starbucks uses localization. Tea is offered in stores in the far east, stronger coffees in Europe, and gourmet coffees in the United States. Accordingly, it has standardized its product name, logo, and packaging.

So which is the right approach? In actuality, no business has a completely global campaign. Even companies committed to globalization, such as Toyota and McDonald's, must translate many of their ads into other languages and conform to local

standards and regulations. In contrast, a completely localized campaign could lead to chaos and inefficiency.

The reality of global advertising suggests that the contingency approach is best. Marketers are restricted by language, regulations, and a lack of completely global media. Still, the trend toward global markets is inescapable. The challenge for advertisers is to balance Kotler's "variations" nationally or regionally with a basic Levitt-style global plan to maintain efficiency. See the "Practical Tips" box for the benefits of standardization and local strategies.

Starbucks follows a localization strategy by tailoring its offerings in different countries.



Practical Tips

REASONS TO GO GLOBAL OR STAY LOCAL

Reasons to Use a Standardization Strategy.

- Standardization will lead to savings through economies of scale (advertising production, planning, control).
- Standardization ensures that advertising messages of a product are complementary and reinforcing.
- The company maintains control over the image projected by advertising for the brand.
- Global media create opportunities for global marketing.
- Converging buyer wants and needs means that buyers everywhere ; will increasingly want the same products.
- There is little or no competition in many foreign markets.
- Graphic and visual advertising approaches can be used to overcome cultural differences.

Reasons to Use a Local Strategy

- A better fit with local markets means the advertiser is less likely to overlook local variations that affect buyer behavior.
- As a general rule, the fewer the people who have to approve decisions, the faster they can be made.
- Getting local managers and employees involved and motivated is much easier if those people have a say in the advertising decisions.

- Any cost reductions resulting from globalization often are offset by mistargeted ads.
- The chance of cultural blunders decreases.
- Strategically sound advertising is more likely to be successful.

International Management

Regardless of the company's form or style of management, the shift from national to international management requires new tools for advertisers, including one language (usually English), one control mechanism (the budget), and one strategic plan (the marketing strategy).

Lingua Franca

Language affects the creation of the advertising. English normally requires the least space in printed material or air time. The range of words (estimated at over 900,000) and the ease with which English adopts words from other languages often make it more economical than many other languages. This creates a major problem when the space for copy is laid out for English and one-third more space is needed for French or Spanish. However, English does not have the subtlety of other languages such as Greek, Chinese, or French. Those languages have many different words for situations and emotions that do not translate precisely into English.

Headlines in any language often involve a play on words, themes that are relevant to one country, or slang. Because these verbal techniques often don't cross borders well, copywriters must remove them from the advertising unless the meaning or intent can be recreated in other languages. For this reason, international campaigns are not translated. Instead, a copywriter usually rewrites them in the second language.

Some languages simply do not have words equivalent to English expressions. Computer words and advertising terms are almost universally of English derivation. There are even problems translating British English in to American English, as Table 18.2's dictionary of BritSpeak illustrates.⁵ However, there are some unexpected similarities between the United Kingdom and the United States, as the British road rage ad points out.

An English-to-American English Dictionary

Rubber: an eraser

Ladder: a run in a stocking Bonnet: a car's hood

Queue: to stand in line Freephone: a toll-free number

Freephone: a toll-free number

Estate car: station wagon

Hoover, Hoovering: vacuum cleaner, to vacuum

Wind up: a practical joke

Since 1539 the French have had legislation to keep their language "pure" and now have a government agency to prevent words, especially English words, from corrupting the French language. The words marketing and weekend, unacceptable to the French government agency, are translated literally as "study the market" (or "pertaining to trade") and "end of the week," respectively. Neither quite captures the essence of the English word. Understanding language not only prevents mishaps; it also gives advertisers a greater cultural understanding. Getting Through Customs is one company that helps business people understand foreign cultures.

Here are two examples which show how a poor translation can send the wrong message.

- From an ad for a Rome laundry: "Ladies, leave your clothes here and spend the afternoon having a good time."
- From a Moscow weekly: "There will be a Moscow Exhibition of Arts by 1,500 Soviet Republic painters. These were executed over the past two years."

Experience suggests that the most reasonable solution to the language problem is to use bilingual copywriters who understand the full meaning of the English text and can capture the essence of the message in the second language. It takes a brave and trusting international creative director to approve copy he doesn't understand but is assured is right. A back translation of the ad copy from the foreign language into the domestic one is always a good idea, but never conveys a complete cultural interpretation.

The Global Advertising Plan

The strategic advertising plan usually is prepared in conjunction with the budget. Basically, the plan outlines the marketing strategy, while the budget allocates the funds. Two major approaches to strategic advertising in foreign cultures differ in their orientation: one is market oriented and the other is culture oriented. We discuss these contrasting approaches next.

The Market Analysis Model This model is based on data and observation from several countries. It recognizes the existence of local, regional, and international brands in almost every product category. The two major variables are the share of market of brands within a category and the size of the category. For example, the brand's percentage share of the category market might vary substantially in four countries:

Brands Percentage Share				
	Country A	Country B	Country C	Country D
Global Brands	25%	30%	50%	20%
Regional Brands	60	30	10	55
Local Brands	15	40	40	25

According to this example, Country C looks very valuable for the global brand. The size of the market changes the picture, however. Assume that the size of the category market in the four countries is as follows:

Size of Category Market	Country A	Country B	Country C	Country D
Number of Global Brands	200,000	100,000	50,000	300,000
Regional Brands	25,000	30,000	50,000	20,000
Local Brands	50,000	30,000	25,000	60,000

According to this market analysis, Country C actually is much less important. Half of this smaller market is already in global brands. Country D not only is a larger global brand market but also is a much larger total market. A marketing manager must look not only at share but also at market size, growth rates, and growth opportunities.

For instance, cola-flavored soft drinks are not nearly as dominant in Germany as they are in the United States. To generate

sales in Germany, then, a soft drink company would have to develop orange and lemon-lime entries. McDonald's serves beer in Germany, wine in France, a local fruit-flavored shake in Singapore and Malaysia, and even a Portuguese sausage in Hawaii, in addition to the traditional Big Macs, fish sandwiches, and French fries to cater to local tastes.

The Culture-Oriented Model The second model of international advertising emphasizes the cultural differences among peoples and nations. This school of thought recognizes that people worldwide share certain needs, but it also stresses the fact that these needs are met differently from culture to culture.

Although the same emotions are basic to all humanity, the degree to which these emotions are expressed publicly varies. The camaraderie typical in an Australian business office would be unthinkable in Japan. The informal, first-name relationships common in North America are frowned on in Germany, where co-workers often do not use first names. Likewise, the ways in which we categorize information and the values we attach to people, places, and things depend on the setting in which we were raised.

How do cultural differences relate to advertising? According to the high-context flow context theory, although the function of advertising is the same throughout the world, the expression of its message varies in different cultural settings. The major distinction is between high-context cultures, in which the meaning of a message can be understood only within a specific context, and low-context cultures, in which the message can be understood as an independent entity.

This model helps explain the difficulties of advertising in other languages. The differences between Japanese and English are instructive. English is a low-context language. English words have clearly defined meanings that are not highly dependent on the words surrounding them. In Japanese, however, a word can have multiple meanings. Listeners or readers will not understand the exact meaning of a word unless they clearly understand the preceding or following sentences, that is, the context in which the word is used.

Advertising messages constructed by writers from high-context cultures might be difficult to understand in low-context cultures because they may offer too much detail to make the point clearly. In contrast, messages authored by writers from low-context cultures may be difficult to understand in high-context cultures because they omit essential contextual detail.

Our tendency is to assume that, in the case of the United States, cultural differences are most likely between countries that are separated by thousands of miles. By that logic it would be surprising to identify different values between the United States and Canada. But, there are differences. Canadians are more conservative in respect to health and social issues, for example. As shown on their cigarette packaging, Canada requires tobacco companies to put graphic health warnings on packages. Pictures of rotting gums and diseased lungs are common, along with the tagline: "Tobacco Use Can Make You Impotent." In the United States the warning is much less dramatic and has remained the same for several years.

Agencies have to develop techniques to advertise brands that are marketed around the world. Some agencies exercise tight

control, while others allow more local autonomy. All of these techniques fall into three groups: tight central international control, centralized resources with moderate control, and matching the client.

Henkel, a large German manufacturer of household and cleaning products, provides an example of how centralized management with similar products works. Henkel's international strategy was designed to accomplish three goals: eliminate duplication of effort among its national companies, provide central direction for new products, and achieve efficiency in advertising production and impact. It included these steps:

1. Identifying how a product fulfills a need or functions beneficially.
2. Determining the common need or product benefit for consumers in Europe or a larger area.
3. Assigning that specific need or benefit to one product with one brand name.
4. Assigning that brand to one brand manager and one advertising agency to develop and market.
5. Disallowing the use of that one brand's benefit, name, or creative campaign for any other brand in the company.

The organizational structure for managing international advertising depends heavily on whether the company is following a standardization or localization marketing and advertising strategy. For highly standardized advertising efforts, there may be one advertising plan for each product regardless of the number of markets entered. For a product using localized advertising, there probably will be a separate advertising plan for each foreign market.

Selecting an Agency

The choice of an advertising agency for international advertising is influenced not only by many of the same considerations as the choice of a domestic agency, but also by the standardized versus local decision. If the company wants to take a highly standardized approach in international markets, it is likely to favor an international agency that can handle advertising for the product in both the domestic and the international market. A localized advertising effort, by contrast, favors use of advertising agencies in many countries for both planning and implementation of the advertising.

As noted in the "A Matter of Practice" box, agencies must make adjustments when they go global.

Approaches to the International Advertising Campaign

There is an old axiom, "All business is local." But this axiom should be modified to read "Almost all transactions are local." Although advertising campaigns can be created for worldwide exposure, the advertising is intended to persuade a reader or listener to do something (buy, vote, phone, order). That something is a transaction that usually is completed at home, near home, or in the same country if by direct mail. Even this will change as multinational direct-mail campaigns become possible in a unified common market.

As noted earlier, some advertisers develop tightly controlled global campaigns with minimum adaptation for local markets.

Others develop local campaigns in every major market. Most companies are somewhere in the middle, with a global campaign and a standardized strategy that is partially adapted as needed.

Centrally Controlled Campaigns

How are the campaigns, which can have nearly global application, created? International advertising campaigns have two basic starting points: (1) success in one country, and (2) a centrally conceived strategy, a need, a new product, or a directive.

In the first starting point, a successful advertising campaign, conceived for national application, is modified for use in other countries. "Impulse," the body spray, started in South Africa with a campaign showing a woman being pleasantly surprised when a stranger hands her flowers. That strategic idea has been used all over the globe, but in most markets the people and the setting are localized.

Wrigley, Marlboro, IBM, Waterman, Seiko, Philips, Procter & Gamble, Ford, Hasbro, and many other companies have taken successful campaigns from one country and transplanted them around the world. A strong musical theme, especially typical of Coke and Pepsi, makes the transfer even smoother because music is an international language.

Centrally Conceived Campaigns

The second starting point, a centrally conceived campaign, was pioneered by Coca-Cola and is now used increasingly in global strategies. Although the concept is simple, the application is difficult. A work team, task force, or action group (the names vary) assembles from around the world to present, debate, modify if necessary, and agree on a basic strategy as the foundation for the campaign.

Some circumstances require that a central strategy be imposed even if a few countries object. Cost is a huge factor. If the same photography and artwork can be used universally, this can save the \$10,000 or more each local variation might cost. Or, if leakage across borders is foreseen, international management may insist on the same approach.

Colgate faced this problem before it standardized its red package and typography. Distributors in Asia bought shipments from the United States and Europe, depending on currency rates and shipping dates, so Asian consumers saw different packages for the same product, which led to consumer confusion.

A centralized campaign could include television, radio, newspapers, magazines, cinema, the Web, outdoor advertising, and collateral extensions (brochures, mailings, counter cards, in-store posters, handouts, take-one folders, or whatever is appropriate). The team can stay together to finish the work, or it can ask the writer or campaign developer to finish or supervise the completion of the entire project.

Variations on Central Campaigns Variations of the centrally conceived campaign also exist. For example, Xerox may handle its European creative development by asking the European offices of Young & Rubicam to develop a campaign for a specific product. The office that develops the approved campaign would be designated the lead agency. That agency office would then develop all the necessary elements of the campaign, determine the relationship of those elements to one another,

shoot the photography or supervise the artwork, and prepare a standards manual for use in other countries. This manual would include examples of layouts and broadcast spots (especially the treatment of the logo or the product) and design standards for all elements.

Individual offices could either order the elements from the lead agency or produce them locally if that were less expensive. Because photography, artwork, television production, and color printing are very costly, developing these items in one location and then overlaying new copy or re-recording the voice track in the local language saves money; but advertisers must be careful to look local.

Local Application and Approval Assuming that the ad campaign has been approved centrally, its execution must be adapted to suit the local market. Every ad in every country cannot come back to regional and world headquarters for approval.

Within a campaign framework, most companies allow a degree of local autonomy. Some companies want to approve only pattern ads (usually the two or three ads that introduce the campaign) and commercials and allow local approval of succeeding executions. Others want to approve only television commercials and allow local freedom for other media. If headquarters develops common material (such as ad slicks or broadcast footage), it simplifies the approval process.

In any case, free-flowing communication is necessary. Senior officers travel, review work, and bring with them the best of what is being done in other countries. Seminars, workshops, and annual conventions all serve to disseminate campaign strategies, maintain the campaign's thrust, and stimulate development of new ideas. Today, companies must balance the globalization of concepts and strategy with the localization of application.

Determining Global Advertising Objectives

Just as every domestic advertising plan begins with a statement of objectives, global advertising plans originate with a similar statement. Global plans differ from their domestic counterparts in several key areas. These differences are largely responsible for limiting most global marketing objectives to awareness and recall, two effective yet easily attainable marketing measures. Below are some of the factors that advertisers must take into consideration when developing objectives:

1. There are often fewer customers in each foreign market; however, marketing materials must still be translated in a way that conscientiously addresses their market's culture and mores.
2. Business factors such as currency exchange rates and changes in tariffs influence the impact of an organization in any given market and therefore determine budgets.
3. Variations in the availability and cost of media and the effectiveness of certain types of media in some markets are a major consideration.
4. A global company cannot always obtain services from the best local advertising people; this creates a potential advantage for local competitors.

5. The often-smaller budgets allocated to global markets may hinder the achievement of long-term marketing effectiveness.
6. The availability of accurate and useful market research information is also often quite limited.

Positioning the Global Product

Research must be conducted to identify the problems and opportunities facing the product in each of the international markets to be entered. The normal approach of conducting consumer, product, and market analyses works well for international analysis. Emphasis should be placed on identifying local market differences to which the advertising programs must adjust.

The analysis portion of the advertising plan develops the information needed for positioning the product in the foreign markets. Particularly important is a good understanding of consumer buying motives in each market. This is almost impossible to develop without locally based consumer research.

If analysis reveals that consumer buying behavior and the competitive environment are the same across international markets, it may be possible to use a standardized positioning throughout. In exploring the international marketing opportunity for Gatorade, Quaker discovered that the active, outdoor lifestyle that created demand for sports beverages was an international, not a domestic phenomenon.

Starbucks' consumer research suggested that perceptions of a store such as Starbucks varied from market to market. In Japan, Starbucks was positioned as a daytime meeting place for business people and an evening place for socializing. The position of its Hawaii stores was as a place to relax, any time of the day or night.

Setting the Budget

All the budgeting techniques discussed have possible application in foreign markets. However, several problems may affect this decision. Most notably, the exchange rate from country to country may affect not only the amount of money spent in a particular market, but also the timing of the expenditures. The cost of television time in Tokyo is approximately twice what it is on U.S. networks, and, rather than being sold during an upfront market every spring, Japanese TV time is wholesaled several times during the year.

Another factor is the budgetary tradition in a particular market. In the United States, the use of float is common, that is, bills do not have to be paid for 30, 60, or 90 days. In Denmark, everything is strictly cash. Likewise, the notion of barter, a common payment plan in many companies, is almost expected in Italy.

When a company is preparing a single advertising plan for multiple markets, many use an objective-task budgeting approach that makes advertising for each foreign market a separate objective with its own budget. (Remember that this approach looks at the objectives for each activity and determines the cost of accomplishing each objective.) This technique adds some flexibility to localize campaigns as needed. Alternatively, it can use other budgeting methods such as percentage-of-sales or the competitive method.

Selecting Media for International Campaigns

Advertising practitioners can debate global theories of advertising, but one fact is inescapable: Global media do not currently exist. Television can transmit the Olympics around the globe, but no one network controls this global transmission. An advertiser seeking global exposure must deal with different networks in different countries.

Satellite Transmission Satellite transmission now places advertising into many homes, but its availability is not universal because of the footprint (coverage area of the satellite), the technical limitations, and the regulations of transmission by various governments. Satellites beam signals to more than one country in Europe, the Asian subcontinent, North America, and the Pacific, but they are regional, not global, in coverage.

Despite its regional limitation, satellite transmission is still an enormous factor in the changing face of international advertising. The reach of satellite stations is based on a foundation of shared language, which is making national borders increasingly irrelevant in international markets.

The North American, European, Asian, and Latin American markets are becoming saturated with cable TV companies offering an increasing number of international networks. Such broadcasters include the hugely successful Latin American networks of Univision and Televisa, whose broadcasts can be seen in nearly every Spanish-speaking market, including the United States. One of Univision's most popular programs, *Sabado Giganta*, is seen by tens of millions of viewers in 16 countries.

StarTV, with an audience spanning 38 countries including Egypt, India, Japan, Indonesia, and Russia's Asian provinces, Star TV, was the first to reach this market of an estimated 2.7 billion people. It was closely followed by CNN and ESPN. Sky Channel, a U.K.-based network, offers satellite service to most of Europe, giving advertisers the opportunity to deliver a unified message across the Continent. The expansion of satellite television makes it possible to distribute a standardized message to extensive audiences, the potential of which presents international advertisers with new and unique challenges and powerfully enticing rewards.

The Web in International Advertising The Web is an international marketing and advertising medium but it faces access, legal, linguistic, currency, and technological barriers. First, not everyone around the globe has the access or ability to use the Internet via computer, but the number of Internet users is growing exponentially. The Internet audience is growing faster internationally than it is in the United States. Analysts had predicted that Europe's base of 9 million Internet users would top 17 million by the turn of the century. They also estimated that Asia and the Pacific Rim would double the 5 million households currently accessing the Internet by that time?

Second, advertising and sales promotion laws differ from country to country. Differences in privacy laws between Europe and the United States are expected to force American companies to change the way they collect and share consumer information.

Language is another factor. Although English is the dominant language on the Internet, some advertisers who want to

provide different Web sites for different countries have trouble ensuring consistency across all sites. The linguistic problem is evident when Web sites are in Japanese or Chinese, languages from high-context cultures, and in

English, a language from a low-context culture. English has a few variations of the word “yes,” for instance, while high-context cultures may have thousands of variations. Ensuring precise, accurate communication in these situations is tough.

Another issue is exchange rates. Companies must decide whether to offer prices in their own currency or in the local currency. For example, one Canadian shopper reported that books on a Canadian Web site were cheaper than the same books on Amazon.com. In addition, some companies make different offers available in different countries. However, savvy Internet customers can see how pricing differs from country to country. If they find differences, they may become frustrated or disenchanted.

A final point to keep in mind when appealing to international audiences is the technological differences among the worldwide Internet audiences. Users in some countries have to pay per-minute charges and therefore want to get on and off quickly, which precludes sophisticated graphics that take a long time to load. In other countries, users have access to fast lines and may expect more sophisticated Internet programming as a result.

The dizzying number of rules, regulations, and conflicting requirements a company must understand to conduct international business on the Internet can be a barrier to entering the global electronic market. While Internet industries are lobbying global market participants to establish standardized regulations, it is widely believed that these regulations will bring additional burdens such as taxes, tariffs, and conflicting disclosure or competition requirements. Therefore, many international organizations are increasingly looking to the Internet for advertising—not direct sales.

One manufacturing company that uses this Internet-advertising approach to drive its store-supported sales is Waterford Crystal of Ireland. It is important to understand that it does not sell its product to customers directly online, but simply offers images and descriptions of its full product line, as well as information about retailers who offer its products. Waterford’s goal is to channel potential customers to its retailers, like Bloomingdale’s, from whom the customer can make a final purchase. Such an approach overcomes many of the overwhelming challenges to conducting business internationally on the Internet. And, it is widely supported by the retailers who benefit from the additional sales of Waterford’s products as well as increased customer exposure and traffic.

Execution of International Campaigns

Media planning for an international campaign follows the same principles as those used for reaching a national target audience. The execution, however, is more complex.

International campaigns are not always centrally funded. The global corporation typically has operating companies locally registered in most major countries. Advertising might have to be funded through these local entities for maximum tax benefits or to meet local laws of origination. The media planner

might only be able to establish the media strategy for the target audience and set the criteria for selecting media. In small agencies media planners often make the media buys as well. Otherwise, the media buy is too complicated for one individual. Greater latitude is allowed in media planning than in creative planning. For example, a media campaign in the Southern Hemisphere, especially for consumer goods and seasonal items, requires major changes from a Northern Hemisphere campaign. In the Southern Hemisphere, summer, Christmas, and back-to-school campaigns are all compressed from November through January.

Media Choices Once an international advertiser’s overall strategy has been established, it is still faced with a daunting array of media possibilities or limitations within specific markets. In developing an optimal solution that addresses these differences, an organization must consider the availability, cost, coverage, and appropriateness of the media.

Availability. Two main characteristics define the availability of a medium to an international advertiser—quantity and accessibility. The quantity, or saturation, of different media types can be so high in some markets that no dominant medium emerges as the clear choice. Other markets may have such a narrow quantity of available media that it serves to limit the advertiser’s potential message or reach.

Accessibility can be an issue as well when governments prohibit the use of certain media for the delivery of specific advertising messages. A domestic example of this kind of accessibility limitation is one in which cigarette manufacturers are prohibited by law from advertising on U.S. television.

Some markets have a highly fragmented distribution of newspapers or magazines. In such markets the costs of placing advertising with each distributor to obtain the desired market coverage would be prohibitive.

Costs. Of major consideration is the fact that, in many countries, media prices are not always firm, but vary widely because of bargaining customs. The bargaining expertise of an advertiser with its local agency in negotiating contracts, as well as the local agency’s relationships and bargaining skills with media providers, can result in huge differences in marketing costs from country to country.

Coverage. The limited availability of media in a market has a direct effect on the coverage a company can hope to attain there. In many instances, a combination of a number of different media must be used to reach the majority of a given market. Sometimes advertisers are forced to become more creative and try new methods of reaching their targets. For example, in parts of India, with limited technologies and infrastructures, Colgate hires 85 vans during a single campaign to visit villages identified as potentially profitable by its market research.

Appropriateness of the Media. Unfortunately, while many countries do have agencies similar to the U.S. Audit Bureau of Circulation, they often lack the power to enforce their policies. This means the international advertiser is often faced with inaccuracies or misrepresentations of circulation figures by local media providers. Therefore, determining whether it is selecting the right mix of media is difficult, if not impossible. In

response to vastly inflated circulation figures of local newspapers, the president of the Mexican National Advertisers Association suggested that advertising agencies divide the reported figure in half, and consider the resulting number with skepticism.

The Global Creative Effect

Global campaigns, like domestic campaigns, require ad work that addresses the advertising objectives and reflects the product's positioning. The opportunity for standardizing the campaign exists only if the objectives and strategic position are essentially the same.

The creative process requires three steps: to determine copy content, to execute the content through a central idea, and to produce the advertising. Standardizing the copy content by translating the appeal into the language of the foreign market is fraught with possible communication blunders. It is rare to find a copywriter who is fluent in both the domestic and foreign language and familiar with the culture of the foreign market.

It is best if the central creative idea is universal across markets, or at least can be converted easily from market to market. For Starbucks the central idea is high-quality products in a relaxing atmosphere. Although the implementation of this idea may vary from market to market, the creative concept is sound across all types of consumers.

Even if the campaign theme, slogan, or visual elements are the same across markets, it is usually desirable to adapt the creative execution to the local market. Adaptation is especially important if the advertiser wants its products identified with the local market rather than as a foreign import.

Advertisements may be produced centrally, in each local market, or by a combination of both. With a standardized campaign, production usually is centralized and all advertisements produced simultaneously to reap production cost savings.

Evaluating Effectiveness

A strong effectiveness evaluation program is particularly important for international advertising. Intuition serves the advertiser poorly as an evaluation method because of the lack of familiarity with foreign markets. International advertising most often takes place out of the advertising manager's sight and is difficult to control.

The effectiveness evaluation program for international advertising should focus, at least initially, on pretesting. Unfamiliarity with the culture, language, and consumer behavior can result in major miscalculations. Pretesting helps the advertiser correct major problems before damage is done.

Special International Considerations

International advertising, despite its glamorous image, is tough work because it poses formidable challenges. We have already discussed the problems that language creates. Other concerns relate to laws, customs, time, inertia, resistance, rejection, and politics.

Laws and Regulations

International advertisers do not fear actual laws; they fear not knowing those laws. For example, a marketer cannot advertise

on television to children under 12 in Sweden or Germany, cannot advertise a restaurant chain in France, and cannot advertise at all on Sunday in Austria. In Malaysia, jeans are considered to be Western and decadent, and are prohibited. A commercial can be aired in Australia only if it is shot with an Australian crew. A contest or promotion might be successful in one country and illegal in another.

Custom and Culture

Customs can be even stronger than laws. When advertising to children age 12 or over was approved in Germany, local customs were so strong that companies risked customer revolt by continuing to advertise. In many countries, naming a competitor is considered bad form.

Customs are often more subtle and, as a result, are easier to violate than laws. Quoting an obscure writer or poet would be risky in the United States, where people would not respond to the unknown author. In Japan the audience would respect the advertiser for using the name or become embarrassed at not knowing a name they were expected to recognize. A campaign that made such a reference might irritate U.S. audiences and engage Japanese consumers.

Companies that are starting to do business in the Middle East have to learn new selling methods because the region is so devoutly religious. There are major restrictions on how women are presented in advertising. Many Asian cultures emphasize relationships and context. To be effective, the advertising message must recognize these cultural differences.

Many oppose the move to a global perspective because of concerns about the homogenization of cultural differences. Marketing or cultural imperialism is a term used to describe what happens when Western culture is imposed on others, particularly cultures such as the Middle East, Asian, and African cultures.

Countries in Southeast Asia have advertising codes. Singapore has an ad code determined to prevent Western-influenced advertising from impairing Asian family values. Malaysia requires that all ads be produced in the country, which cuts back dramatically on the number of foreign ads seen by its public.

Time

Everything takes longer internationally-count on it. The New York business day overlaps for only three hours with the business day in London, for two hours with most of Europe, and for one hour with Greece. Normal New York business hours do not overlap at all with those in Japan, Hong Kong, the Middle East, or Australia. Overnight parcel service is dependable to most of Europe and other regions, if the planes are able to take off and land.

For these reasons e-mail that permits electronic transfer and telecopy transmission is a popular mode for international communication. E-mail and fax numbers have become as universal as telephone numbers on stationery and business cards in international companies.

Time is an enemy in other ways. France and Spain virtually close down in August for vacation. National holidays are also a problem. U.S. corporations average 14 to 15 paid legal holidays a

LESSON 6: INDIAN TRENDS IN INDIAN ADVERTISING TRENDS.

Topics Covered

Changes in the advertising today as compared to the earlier days specially in Television, the use of humor, the dotcom advertising.

Objectives

1. To view the changes in advertising today as compared to the earlier days.
2. To examine the different areas where this impact is felt like humor.

Ask any advertising professional who has been around long enough, and he'll tell you Indian advertising – advertising on television, especially – has undergone a significant transformation over the past eight to 10 years. The execution has definitely got better, we're told. (Which is partly a function of the technologies available today.) And we've gained yards in the ideas department too, they insist. Like how? Well, our commercials are more engaging and clutter-breaking nowadays... and a lot funnier.

Yes, everyone agrees that we're making more funny commercials today than we were a decade ago. But does this across-the-board humour work, or does it only generate more clutter? And even if one were not to debate the merits of humorous advertising, is this the only change Indian television commercials have witnessed? What about a change in communication formats, in and across product categories? What about changes in the manner in which Indian brands tell product stories? Or changes in the use of mnemonics, the use of 'product windows' and, say, the portrayal of women in Indian commercials?

Although perhaps less obvious, there have been changes in most of these components of advertising, as revealed by a recent study – 'The Non-fiction of Indian Advertising, 1993-2001' – conducted by FCB-Ulka Advertising. Sharing some of the findings of the study with agencyfaqs! Richa Arora, vice-president – strategic planning, FCB-Ulka, says, "The purpose behind the study was to see how exactly the content in Indian television advertising has evolved from the early 90s. We all know there have been changes, but little of that was quantifiable. This study shows that advertising seems to be acquiring a certain sameness, and it also shows a startling scale of opportunity to do things differently."

As a starting point, the agency made a compilation of over 1,000 television commercials from 1993 to 2001. These commercials were classified under eight category heads – Food & Beverages, Personal Care, Household Durables, Lifestyle/Apparel/Fashion, Automotive, Household Products, Pharmaceutical and Services. Each commercial was then mapped onto various relevant dimensions of advertising where possible changes could have occurred. These included the nature of storylines, the use of 'Hinglish' and mnemonics, product windows, the use of humour, the type of protagonist, the

nature of payoffs (rational or emotional) and the portrayal of women.

"The agency did not use any criteria for selecting the advertised brands, nor did we do any sort of filtering," Arora informs, "We just took all the ads from TV Ad Indx's quarterly tapes from 1993 onwards. All we wanted was a single credible source, and I believe these tapes are a broad representation of spends, as the ads in these tapes cover 70-to-80 per cent of spends in this country."

The findings of the study are a mixture of the expected and the unexpected. Let's first take pure product-centric advertising... that is, commercials that tend to pan on the product, 30 seconds on 30. In 1993, this kind of advertising constituted 24 per cent of all commercials aired. However, by 2001, the figure had fallen to 11 per cent (which is 11 per cent too much, many creatives would groan). The study also shows that with a decline in product-centric advertising, there was a fall in the number of ads with no narrative storyline (from 51 per cent in '93 to 29 per cent in 2000). The reading could be that product-centric ads make less of a narrative, which, perhaps, affects their recall.

The drop in this approach to advertising, however, is counter-balanced by other forms of product focus. Product windows (those distinct visual capsules where the product fills every pixel on the television screen) increased from 10 per cent in 1993 to 26 per cent in 2001. While 'product stories' (with an emphasis on a specific product ingredient/feature) went up from 15 per cent to 20 per cent in the same period. "So today, if it can't be just product-centric, it seems the ad needs to have a product window," says the study. "Better still, support it with a ingredient-based product story like 'calcium in Maaza', 'carbon-busters in Castrol' or, perhaps, even Zap 'Em With Science (ZEWS), a la 'ZPTO Clinic All Clear' or 'SAF in Ponds Magic Talc' or Herbasol in Chlor-mint."

Another interesting finding related to product stories is that currently, in 'considered purchase categories' such as Automotive and Durables, a mere 5-to-10 per cent of all ads have product stories to tell. In contrast, in categories such as Food & Beverages and Personal Care, 22-to-33 per cent of commercials had product stories/rational cues. Reasons for this can be traced to the nature and evolution-levels of the respective categories. "Considered purchases like Automotive and Durables are now being sold more on product experience/lifestyle parameters than on rational sell," observes the study, citing the examples of Mahindra Bolero's 'breaking free' idea or the 'Mummy's magic' theme for Whirlpool White Magic. The study, however, makes an allowance that in these categories, press advertising could be providing the rational cues.

"In contrast, categories like Foods and Personal Care are using more and more rational cues as support, be it Cadbury chocolates with 'doodh ki shakti' or the fruit vitamin-based Poppins," says the study. Explaining this, Arora says, "Auto-

motive and Durables have a status connotation, so the communication tends to become emotional. However, one crème or one moisturizer is almost as good as another, so you need a rational argument to push your case."

Interestingly, the study notes that commercials having a 'purely functional payoff' (which could range from product displays to commercials with a promise rooted in problem-solution) have only marginally declined from 62 per cent in 1993 to 53 per cent in 2001. "This is because, typically, communication for utility products, business products and dotcoms has been, by and large, based on a functional payoff," the study concludes.

"Examples of a pure functional payoff are more common than we think, be it the Pepsodent 'matka' ad symbolizing 'long-lasting germ fighting strength', or Epson printers offering 'clarity'." But what is most surprising is that today, ads with 'testimonial formats' constitute just 4 per cent of all commercials. "It is more the lavish media spends of the Vims, the Ariels and the Doves of the world that make testimonials seem more common than they really are," the study proffers an explanation.

Vis-à-vis the portrayal of women, the study reveals that, "While the rise in the portrayal of women sans 'typically traditional values' was up from 55 per cent in 1993 to 79 per cent in 2001, the change in their appearance was more marginal. The 'modern look' was up from 48 per cent to 56 per cent." The study also notes that, "The relatively more conservative depiction of women is what typifies the F&B category. In 2001, F&B ads portraying women with traditional values were 20 per cent, versus only 13 per cent across other categories (a similar trend was apparent in 1993). It seems as if women in F&B ads find greater favour in their 'Annapura' roles even in modern times."

Speaking about this facet of the study, Arora reveals that other studies done by FCB-Ulka suggest that there is more outward (appearance-wise) change among Indian women and less change in their traditional values. "What our studies have shown is that the package has changed, but the core has not," she says. "However, advertising seems to reflect the opposite. The 'look' is one area where quite a change has happened, so it is surprising that advertisers choose to keep the relatively conservative look, even today. There seems to be, so to say, a gap between advertising and reality."

During the time the Indian consumer was making a switchover from an auditory medium (radio) to a visual one (television), radio jingles used to double to form the backbone of commercials too. Remember 'Washing powder Nirma' and 'Videocon washing machine'? Well, nothing's changed. Jingle-based ads were as high as 45 per cent in 1993. In 2001, the figure is still at 43 per cent – when internationally, jingle-based ads constitute around 2 per cent of the total. Adds weight to one professional theory that ours is a culture tuned to the oral-auditory tradition. One 'common knowledge' that the study corroborates pertains to the increase of humour in Indian advertising. In 1993, only 28 per cent of all commercials were humour-based. Today (2001), almost every second ad tries to tickle the funny bone – 46 per cent of all ads are (or at least try to be) funny. "It's almost a 'humour herd' out there," says the study. Of course, the idea

is not to say 'No' to humour, especially if humour sells. "The trick may lie in creating a distinct brand of humour within the genre, so that that humour becomes a kind of a signature for the brand," Arora points out. The way The Economist uses 'intellectual humour', or the way Fox Sports uses exaggerated, absurd humour.

Arora admits that this is a "first-cut analysis" of the findings. "This was more to take a macro look at the industry and the advertising we are doing," she says. "Based on this, we are now planning to study the more interesting constituents in greater detail... things like ZEWS, testimonials, mnemonics. We will also now look at things at a category level, and I am sure there will be valuable information we can unearth for our clients."

Alaque Padamsee

The ad guru on what Indian advertising will be like in the new millennium

Is stagnation in the industry likely to go on?

The industry will have to cope with low operating costs and lower budgets. The days of highly inflated growth rates of 40 to 45 per cent are over.

Ad guru Martin Sorrell once said the days are over for small and medium agencies in India.

Everyone's selling out because survival's becoming tough. Smaller agencies do not count any more.

Do mergers always help the smaller agency?

Merger is essentially a sellout and works only if it is between two strong agencies.

Creativity seems to be on wane in Indian advertising.

Both yes and no. There have been some classy ones recently but nothing exceptional. There was Lalitaji. Then came Pepsi and of late, Ericsson and Maruti-especially the one on service centres which has become a case study globally for Suzuki.

Do independent media buying shops help growth in a nation where television audience rating is still in its nascent stage?

In a huge country like India, media research will have to be dependent on trends till all agencies have the necessary paraphernalia.

Will research organisations be key to future advertising and marketing?

That's the best way to understand the market pulse. Research organisations are analysing on the basis of their data that's painstakingly collected from across the country.

All agencies have one standard complaint: Clients today ask for the moon.

I tend to agree. But there's also a continuous shakeout process.

Social advertising seems to have died a premature death.

Not many care about others today. The advertising industry needs issues to start such campaigns. Kargil was one. We should (regretfully) wait for the next. It's sad.

One campaign you feel has set standards in Indian advertising...

Undoubtedly, Lalitaji. It was role-modelled after my mother and her spending habits.

What will be the focus of Indian advertising in the next millennium?

More on visuals because television will enter more homes. The agencies should keep this in mind, advise their clients and plan creatives accordingly.

Section for Discussion

Read the two articles below and prepare for a class room discussion. You may form groups for this activity. (Source: media4exchange.com)

TV personalities - good option for Indian advertisers

While speaking at the Advertising Club Bombay's Value Creation seminar on marketing entertainment and their growing inter-dependence, creative consultant Rekha Nigam urged that advertising agencies must leverage TV personalities in a better way to sell products and services. She also added that the late 1990s marked a revolution in TV programming where Indian-ness came out of the closet. TV serials depicted the "Garv se kaho ham Bharatvasi hain" theme and India found its own voice on TV.

The following are the excerpts of Nigam's presentation:

Where TV personalities score over film personalities:

TV personalities score because their characters are more identifiable, trustworthy and viewers share an intimate bond with them on a weekly basis. Viewers connect to TV personalities easily because they see them more frequently. TV personalities get a consistent exposure and their characters become household names. However, viewers don't know the real person (Amarr Upadhyay or Aman Varma) behind the character (Mihir) and often don't even wish to know. TV personalities can sustain the interest of women viewers who identify strongly with them. TV characters don't reinvent themselves as much as film personalities do. TV characters are aspirational in terms of the values they project on screen.

TV personalities are readily available and accessible to advertising agencies at cheaper and cost-effective rates. Viewers don't have to pay much in order to view TV personalities as compared to film personalities.

Some of the TV personalities who were not leveraged were Lala Lahori Nath (Alok Nath in Hum Log); Karamchand (Pankaj Kapoor) and Shri Krishna (Nitish Bharadwaj in Mahabharata).

Advertisers need to use TV personalities intelligently and match the synergies between a brand's personalities and the TV characters. The advertisers need to understand the strengths and weaknesses of the TV characters - for instance Parvathi Babhi or Tulsi. Unlike film stars, it would not make sense to use the real person who portrays the character as viewers identify more with the on-screen characters. Advertisers could create little soap commercials. Advertisers must leveraging a TV character the moment the character is no longer part of the serial's storyline and regular track the progress of the twists and turns of the story. Advertisers must look at short-term bursts rather than long-term usage.

India Finds its Voice in Tv Programming:

The success of wedding video film called Hum Aapke Hain Kaun in August 1994 propelled a wave of Indian-ness in both

TV, advertising and cinema. It was hip to say "We are like this only" tom-tommed by a music channel. Zee TV also gave a place of pride to the game of Antakshari, that was never publicly played.

The biggest revolution for TV programming came in 2000 when both KBC (Kaun Banega Crorepati) and KSBKBT (Kyuunki Saas Bhi Kabhi Bahu Thi) were launched. Although KBC created a major hype and hoopla, KSBKBT's silent advent ushered in a era that could determine the future course of TV programming. The serial put family to the centre-stage and capitalised on the fact that family bonding is the core of Indian-ness. The world of Indians revolves around the family irrespective of the part of the world in which Indians live.

As soon as the trend of family sit-coms started, movies and events started losing their sheen on the TRP charts. Asha Bhosale's debut show on TV got the same TRPs as the afternoon repeat show of a popular family sitcom. The recent episodes of KSBKBT that showed a 'bahu' getting married to another son was more revolutionary than Yash Chopra's film Lamhe that showed a girl getting attracted to an elderly man.

TV is not a step-child for filmstars who have become spent forces but an opportunity for them to reinvent themselves. TV took on Amitabh Bachchan and returned him back to the film industry in a different avatar.

The not so fair face of advertising!

Fairness products may have just lost shade or two of that promised glow.

Star India claims that 10 days ago it pulled out the offensive HLL ad that had some leftist women's organizations in the country seeing red, prompting the I&B ministry to issue a directive to channels to pull the blinds on the commercial.

Fulcrum head Vikram Sakhuja however, maintains the campaign had already run its course and was anyway not being shown on any channel by the time the I&B order came through. Sony ad sales Rohit Gupta however, says no fairness product ad has been pulled out from the Sony channels in the last few days. The network has replied to some directives received from the ministry, he says, but prefers not to comment on the issue as Sony has not received any directives on the issue and 'there are many issues involved.'

Star, which has a sizeable chunk of HLL product inventory, is now reviewing the issue to check whether Lever plans to replace the offending ad with any other. Sakhuja, who says the particular campaign was a success as it struck a chord with viewers, adds that while the I&B order thought the ad derided women, it is still a matter of interpretation. While the Advertising Standards Council of India's (ASCI) regulations are quite clear, says Sakhuja, "the jury is still out on this one," he believes. All's fair in ads and war!

The Product that Has Raised The Hackles of a Section of The Population

Sakhuja for one believes the ad, created by Lowe Lintas, sent out a positive message in that it advocates that the girl is induced to get out of the confines of her life and build her own identity, helped along by a fairness product.

Advertising Agencies' Association of India president Sam Balsara opines that while the AAAI has not taken a stance on this issue, the ads merely reflect current societal mores. "While I am not going into the specific emotional route taken, fairness creams as a product are an important category which meet the genuine requirements of young people," he says. It would not be correct to say that marketers exploit all opportunities available to them, says Balsara, as every product has a physical and an emotional attribute that will be highlighted.

The ASCI on the other hand says it has never upheld any complaint received by it against fairness creams on the basis of social discrimination. ASCI secretariat officials spoken to by *indiantelevision.com* admitted that though the council has received several complaints about such products till date, most were concerned about the claims made by the products. None of the complaints thus far have been upheld as the manufacturers and advertisers were able to prove that the products pass the technical tests. The level of fairness achievable by the use of these products however becomes a matter of personal judgment and since there is no way of measuring it, none of the complaints have been able to nail either the advertiser or the manufacturer of these products.

ASCI officials however, say that by adding a storyline and putting a roundabout form of presentation, some of the ads have availed of the 'license' that can be exploited by the advertising fraternity. "Although it can be disagreeable, if it is a convincing story, we don't come into the picture," the ASCI says.

The issue of 'objectionable' ads on the telly has however once again pitchforked into the limelight the need to have a separate body to monitor content on television channels on the lines of the content bureau as envisaged in the still-pending Communication Convergence Bill.

"We cannot always get involved in such things and the need for an outside body monitoring content has again been made," a senior official of India's information and broadcasting ministry told *indiantelevision.com* earlier today, emphasising that the notice from the ministry to TV channels and also the Indian Broadcasting Foundation (IBF) on ads of fairness cream and soaps is a stop-gap measure.

Not quite fair, says government

According to the government official, the need for a monitoring body is amplified from the fact that the government has received several complaints regarding programmes and advertisements on television channels and the government cannot always be active in the activity of policing.

"The relevant files (on bringing in a legislative act to form a monitoring body) have been put up before the minister and it is for him to take a studied decision," the official said.

Fair Weather Friends

Three prominent companies - HLL, Emami and Cavin Kare are currently aggressively pushing their fairness creams on television, even as Godrej markets its fairness soap with equal gusto. The All-India Democratic Women's Association (AIDWA) was the one which woke up the sleeping critics with its protest to the government that the ad be pulled off air.

However, I&B minister Ravi Shankar Prasad, during his recent interactions with journalists, has not been too bullish on having a monitoring body on the lines of the content bureau, something that was dear to his predecessor's heart. Sushma Swaraj had said it was to be part of her agenda for the first quarter of 2003 to have the broadcasting council legislation okayed by Parliament.

Three days ago, several TV channels got notices from the I&B ministry to take off the air ads relating to products which claimed to lighten the colour of the skin after usage. The move came after the All India Democratic Women's Association had petitioned the government, a Left party dominated organisation, that such ads were biased against the dark-skinned girl child.

Is this fair?

One such 'objectionable' ad features two girl friends bantering amongst themselves how the usage of two bars of soap of a particular brand for a period of eight weeks would make one of them (dark skinned compared to her friend who is very fair) fair and lovely. The dark-skinned girl takes up the offer, turns into a fair-skinned Cinderella and loses the bet of Rs 20 (cost of soaps). The friend now, of course, does not want her boyfriend to see her 'lovely' friend closely.

There's more. In another ad, a girl is unable to land a handsome groom due to her dark complexion, but her use of a fairness cream helps her hook a good looking guy. Another has a girl who lands a job as an airhostess after using a fairness product and is able to make up for her father's regret of not having a son to look after him.

Fair enough?

"It is ads like these which can upset anybody. Are the companies trying to say that it is a sin to be dark-skinned in a country like India (where a majority of the population are various shades of brown)? Especially when even educated people pray for fair daughters and daughters-in-law," the government official said, pointing out that in recent times cases of girl infanticide too has increased alarmingly.

The government official also said that the TV channels have been given 14 days time to take the necessary steps on the notice, including petitioning the government on it too. "We understand that channels have business policies and taking off the air ads cannot be done overnight. The IBF too has been asked to look into the matter and take steps to expedite the matter," the official added. **Fair enough?**

VISA's joyride with Mr. Bond

West meets East seemed to be theme of VISA's much appreciated television commercial starring the suave Pierce "Bond" Brosnan and Zhang Ziyi, the svelte actress who portrayed the rebellious martial arts exponent in the blockbuster *Crouching Tiger, Hidden Dragon* with aplomb. The memorable TV commercial for the Asia Pacific region was created by VISA's ad agency BBDO.

The charming and enigmatic Brosnan seemed to be a perfect foil to the "wild" Zhang in the 60-second nail-biting, action packed commercial. Of course, the typical Bond brand of humour and the famed facial expressions which have become a

hallmark of Brosnan's Bond character are all there in this roller-coaster drive of an advertisement. However, two things stand out and threaten to overshadow the superstars - the 'tuk tuk' and its driver!



Advertising folklore has it that the TVC was shot with over 200 crew, 100 extras and more than 100 cars and trucks to reconstruct a Chinatown setting with markets and traffic jams. Realism at its best in order to reflect the ethos and culture of the Oriental!



The commercial opens to the setting of a typical street in the crowded city of Bangkok with Brosnan caught in Bangkok's famous traffic jam. Brosnan is racing against time to make it to his latest heartthrob Zhang. He abandons his sleek limousine and hitches a ride with a tuk tuk driver. The driver, who is an avid film watcher and a typical Bond fan, gets carried away with Bond's on-screen persona. He embarks upon the "ride of his life" and the sophisticated Mr. Bond has to tag along. Brosnan empathises with his bravado and decides to humour him by joining in.



What follows is a nerve-wrecking journey along the streets of Bangkok as the obsessed driver crashes through billboards, restaurants and crowded markets. The "duo" - should we include the tuk tuk and say "trio" - leave a trail of destruction in

their wake as they traverse through the lanes, bylanes and streets - not a trace of cemented avenues or four-lane concretised roads. Mercifully, the journey comes to an end and the debonair Brosnan is delivered to the doorstep of his beloved - at least for the time being.



It is then that tragedy strikes! The tuk tuk falls apart even as the driver and the urbane, refined and polished Brosnan escape without a scratch - or should we say "shaken but not stirred". The thorough gentleman that he is, a grateful Brosnan whips out his VISA card and offers to pay for the damages!



The commercial ends on a humorous note as Brosnan discovers the tuk tuk driver waiting and wooing him for another ride on his brand new turbo-powered vehicle. The unbeatable gusto and charming smile of the tuk tuk driver will remain etched in memory for years. The punch line "All it takes" is VISA!



The TVC conveys that life is full of possibilities and the power to make things happen lies in the hands of the consumer - with VISA to assist the consumer. The advertisement highlights the versatility and power of VISA and is in line with the global "All it takes" brand advertising campaign. The advertisement exudes energy and confidence with bold and distinctive images - representing the vitality of VISA.

VISA International's South Asia country manager Santanu Mukherjee says: "We believe this advertisement will reinforce VISA's brand image as a leader in India. By combining our international association with the James Bond movie Die Another Day and bringing together international celebrities like Pierce Brosnan and Zhang Ziyi, who have a strong appeal across Asia and India, we hope to provide memorable and entertaining advertising. The advertisement aims at providing extraordinary surprises to ordinary everyday situations like a traffic jam!"



An excellent script laced with humour, the unmistakable charm of Brosnan and the rustic simplicity of an "ordinary" human being being elevated to sublime heights in the presence of an icon has delivered another winner for the global brand!

Summary

In this short lesson we have tried to take a quick glance at : changes that are visible in the advertising today as compared to the earlier days specially in Television, the increasing use of humor in commercials and the dotcom advertising.

Assignments

1. What do you think are the Indian advertising trends today? How does it differ from the earlier times? Write a note with examples.

LESSON 7: FUTURE TRENDS IN S.ASIA AND INDIA

Future of Advertising in Developing Countries

Topics Covered

Advertising and National Goals, Attitudes Towards Advertising, Use and Misuse of Advertising, Norms of judgement, the Multinational perspective, Advertising regulation, Self regulation practices, Self Regulation In India, Taxation and Advertising, New horizons, Case study on some Indian brands and Globalization study, Direct marketing and entertainment industry.

Objectives

1. To understand advertising and national goals, and attitudes.
2. To understand use and misuse of advertising and norms of judgement.
3. To examine the Multinational perspective,
4. To find out what is advertising regulations, self regulation practices in India, and taxation.
5. To analyze the case studies on some Indian brands and Globalization.
6. To look at direct marketing and entertainment industry.

Advertising and National Goals.

Governments of many developing countries except those, which have a strong commitment to private enterprise, frequently frown upon advertising. India has a mixed economy and large industrial enterprises in the public sector might not have been able to meet out of its own resources. The system of national planning and the Institution of planning commissions at the centre and in the states were evolved order to satisfy further demand. The question of resources allocation is undoubtedly relevant. However, has assumed undue importance. A lot of miscomprehension about the role of advertising arises because : inherent marketing orientation of accepted and established systems, such as planning is ignored.

Attitudes Towards Advertising

The function and purpose of advertising, when considered in isolation from marketing objectives be misunderstood. There is extensive use of advertising in the Indian context not only by business and industry, but also by the government and political parties. Political, too, raises question about the applications techniques as well as motives despite the explicit use of advertising by the government and political parties, it gets some what inconsiderate . The image of advertising amongst leaders opinion leaders and decision makers, as indicated by their personal opinion, is however, distinctly positive.

An over whelming majority of the respondents opined that advertising had a constructive role. The major reason for expressing this view were: "Advertising informs customers of available products and vices, and builds the relationship between buyer and seller". The next most important reason was

that advertising being an educative tool. The majority favoured regulation of advertising. However, opinions were when it came to the agency which should control advertising divided. The aggregate opinions in this were the following:

Controls by Government	51 %
Self controls	34 %
Consumer Groups	25 %
Professionals	24 %

It is significant to note that only five percent of the officials in the sample favoured government control. Fifty five percent of them favoured self-control and fifty-five percent, regulation by professionals.

Use and Misuse of Advertising

Critics of advertising in India include individuals and action group such as women's association. The groups of criticism may be misleading information or lack of anaesthetic approach. Woman's groups are particularly about excessive and irrelevant use of female models, and vulgarity in advertisements. A vigilant attitude towards advertising is certainly desirable. It is however, unfortunate that many a time much criticism, regardless of its merits, takes the form of an attack of the specific advertising and takes up the issue with concerned organizations.

The consumer education and research center is an organization which has given a lead in initiating action on misleading and untruthful advertisement. An instance may be cited. Seven seas super vitamin E was being advertised in the lay press with the claim that it was helping millions around the world feel young, "The body copy went on to state that the product" Helped hair retained its natural luster, 'body and bounce, made a woman's skin glow with health, youth and beauty and, made a man feel more lively and full of energy." The CERC took up the matter with the manufacturers and enquired about the indications and dosage of this vitamin and whether a doctor's prescription was required. Replies received were not considered satisfactory.

The centre also sought the opinion of experts and food and drug control organisation, Mumbai. The latter finally came round to intimating the centre that they had advised the manufacturers to modify the advertisement interim, however, the manufacturer informed the center that it had stated insertions of the advertisements. This development represents a healthy instance of probing done by a consumer body and the consequent pressure that was brought to bear not only on the manufacturer but also on the authority concerned in this case with drugs and remedies.

Norms of judgement.

The instance cited above was an unambiguous case when the validity information contained in the advertising was not tenable. Apparently, manufacturer too appreciated that. In a

large number of debatable cases necessary to how accepted norms against which claims and criticism may be evaluated. It will rather difficult to have absolute standards for a variety reasons.

The audience of any advertising will depend on the media specific vehicles used in each media and thus reach of this only a small proportion constitute the target audience. However, the responsibility of the advertising agency and the media extends, to all readers, viewer and listeners. The basic problems of communications with those who May not form a part of the target audience may arise. Howard and Hulbert have tried to develop criteria for evaluation of advertising from the angle of public interest. The question of proper segmentation is one of their six criteria. Others are timeliness, intelligibility, relevance, truthfulness and completeness. It is also necessary to include the issue of aesthetics in addition to that of ethics. The British code of advertisements must be legal, decent, honest truthful. The advertising standards authority has observed that only is a number of advertisements, out of the millions which appear every year found violating the code.

Research on the attitudes of business executives towards advertiser and advertising was undertaken by the Harvard Business Review in 1962. The study was repeated in 1971 in order to assess the view of the same segment of the audience. The effective sample consisted of 2,600 respondents. The results showed the following overall pattern of relative advertising standards as perceived by the respondents.

Trends in Advertising Standards Percentage

	1962	1971
Higher	40	43
Same	36	26
lower	24	31

Respondents indicated on a five point scale their "pinions of advertisements in the above three categories, on the following considerations.

1. Advertisements with irrational or misleading claims.
2. Advertisements which themselves are in bad taste.
3. Advertisements for objectionable products.
4. Advertisements which insults the intelligence.
5. Advertisements with too little information.
6. Advertisements which are irritating.

An improvement was indicated only in respect of advertisements with invalid or misleading claims as their proportion had declined. On the other five criteria, a majority of respondents opened that the proportion had increased.

Multinational Perspective.

It is worth mentioning that the opinions of different sections of society, with regards to various desirable undesirable features of advertising as perceived by them, may vary. Wills and Ryans, conducted research on this subject Managers consumerists and academicians, constituting a multinational sample of 493, were contacted through a mail questionnaire. Replies received

numbered 244, from 32 countries. Additionally, 227 students in 6 Countries also responded to the questionnaire. The findings of the study indicted that the role of advertising, as a source of information for consumers, was the focal point of diversity. Differences were greatest between managers and consumerists. Managers attitudes towards advertising were generally Positives and those of consumerists rather negative.

Advertising Regulation.

The question of regulation of advertising of the utmost importance. In a large number of countries, there are laws and other forms of regulations relating to advertising. Laws promulgated by governments contain stipulations such as the exclusion of cigarettes advertising from television. Twenty of forty countries have at least are government requirement for prior ; of advertising in the case of health related products, such as ethical a OTC drugs, medicated tablets and cosmetics. In Canada and Mexico clearance is required for all food and drink advertisements, particular therapeutic claims are made. The number of such countries is increase

Concern for the consumer is exemplified by government directs some countries. In the Netherlands, advertisements for Candy must dis toothbrush. The Swedish Government has directed that safety message be include in advertisements to children, e.g. 'always wear a helmet when skate boarding.

Self Regulation Practices.

The advertising profession i.e. advertisers, advertising agencies media have taken the initiative in many countries, to develop systems, regulation. The advertising standards authority practices for print and c advertising in the U.K. similar responsibility for television and advertising is held by the independent broadcasting authority.

The advertising standards authority is financed by the advertising industry. However, it works dependently of the industry. The authority look complaints it receives. Complaints are examine and if concerned advertisements need to be amended or removed, it instructs the advertisement accordingly. It also has its won monitoring systems for ensuring that the code is being adhered to. Special attention is given to certain type of advertising, e.g. those meant for children, or for products such as alcohol' slimming aids and devices, cosmetics and hypno-therapy. In Australia advertising industry council was formed in 1978 by advertisers, advertising agencies and media. Austria has a similar body called oesterreichische. In Brazil, the *code of self regulation* in advertising was promulgated in January 1979 and a self regulatory body CONAF was constituted to overseas the code was followed. The national advertising council (CNF) of France has reorganized itself to reinforce self regulation and the powers of the advertising control Bureau (BVP) have been undivided and strengthened. However, plans are a foot to receive self regulation to generate discussion on advertising and marketing practices legislation instead of learning it entirely to the consumer and consumerist groups.

Self Regulation In India

The Advertising Club Mumbai in collaboration with the international advertising association, organized a workshop on code for self regulation in India advertising, in April 1982.

Spokesmen from amongst the Indian advertisers and advertising agencies, the World President Emeritus of the International Advertising association and the Director General of the Advertising Standards Authority Association and Director General of the advertising Standards Authority addressed the workshop. The main objectives of the workshop were:

1. To review the self regulation on advertising in various countries with particular reference to the infrastructure as set up in the U.K.
2. To evolve a code for self regulation in advertising in India as well as a plan for an effective infrastructure for enforcing it.

The deliberations of the workshop led to the setting up of a committee in self regulation code in India and modalities of its implementation.

Stage of Development.

Advertising has rarely started coming into its own in India. International comparisons clearly indicate the low level of advertising expenditure in India. In the industrial base of the country has expanded substantially since the 1950's and availability of goods as well as industrial products are on the market. Despite that; the existence of low level of advertising supply. Moreover, most advertising is confined to urban areas. The above perspective is a matter of concern not only because of a poor rank in the international league. The value of advertising as an input in the process of market development was not been fully appreciate. It is only at a later stage of economic and marketing. Infact, rural market see very little of advertising, as a study of undertaken by the author for Industrial Credit and Investment Corporation of India Limited revealed. At the same time the pay of on advertising in rural market is likely to be higher than in urban markets.

An encouraging feature of the growth of advertising has been the increasing professionalisation. There has been an increase in the quantum of advertising business and consequently, a rise in the number of advertising agencies and also the number of newspapers and periodicals. Until a few years ago, advertising was treated as discretionary and received some what Casual attention from advertisers as well as advertising agencies. The role of advertising was limited largely to information and possible a bit of building. Advertisers did not attach much importance to advertising marketing impact. The situation has undergone a major change since the late 1960's when relative affluence, although limited to sections of society large availability of goods and services created a some what competitive environment. The need for market expansion was also felt. Advertisers became most conscious of the contribution that advertising could make.

Advertising agencies responded the changing situation. Two developments are worth commenting on. Firstly, advertising started getting closer to marketing strategy and planning. This contrasted with earlier where advertising was treated more as public relations activity and could be undertaken in many instances almost in isolation from marketing planning. It will be fair to add that marketing planning itself is relatively new on the Indian business scene and has yet to be fully established.

The second aspect is that of qualitative improvements on advertising. This, obviously, is a combination of various factors such as better initial preparations superior creative strategy and advances in technology. In recent years, advertising agencies have been placing greater emphasis in the caliber of person their training.

They have, thus, been able to attract better talent of upgrade and standards of performance.

Taxation and Advertising.

Expenditure incurred on advertising publicity and sales promotion been tax deductible in India. This provision was apparently incorporated owing to the basic development concept of advertising. However, tin again, at the time of formulation of the budget of the government of advertising expenditures came under scrutiny. Proposes for curbing advertising expenditures through disallowing tax deduction were in, 1965, 1970 and 1983. Drastic proposals put forward in 1965 were later withdrawn. The budget proposals for the fiscal year 1978-79 but restrictions on allowable advertising expenditure for any campaign Rs. 20,000. The finance minister H.M. Patel,' introduced the proposal the following preface:

"Extravagant and socially wasteful expenditure is after incurred advertisement, publicity and sales promotion."

The measure was estimated to yield a revenue of 31.0 million, apart from serving the objective of "curtailing extravagant and socially wasteful expenditure". The proposals came in for adverse comments and the Finance Minister relented. The limit for tax allowance was raised from Rs. 20,000 to Rs 40,000. Additionally, relaxation was made in the case of advertisement in newspapers not exceeding a circulation of 15,000 where tax disallowance would not apply. Statutory advertisements and those for recruitment were also exempted.

In 1980, when a new government was form the Finance Ministers restored the allowance in full on the grounds that there restrictions had particular hurt small and medium business. However, in 1 983, once again the policy was reversed .the Finance Ministers Pranab Mukherjee, observed:

"Honorable members must be aware of levish and wasteful; expenditure by trade and industry, particularly on travelling, advertising and the like with a view to inculcating a climate of austerity and providing a disincentive to unproductive, avoidable and ostentatious spending by trade and industry. I propose to provide that 20 percent of such expenditure be disallowed in computing taxable profits. "

The measures of restricting the growth of advertising are self defeating the total advertising expenditure on the mass media, viz. press, cinema, radio and television, was of the order of Rs. 250 corers

It may be useful to heed the advice given by Richard Crisp which is most relevant in the Indian context. Crisp pointed out that advertising personnel were relatively affluent. They would naturally, associate with people in their own socio economic class. Consequently, copy writers and other advertising personnel have few opportunities of obtaining first hand information from people who represent the 'man market or the common man' level. Advertising research serves as an insurance against

the insidious dangers inherent in the conclusion drawn by copy writers and other creative people that "everyone is like me". Even dangers still exist, in a large measure, in Indian advertising.

Many advertisers who want to follow a logical approach for evolving advertising strategy and formulating operational plans come up against the problem of definition and identification of their target audience. There is a lack of basic socio-economic and marketing data which is an essential prerequisite for efficient planning. The question of availability and reach of the media beyond the urban and literate sections of society, in a country like India where the literacy level according to the 1981, census was 36 percent, needs to be examined. This is relevant for commercial advertising. It is surely not adequate to rely on the radio and eventual extensions of the television network to reach the masses who are not accessible by print media or even the cinema. The advertising profession has borrowed heavily from the west, just as other areas of management have done. This has led to a relatively orientation in respect of media selections and message formulation. The inherent limitations have existed in respect of manufacturing marketing. It is time that advertising professionals became more innovative. There is for instance, considerable scope for exploring possibilities of using medial vehicles suitable for an illiterate rural audience. They, too, have an interest in buying goods and services. They constitute the target audience for messages concerning health, hygiene and social welfare. In such red avenues, the role of advertising professional is to lead and come up with ideas.

In 1981, as estimated by Hindustan Thompson Associates. Making allowance for expenditure to the national income will hardly be 0.2 percent. In terms of gross national products India was amongst the fourteen nations in 1981 whose GNP exceeds Rs. 14,000 Million. Despite the depressing statistics of GNP per capita which puts India at the lower end of the same list of community of Nations, the magnitude which industry make. Unsubstantiated observations referring to lavishness and waste in expenditure incurred on advertising does injustice to advertiser, advertising agencies, media and a host of small enterprises concerned with the production of advertising. The greater harm of such measures may be seen in the hampering of growth of industry and trade. The Cumulative overall effect of advertising is to aid the process of market development which in turn boosts industrial growth. This consideration far outweighs the revenue gains occurring to the exchequer.

There are a number of other undesirable effects of cuts on advertising expenditure. Growth of the media is directly dependent on advertising revenues. The survival of low-circulation newspapers and periodicals is closely linked with the advertising they can attract. Employment in the advertising industry, which includes not only advertising agencies but several ancillary services, mostly in the small sector, is directly related to the availability of advertising expenditure. Any curtailment is bound to have an adverse effect on these enterprises and the persons working there. Further more, such erratic policy postures create uncertainty and have a demoralizing effect.

New Horizons.

Advertising professionals in developing countries have to be fully aware of the challenge and responsibility thrust on them by virtue of a vast unexploited potential, on the one hand, and the resistance they encounter from various quarters on the other. This requires their looking beyond their own narrow areas of operation. A great deal of co-operative endeavor is required in order to put advertising on a sound footing. This has to be backed by research, the lack of which is a major drawback for advertising decisions.

There has to be a greater willingness on the part of all persons and actions concerned with advertising to innovate and experiment. This calls for an unconventional approach, as applicable, whether it is towards idea, content of the message, creative strategy or evaluation of results. Stereo-typing is the curse of advertising is a real danger against which the industry has to guard itself. This may be seen for instance in heavy reliance on the standard mass media, or in creative execution. An advertisement for textiles products for instance, look alike. This type of situation may render all such advertising ineffective. It is, basically, in the interest of advertisers to get a proper payoff from their investment in advertising agencies, too, can justify their existence only if advertising products result.

The quality of advertising and its social acceptance are the two sides of the coin. Advertising has to reflect social norms, value and aspirations, it will be irrelevant and wasteful. Nevertheless, various problems arise hence the need for legislation and self regulation has been felt wide.

In India, too, this subject should be treated with urgency it requires. The sensible and practicable guidelines can be developed and an institutional framework established for self regulation, the greater will be the benefit for the advertising industry. Imposition of such discipline from within will be preferable to legislation. Self regulation can be more effective, because of its expediency, as against lengthy legal processes. Moreover, it can provide much needed flexibility. If recent trends towards increasing professionalisation are any guide, there are grounds to believe that the advertising industry will be able to evolve norms of conduct for itself which will enable it to continue growing and making its due contribution to person and the nation.

Case Study For Class Room Readings: Bpl, Ctv Brands

What is the BPL? An entertainment electronic powerhouse best known for its colour television (CTVs) with aggressive plan for the home appliances business. A telecom major offering cellular services, homing in on the internet and broadband space. If you asked the average Joe on the street, it would be an emphatic 'Yes' on both counts. Because at the eyeballs level, that's where BPL is today.

The thirty-something brothers-in-law running the Rs. 4,300-crore, Bangalore-based group have a slightly different take. They don't see the BPL simply as maker of hardware-colour televisions, washing machines, vacuum cleaners or a provider of mobile telephony services. They see it as being in the 'consumer business,' using a strong consumer brand to attain leadership in

its operational theater. Using BPL's 'consumer franchise' to enter and dominate the emerging 'convergence space.'

Rajiv Chandrashekhar, the former chip-maker from Intel, who heads BPL's telecom business group (TBG), says, "BPL has a strong consumer franchise. It addresses sophisticated consumers with telephony, Internet at the top end of the spectrum and at the low end, rural, semi-urban consumers with black-and-white television sets. But whatever we are do, we are taking to the consumer."

This 'consumer' insight has been absolutely crucial for BPL, in its best known business CTV's. An area where it has beaten vaunted foreign brands in a competitive market to emerge as NO.1. BPL is the first company in the country to sell over the million CTVs in the year. To be precise: in 1999-2000, it sold 11,85,223 units. It's the number one brand across all screen sizes with market share at the 20.3 percent for the April 1999 - Feb 2000 period, according to ORG's retail audit.

This success, Ajit Nambiar, chairman and MD, BPL, ascribes to "really understanding" the Indian consumer. "An understanding that no amount of expensive market research can buy. An understanding that comes from the fact that BPL was a brand that was built here." Here's an example: In CTV's BPL discovered that as far the quality of the sound went, Indians had a preference for bass. "*We indigenously developed products to meet the demand,*" says Anand Narasimha, head - corporate brand management, BPL.

Also, the company that didn't take the Indians consumers for granted, never relying just on its brand name to push the product. Last year alone, BPL introduced five new models of CTV's offering everything from champagne coloured TVs to 100 per cent flat vision and picture-in-picture.

Narasimha says that competitors, particularly some foreign brands, "have been pending the same product mix and have not upgraded their product range in two years." BPL's CTV target for this year is two million, inclusive of exports-where Europe is the primary market. It already has an alliance with Dixons of the UK to sell its CTVs under the 'Matsui,' brand name at the latter's outlets.

Making BPL a strong consumer brand has cost the company a ton of money. In the 1999-2000, it spends Rs 170, and this year it expects to spend another Rs 250 crores, says Chandrashekhar.

The group which has so far used the BPL brand to hawk everything from CD systems to cellular services will now introduce a new 'flighter' mass-market CTV. This yet-to-be-named brand will slug it out with the local and Chinese brands at the bottom of the value chain. At the top end, it has soft launched the premium 'Digital BPL' sub-brand. While the CTV is the star in its portfolio, BPL is looking to emerge as a leader in appliances, soft energy (batteries) and components too. Appliances - gas tables, rechargeable lanterns, cooking ranges - are being brought under one roof to give it more focus.

When the Sonys of the world were buying Columbia Pictures it seemed right for BPL, with its strong hardware franchise in the colour television market, to look at software - call it content you must..

BPL went shopping for television channels. A good failed to appear, one thing led to another and BPL founds itself in the cellular telephony business, bagging the lucrative Mumbai circle. And was everybody surprised?

In retrospect, things could not have worked out better. Five years and the billion-dollar Investment later, BPL is set to emerge as a jayou player not only in the wireless business but also in broadband Internet and infotech.

BPL telecom business group (TBG) - the umbrella under which these businesses operate - has a simple mandate: to build a large base of service users and to create platforms to provide various products to these subscribers.

BPL's invention into the 'convergence' arena is being led by TBG. Says Rajeev Chandrashekhar, who has built this business from the scratch and is today the chairman and the managing director of BPL TBG: "BPL has a unique opportunity to play a role in the convergence space. Wireless, broadband and internet are converging. Two years ago convergence a technical dream. Now is it a real, live, consumer proposition."

The TBG, which had revenues of Rs 848 crores in 1999-2000 and which is making operating profits, according to Chandrashekhar has three companies under its umbrella: BPL Innovision, BPL Cellular Holdings and BPL Broadband Networks.

BPL Innovision is the Internet, media and infotech company of TBG. It is an Internet service provider (ISP) through the 'bpinet'. The service has rolled out the six cities with plans to cover 31 in all across the country. It plans to offer internet access on mobile phones and televisions using a set-top boxes in the future.

In addition to its personal portal bplnet.com TBG has another portal OyeIndia.com positioned as an 'online platform for youth.' Infotech and Indigo music and PM radio businesses also come under Innovision.

BPL Cellular is the wireless arm, with presence in Mumbai, Maharashtra, Goa, Tamil Nadu, Karnataka and Pondicherry. Broadband Networks is implementing fibre optic networks in Maharashtra, Gujarat, Tamil Nadu, Andhra Pradesh and Karnataka, says Chandrashekhar, to provide long distance services. "Each of the three delivery mediums have content," he points out. Chandrasekhkar is clear that BPL wants to be a leader in this business" given our track record." BPL is the largest cellular company in the country, he says with the 21 percent market share in terms with market share in terms of subscriber base which in sheer numbers translates into 4.4 lakh subscribers.

A Case Study For Class Room Reading :

Globalization Strategies For Indian Brands

To succeed in the particular business, one needs an ability to raise cost effective capital and a

sound understanding of technology and trends how they map to consumer," says Chandrasekhkar. As the ISO-member TBG plans to roll out its various services, Chandrasekhkar is readying to float one of the companies under his watch on the Nasdaq.

Not as much as to raise money as to gain equity on a global platform.

Says Chandrashekhar : “ BPL has successfully diversified its portfolio of business from hardware manufacturing to hardware manufacturing to software services.” The first indication comes when it entered the mobile phone business by bagging the prestigious Mumbai circle along with those of Maharashtra, Kerala, Tamilnadu, Goa and Pondicherry. BPL today claims to be the largest cellular phone company in the country in the terms of subscribers-4.4 lakh-and has just launched Internet services. Also being launched are FM radio and music under the ‘ Indigo’ brand name.

Five years from now Chandrashekhar seen BPL as “a relevant Indian brand and company playing a strong leadership role in the market at a time and place when Indian brands are becoming irrelevant.”

Meshing the old economy business of making goods like refrigerators and microwaves are wit the new economy business of Internet, broadband and wireless isn't all that difficult, if you get the basics right, says the young guns at BPL. In Chandarshekhar's words, “Dotcoms are buying audiences by advertising. This is not a permanent or definitive business model. A proper business model has to be built around the superior product like any other brick and mortar company.”

It looks as if transitioning from bricks to clicks isn't going to be all that tough for & group that , believes in the best.

Branding was repositioned at the Confederation of Indian Industry's Brand Summit in Chennai. With globalization stretching markets and tyre marketer's pursue, the focus was on creating strategies for effective global brand management. BT presents the 6 routes to global branding that emerged from three of brainstorming.

Otter a high level of customisation.

A brand as an experience is calls for high sensitivity to the customer's needs - even discerning to the customers subtle expressions! Customisation has become imperatives the customer will always find exactly what she needs, whether it's your brand or not. Every global player is trying to develop a brandimage-specific customer-relation marketing module, which entails customer-emotion evaluation. With growing use of technology and freer cross-border trade, the customer has so much choice now that one choice now that one-size-fits-all marketers will perish if they don't customise.

Manage The Value Perception

The brand transcends every barrier-most of all, class. But it still means different socio-economic groups. And the customer's commitment towards the value of brand is inversely proportional to her standing on the socio-economic scale The functional attributes of successful global brands define a brand, but it's the value that the companies manage to yoke to these b11lnds, by exploiting the perception of customer belonging to different socio-economic groups, that, ultimately, makes them work.

Don't Extend Your Brand Indiscriminately

Procter & Gamble, Chevrolet, and Millers & Coors have all been victims of indiscriminate brand-extensions. Levi-Strauss'

brand-share dropped from 31 to 19 percent in just seven years when it came up with 27 different cuts to appeal to a wider market. Diluting the brand equity by getting into subbranding will only kill sales. For, when there are too many products under the same brand name on the shelf, the customer is not patient. In thus US, 9. percent brand-extensions die.

Localise Global Brands

Ford Motor's response to the Indian market is a pointer. Even as it positioned its new car, the Ikon, inline with Indian needs, it replicated its global manufacturing technology in all the Indian plants. while it is true that customers of global brands want to enjoy the same quality of product, packaging and communication as is available in the developed markets, even those features must make sense in the local context of consumption.

Speak In One Voice.

No matter what its product, service, or market, General Electric's communication is universal: We Bring Good Things To Life. The brand communication, even as it uses different medias, must be unified. It also needs to have a universal appeal. But implementing such a translation worldwide is a huge task considering that every different global market has its own media and idioms. One way out is media focus. Colt, the UK based air-conditioning and ventilation company has cut the number of trade publications it advertises in from 32 to just 1.

Don't Neglect The Nuances

Everyone knows it by now, but cross-cultural mistakes can still kill your chance of globalisation. When an ad. agency created a commercial for an antiperspirant, for air in Tokyo, featuring an animated lady octopus-referred to as an Underarm Expert - spraying under all her arms while taking about efficiency of the spray, it just do the hysterical laughter from the audience. Why? In Japan, an octopus is thought of as having eight legs - not eight arms. Don't forget, there is no one global market - to conquer world, you have to conquer every market differently.

Your Brands Must Succeed At The Home First

He was the man behind the Brand Summit. Hindustan Lever veteran V. Balaraman, 53, Chairman, Brand Summit, spoke on critical brand issues on the eve of the millennium.

On Corporate Brandings In India

Corporate branding is a challenging proposition in India since there are many brands and diversified products from the same company. None of them is able to convey the corporate's ethics and values. The Body Shop is not just selling a product. It is branding environmental concerns by asserting that no animal-testing has been done. The brand content has percolated from the corporate down to the customer, who rewards the brand by showing an affiliation to this value.

On Product Differentiation

Differentiation is the deal-clincher. And for that, a corporate can make use of sub-branding and customisation of the brand to suit various international markets. Sub-branding won't dilute the corporate brand message. The corporate brand is like a master brand, and sub-brands are merely extensions of this. Hindustan Lever, for instance, has created its strong brand equity through the extensive usage of subbranding.

On Global Branding

Before you want to make a mark in the international market, you have to consolidate your domestic standing. If your brand doesn't sell well in your own home territory, it is preposterous to think that it would be well-received abroad. The Japanese are strong in their domestic market. Success has to be local first, then it should be global, as only this will provide true value to the customer.

Direct marketing and entertainment industry.

Hindi Movies are distributed through 2 level channels like producer - distributor – theatres consumers or audience. Mr. Vasu Bhagwani, CEO of Pooja Entertainment Ltd. (PEL), has innovative plans to cut down distribution plans to cut down distribution cost.

PEL has produced, so far, the Hindi movies Coolie No.1, Hero No.1, Biwi No.1, & Bade Miyan Chhote Miyan, Pyar Kiya to Darana Kya, which all are box office hit, stretching turnover of PEL from I crore in 1995 to Rs 50 crore by end 1999.

In a unique way PEL plans 'Direct to Theatre,' a scheme that will not only cut costs, but also cement the relationships between the original creator i.e. producer of the film to its ultimate exhibitor i.e. theatre owner.

Today's film industry experiences, the responsibility of the producer only upto arranging show for distributors and selling the film in most dynamic manner to fetch attractive price. PEL wants to open a Web site that will allow a theatre owner anywhere in the globe to enter into direct contact with it.

PEL wants to take over 200 cinemas theatres all over the country out of total 17000. Each theatre will undergo total revamp in terms of projection and sound systems at an expenditure Rs. 15,00,000 per theatre. This system will have three way advantages for PEL, first these theatres will be offered to major marketing companies like Cadbury's, Coke and Colgate on franchise basis to market their products. Secondly, since PEL will exhibit its own films through these theatres, there will be substantial savings of 20% on rent payable, which varies from Rs. 1 lacs to Rs. 4 lacs per week. In addition, PEL will exhibit other producer's films of reputed banners like Mukta Arts (Subhas Ghai), R.K. Films, Yashraj Films etc., Once this concept succeeds in domestic market, PEL have plans to repeat the same for export territories which will add to feather in its Cap.

Summary:

This deals with these topics : Advertising and National Goals, Attitudes Towards Advertising, Use and Misuse of Advertising, Norms of judgement, the Multinational perspective, Advertising regulation, Self regulation practices, Self Regulation In India, Taxation and Advertising, New horizons, Case study on some Indian brands and Globalization study, Direct marketing and entertainment industry.

Assignments

1. Discuss the essence of advertising in developing countries.
2. Do you think regulation of advertising is important? Justify with illustrations.
3. What is the future of advertising industry in India?

LESSON 8: ADVERTISING AND SOCIETY I

Impact of Advertising on Society

Topics Covered

Impact on advertising on Society with reference to deception, puffery, manipulative advertising, advertising creating materialism, advertising of certain products such as tobacco and liquor, advertising and special audience, advertising and moral values, violation of right to privacy, promotion of stereotyping, positive role of advertising.

Objectives

1. To point out the positive and negative side of advertising.
 2. To enable students to discern manipulative advertising.
 3. To be aware of impact on special audiences such as children and women.
 4. To examine the right to privacy and its violation.
- Recently, a research was conducted in the USA. It found that the image of women in TV Ads has, “shifted from women as homemakers or domestic attendants, to woman as sex objects,” over the past few decades. These women are usually represented by thin/ glamorous models/actors. The researchers asked a group of 108 college undergraduates to view a series of television Ads. 35 of them were exposed to 15 sexist commercials, (for beer, car, cologne, clothing etc.) and 5 non-sexist Ads. Another group of 34 students viewed 20 non-sexist Ads. The remainders viewed no Ads at all.
 - After being exposed to these commercials, the participants were asked certain questions. Individuals who viewed the sexist Ads were most likely to suffer from poor body image (i.e., they thought that their body was not healthy or attractive enough). Women thought they had more weight than they should and men thought they were thinner than they should be as compared with their ‘ideal’ body types (shown in the Ads). Conclusion: Sexist TVC can undermine the healthy body image of viewers.
 - Some years ago, there was an Ad by Inter Shoppe which showed a woman wearing only a pair of jeans and no top (i.e., with 50% clothes). The headline said: upto 50% off. It was to announce the sale of products with a 50% discount offer.
 - There was an Ad of a magic ring published in a magazine suggesting that by wearing that ring, you can make other people do what you want, you can land a good job, succeed in examinations and even win in lottery and gambling. Besides, you will even get dreams of buried wealth.
 - Recently, Hindustan Lever Limited admitted that while their Wheel detergent gave the impression of containing real lemon extract, actually it did not contain it. Hence, the impact was deceptive.

- Do you think this Ad is going overboard: ‘funerals that will make your family happy’. (An Ad by a company that arranges for funerals in USA) An Ad for a pencil: ‘A portable communication device, needing no batteries, in a handsomely finished wooden carrying case.

This is how advertising manipulates the customers. Now read further.

Introduction.

The role of advertising has often been a subject of much debate in society. Advertising may be useful to consumers, considering that dissemination of information is necessary when buyers have to make a choice from various products and services. The opposite view is based on the contention that consumers are duped by misleading advertising and hence advertising should be curtailed, or at least strictly regulated. Advertising on social issues is criticized on the grounds of deception, manipulation and on ground of being in bad taste. Besides, it also is alleged to corrupt our social values and life styles. Some of the criticisms are:

Deception.

Deception occurs when an advertisement is introduced into the perceptual process of the audience and the outcome of the perceptual process either differs from reality of the situation or affects buying behaviour to the detriment of the consumer. Thus, it refers to the informational content in the advertising but may also arise from the misplaced emphasis on presentation. A good example is the case related to a Delhi shop called Skipper. The Ad by this shop said that there was a discount of upto 50% on furnishing fabrics, Modifloor pure wool/woolblend/nylon carpets. A complaint said that the advertisement withheld a variety of information relating to the quality of the products, their standards, their style, etc. The buyers were also kept in the dark about whether the goods were old or new. In fact, the maximum discount of 50% was granted only on items that were old and remnant.

Earlier, some of the most misleading advertisements were those of liquor brands when liquor advertising was not permitted. Then, the advertisers would resort to a variety of gimmicks. Thus, McDowell pretended to sell Diplomat disposable ice cube bags or McDowell's Soda with spirit, the world of course knew that Diplomat was synonymous with whisky.

In brief therefore:

- Deception is involved when due to advertising (a) a consumer perceives a claim (being explicitly or implicitly made by the advertiser) differently from what it actually is; (b) they buy the product under the influence of mistaken impression and then suffers a loss as a consequence. Thus, either the claim itself could be false or at least the impression being created is false.

- Even if literally true, an advertiser may make a claim that a particular target audience may not be able to understand correctly. For example, if the potential students cannot distinguish between a government registered and government recognised institute and a student takes admission in a government registered institute believing it to be a government recognized one, it is a case of deception.
- Recently, many management institutes have started using CAT (Common Admission Test) conducted by IIMs for screening their applicants. The impression, though unintended, that was created in the mind of the applicants was that these institutes were in one way or the other affiliated to the IIMs. The CAT committee, therefore, has directed all such institutes to write in their Ads that IIMs have no role in the selection process or conduct of the program. (See the Ad. on page 259 for Fore School of Management)
- Sometimes, silence may be deceptive. Hence, complete disclosure may be needed. For example, through clever advertising, baby food may be sold to mothers of children below one year of age. These mothers may not realize that there is no better food for an infant than their own milk. Thus, silence (i.e., not saying that breast feeding is the best) on part of the baby food company is actually misleading and hence deceptive.

In an advertisement for Palmolive shaving cream, the cream lather was shown to be effective enough to shave sand grains off the sand paper. Implication was that if the cream could shave sand paper, it could tackle the toughest beard. But what was not disclosed was the fact that the sand paper was soaked in water for 24 hours before shooting of the Ad. Would you immerse your face in water for 24 hours before shaving?

Puffery.

Puffery refers to an advertising claim that is not outright false because the product does possess that quality but it is an exaggerated claim. It is a subjective claim that cannot be proved right or wrong. A rather well established convention is that trade putting is permissible. Putting takes two general forms. The first is a subjective statement of opinion about a product's quality, using such terms as best or greatest. Nearly all Ads contain some measure of puffery. For example 'We are No. 1' (Videocon TV Ad), 'The only way to Dress' (Dash Shirts and Trousers), 'Most Thrilling when Chilled'. -(Kingfisher mineral water).

The second form of puffery is an exaggeration extended to the point of outright spout that everyone knows is not true. The 'green devil' of Onida was obviously fictitious and even if he were real he would not be talking the way he did.

The notable part is puffery is not punishable by law.

Manipulative Advertising.

Critics of advertising feel that freedom of choice of the customer is restricted by the power of advertising since it can manipulate buyers into making a decision against their best interests. Such manipulation can be brought about by playing on the subconscious motives of people by using emotional and subliminal appeals. They say that advertising acts as a

hidden persuade. Look at the Denim Ad after shave Ad. It shows that a girl is attracted towards you because of your using Denim. Now, this may be a subconscious desire of most young males. They would like to try the brand, even though on rational analysis, they would know that this is far from being true. Likewise, in an earlier Pantaloon Ad, the illustration showed only a woman and the caption says: 'The kinds of clothes and accessories for men even women fall for'.

Advertising Creates Materialism.

Advertising is also accused of promoting the materialist value system. It creates the notion that acquisition of something will gratify basic and inner needs and aspirations. The message of a commercial seems to be that all the major problems confronting the individual can be instantly eliminated by the application of some external force - the use of the advertised product. Lakme Skin Care Ad brings it to the notice of the girl that her face is not really clean (even with soap and water) if she does not use the Lakme Skin Cleaner. Other Ads project products in such a manner that the customers begin to feel that their life would be dull or complicated if they are not used. Human instinct is to possess, to be recognized in the society. . . Advertisers play with these sentiments and emotions to gain the customer's loyalty.

Advertising of Certain Products.

It is also suggested that all the products cannot be allowed to be advertised because some of them are:

- Harmful upon consumption:** Cigarettes, hard liquor, etc., should not be allowed advertisement. The advertisers give a counterpoint that if the government does not impose a ban on their sale, then why should they not be allowed advertisement? Frankly, these products should not even be available. But practically speaking, banning, say legal production of liquor, will increase the problem associated with spurious liquor, an even more harmful consequence. That is why a ban on production is not feasible. However, when these products are advertised, advertising is not informative but highly persuasive using such images as an average reader finds difficult to resist.

A law prohibiting the display of pictures of cigarettes or their brands on vehicles, phone booths and counters was promulgated in Singapore. Tobacco companies resprayed fleets of cars and trucks to remove their logos. Shopkeepers pulled down posters advertising brands. The law also prohibited sales promotion and distribution of free cigarette samples, etc. Besides, the Ministry of Health began its campaign to eradicate smoking. Result: During a 10 year period, percentage of smokers in the total population fell from 23% to 13.5%.

- Some of them promote negative values (materialism), etc. :** It was reported in USA, that seeing some Ads of new brands of shoes but not being able to afford them, some youths found the easier way out: they killed those who wore them and looted the shoes!
- Some of the products are sold on the basis of information presented that can't be easily verified. For example, political candidates/parties' advertised claims can be: (1) in bad taste

- (2) deceptive/misleading (3) too brief to give a fair picture, (4) without any warranty being offered (i.e., if the candidate does not keep his promises, what is the remedy), (5) even if found false, we cannot reject/repurchase the product.

Advertising and Special Audience.

- (a) Children are more susceptible to the influences of advertising since they lack the perceptual defences and cannot objectively evaluate every advertisement. Since they lack the perceptual defences and cannot objectively evaluate every advertisement, many Ads to which children are exposed, mislead them. Since they are immature, they easily believe what they see. For example, children are attracted towards the advertisements of soft drinks, chocolates, noodles, etc., not realizing their harmful effect on their body, teeth, etc. It is advertisements that glamorizes orange drink and makes a child prefer it to pure orange juice, which is 'unexciting'.
- (b) But it is not merely children who get misled. Even their mothers fail to discriminate between the good and bad, the required and un-needed for their children, under the influence of advertising. World Health Organization has recommended a ban on infant food product advertisements since mothers erroneously believe that their own breast milk is inferior to balanced milk/food being advertised by these companies. Not only this, they can't even follow the instructions given on the tin and prepare these products unhygienically (for example, not putting the bottle (in which they feed their children) in boiling water, etc. Result: the child becomes under-nourished.
- (c) Likewise, many students/unemployed youth get attracted towards false advertising because their miserable condition prevents them from judging the contents of an advertisement objectively.

Advertising and Moral Values.

Certain advertisements are obscene/morally degrading. In a recent case, Hindustan Lever Limited had to withdraw an advertisement for their Feast ice cream because it was found to be obscene. In one advertisement, the child assumed that his teacher becomes a frog. The Ad had to be subsequently withdrawn. In Singapore, an American nutritional supplement was being advertised. In the Ad, the kid says: "Come on Dad. If you can play golf five days a week, I can have Sustagen once a day." The Singapore PM objected, saying that the Ad undermined the traditional politeness and deference that Asian children have for their parents. The Ad propagated western values that put unhealthy emphasis on individual rights over and above the accepted family and societal norms.

Advertising and Violation of Right to Privacy.

Many times, Ads may use the names/pictures of a person without consent. Likewise, ideas, trade marks, etc. of others may be stolen and used in an Ad without permission of the owner.

Advertising and Promotion of Stereotyping.

Advertising also promotes stereotyping by portraying certain group of individuals in specific roles. For example, women are usually portrayed as housewives, not business executives.

Secretaries are always girls. The daughter-in-law has to please the mother-in-law by cooking tasty food or by keeping the house clean, etc.

Positive Role of Advertising.

Advertising has played a critical role in the development process by creating a demand for consumer goods and raising living standards of the Indian population. It is not completely irrelevant or luxury consumption oriented, as generally accused. A substantial amount of advertising is done to promote capital goods, services, socially desirable values, etc. Advertising has definitely played a role in rural and urban development. Yet, a lot needs to be done.

Advertising can play a very important role in a developing economy like India. While excessive spending (promoted through advertising or otherwise) is undesirable in this capital scarce country, advertising can promote saving habits. Advertisements done by banks, financial institutions, etc., do precisely that. Likewise advertising can promote exports.

Lastly, advertising can also spread literacy, health awareness, etc.

Role of Advertising for Consumers.

Consumers stand to gain through advertising in a number of ways:

1. **Guide to prospective buyers:** Advertising is an instrument of information and persuasion. The informative role of advertising consists in provision of information about products, features, functions, specifications and prices to prospective buyers. Due to ignorance (minus advertising), they may purchase an inferior product, pay higher prices, or worse still, may not even know the variety of products that exist.
2. **Elimination of unnecessary intermediation:** By advertising the goods, a manufacturer comes in direct touch with the consumers. Banking upon this information, the manufacturer can directly sell to the customers. The number of middlemen, whose margins increase the price for the consumers, is consequently reduced.
3. **Better quality goods and cheaper prices:** Advertising ensures better and improved quality of goods to consumers, at cheaper rates since (a) advertised goods promise a certain quality which has to be maintained, (b) mass advertised goods are produced and distributed in large quantities, thus reducing the production cost per unit (due to economies of scale) and (c) unnecessary middlemen are removed, thereby reducing distribution costs.
4. **Propensity to consume Advertising:** This increases the short-run propensity to consume by informing buyers of the various bargains available. Besides, it is also true that consumer spending declines when the normal advertising flow is cut-off.
5. **Quality improvements:** Goods are generally advertised with brand names. When an Ad appears with a brand name, it imprints an image of the product in minds of the consumer. If the use of the advertised product confirms their expectations, a repeat order is expected and the product will earn a favourable image and good reputation. Thus, the

1. **Better standard of living:** Advertising creates the desire to possess better and newer items by educating the buyers about better life-style. Advertising gives a direct stimulus to consumer which in turn prompts the producer to produce more and better quality.
2. **Increase in economic activity and employment:** Advertising and selling have played an important part in expanding the economic system by stimulating consumers into buying more. Advertising makes people work harder than they otherwise would. This has had the effect of raising the aggregate level of the economy. In the long run, advertising has probably played a major part in making people favourably disposed towards high levels of consumption and in creating new products and ideas. Thus, advertising also increases the employment levels, directly and indirectly.
3. **Glimpse of national life:** Advertising acts as a mirror that shows the country's way of life. It is in fact a running commentary of the way people live and behave.
4. **Innovation:** Advertising reduces the risk of innovation. The cost of innovation can be more than recovered by the sales which Ads may generate and encourage manufacturers to undertake research and development.
5. **Financial support to media:** The revenue through subscriptions are quite inadequate to support the publication of newspapers, magazines or TV channels. Advertising revenues, in fact, provides a greater support to viable functioning of these media.
6. **Competition:** Advertising encourages competition and subsequently firms vie with each other to provide the best products and services to create and sustain brand loyalty. This also creates price competition.
7. **Countercyclical effect:** When an economy is in the recessionary phase, some firms increase their advertising efforts. This may have the effect of re-booking of orders which otherwise would have remained cancelled, especially for industrial products, machinery and plant, thereby diminishing the amplitude of business cycle.
8. **General awareness about social issues:** Advertising also tends to enlighten the population about social evils and how to control them, e.g., population problem, illiteracy, road safety, dowry deaths, drunken driving etc.

Advertising has come to stay as a part of the modern economic system and present-day society. Communicating to consumers about the vast variety of goods and services available, is obviously impossible without advertising. Emerging lifestyles and patterns of buyer behaviour call for such communication in interests of prospective buyers. Besides, advertising is not merely a means of communication about inessential goods. It

Thus, first, advertising informs a customer about the various choices available in the market. Second, advertising happens to be the most economical tool for disseminating information to the prospective audience, whether it be selling a product or promoting a social cause. Third, advertising is an in separate part of free speech. Any restriction on the legitimate right to recommend goods and services will diminish the fundamental right of freedom of speech. Fourth, advertising can contribute in economic development by promoting saving, investment, production and employment. Fifth, advertising helps in marketing. But then, we cannot turn a blind to certain negative dimensions of advertising. It promotes a kind of lifestyle which may not be liked by all segments of society. It increases the cost of goods sold to the customer. It is wasteful, considering that only small section of the audience exposed to the media may relate to the products being advertised. Advertising may encourage unsound or false values, especially through its effect on children and youth. It creates an emotional appeal which may be against a rational act. And finally, advertising can, instead of promoting competition, endanger it. Big advertisers can monopolize the market.

1. Discuss one campaign where you feel the advertising is manipulative. List out all your reasons.
2. Make a study of the negative impact of advertising on children or women. Give as many examples as possible.

[illegible]

Part II

"All of US who professionally use the mass media are the shapers of society. We can vulgarize that society. We can brutalize it. Or we can help lift it onto a higher level."

- Bill Bembach

Advertising and Society

JANET CHAMP WANTED TO MAKE A DIFFERENCE with the advertising she wrote. She wanted to do advertising that not only sold products and entertained people, but had a message that made the world a better place. She wrote a commercial for Nike called "If You Let Me Play Sports."

In 1949, Frank T. Smith, Jr. graduated from Texas A&M and got a job at NBC. Today, he's President of Gulf Coast Broadcasting in Corpus Christi, Texas. One day he found himself at the center of one of the biggest ethical controversies in advertising.

When **Ivan Preston** was a graduate student at Michigan State University, he decided he wanted to study the ethics of advertising - though some suggested he wouldn't find any. Recently, Professor Preston published his latest book, *The Tangled Web They Weave*, and testified before the FCC on **puffery**.

James Desrosier graduated from Kenyon College and went to work at Grey Advertising. Today, he's a visionary helping determine the course of e-business on a global scale - and a member of the National Advertising Review Board.

Each of these people plays a role in the way advertising interacts with society at large.

Advertising Touches Everyone.

Whether we work in advertising and marketing or merely "consume" advertising, it's a part of our world. It's pervasive.

As James Twitchell says in his book, *AdCult USA*, "If goods are hardware, meaning is software, and advertising writes most of the software." It exerts a major influence on society.

Advertising professionals must understand this power and how to manage it. As citizen "consumers," we also have a say in how we allow advertising to behave in society.

Economics, Ethics, Rules & Regulations.

THIS LESSON HAS THREE SECTIONS. Each section will introduce you to a group of important issues.

These are condensed summaries; each could be a book in itself.

In fact, each has been the subject of many books.

Here's how we'll try to do it:

Economic Arguments.

We'll discuss ideas about how people think advertising works in the economy and how that affects us as a society.

We'll discuss two economic perspectives on advertising:

- Advertising as an agent of market power, and
- Advertising as an agent of market information.

Ethical Arguments.

Ethics deals with "good" and "bad." We'll look at the question: "In what ways is advertising good or bad for society?"

We'll see examples of despicable behavior, admirable corporate citizenship, and many things in between. We'll cover arguments, criticisms, defenses, policies, and beliefs. All these perspectives can make for lively class discussion, and perhaps even some after-class discussions.

Rules and Regulations.

Our government has been making judgments about advertising for more than 100 years. We'll discuss ways we regulate the **commercial speech** of marketers and summarize some of the most important names and dates.

And More. If you'd like to dig in a little deeper, look into Web site: **www.adbuzz.com**.

Two More Points:

Point #1. We can feel strongly both ways.

We can like an ad, but despise advertising in general.

Don't worry if you have mixed feelings.

We can think most ads are bad because they try to make things more attractive than we know they are, but still like an ad that's really well-done, cute, or funny.

Some ads give us hope -like Nike's "If You Let Me Play Sports." And some outrage us. Advertising's conflicting intentions, executions, and consequences make judging very difficult.

Point #2. Most judgments about advertising are based on one of two things:

- **Economic effects**, and
- Ethical evaluations.

We'll discuss both, starting with the economics.

The Economics of Advertising.

MUCH CRITICISM ABOUT ADVERTISING stems from economists. So, to get a grip on the way advertising affects society, we need a small bit of applied understanding of economics.

Economics - Monopoly & Competition.

As a society we believe monopolies are bad. While we have a few, such as local utilities (power and water), in the main the society values competition.

Arguments against Monopolies.

One argument against monopolies is that they can charge more money for something than they could if substitutes were available in an open market.

Another argument is that monopolies give consumers no choice.

We believe monopolies reduce innovation, result in poor quality goods, and generally offer lower quality of life than a competitive environment. That's why, in general, we believe in encouraging competition - at the gas pump, at the grocery store, and even in parts of government - e.g., the bidding process for highway and defense projects, privatization of garbage collection, and now prisons and schools.

Telephone answering machines were not available until the early '80s, not because we didn't have the technology, but because Ma Bell, a monopoly at the time, didn't want her lines tied up. The courts broke up the Ma Bell telephone monopoly.

As this book goes to press, the Justice Department is giving Microsoft a hard time related to monopolistic practices. A decade ago, they were giving IBM a hard time for similar reasons.

The objective is to increase competition, offer consumers more choice, lower prices, and improve service.

The "deregulation" of telecommunications and energy supply are current examples of this attitude toward monopolies, actual or potential, and the encouragement of competition.



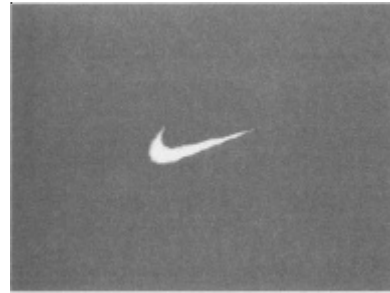
Girl: I will learn... I will learn what it means to be strong. . . (to be strong)



Girl: *If you let me play sports. . .* (play sports...)



Girl: If you let me play sports...



This commercial by Janet Champ is an excellent example of how advertising can touch the best in people. Nike captures the larger benefit for women of playing sports as it touches all of us.

With "effective surprise" they present us with very adult and lifelong issues as they dramatize the importance of play and healthy exercise for young girls. Applause

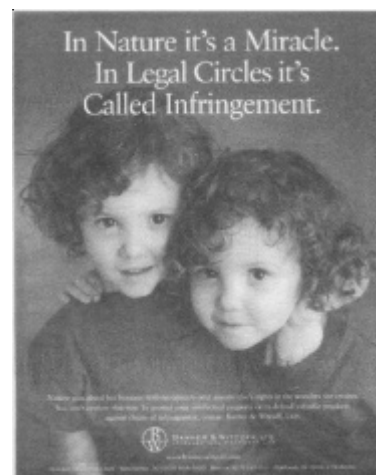
The Marketplace of Ideas.

We also believe in the competition of ideas and rewarding those who have the best ideas. That's why we have patent and copyright offices - to protect **intellectual property**.

In some ways, the owner of those copyrights has a monopoly on those ideas - or at least on the unique expression of them.

The Walt Disney Company does not own the idea of a cartoon mouse. But they very definitely own Mickey Mouse - a unique expression of that idea.

This process is in a constant state of flux, readjustment, and debate. Legal issues surrounding Microsoft are a recent example.



The American Tradition of Competition.

Since the Industrial Revolution, government and industry in English-speaking countries have been a bit at odds.

This conflict is sometimes an expression of popular sentiment; sometimes, in the opinion of some, it seems almost force of habit. (Regulators need something to regulate or they have no job.)

If behavior becomes viewed as excessive and a need for regulation is perceived, voters (consumers) speak up, and consumer movements are born. It happens all the time.

This, too, is competition in the American tradition.

You can see some of this conflict expressed in the historical sequence of rules and regulations later in this chapter.

The Power of a Free Press.

Another critical difference between the US and other countries is the degree to which media is unhindered by government. In many other societies, the media are a part of government, either owned and operated or tightly controlled.

In the US, when an advertiser has a message, there are usually a number of media choices available.

The Power of Competition.

So what does all this have to do with advertising? Advertising is one of the major ways companies compete in the marketplace. It's viewed as a major force.

Example: Professional Services

Many professional groups such as lawyers and doctors restricted or closely regulated all advertising by members. (Ads in these areas are a relatively recent occurrence.) The stated argument was "professionalism." The real reason was to prevent price competition.

Tobacco & TV.

There is a law that says tobacco companies can't advertise on TV. The law seemed necessary given the Senate's longstanding view that television advertising is very powerful, much more powerful than advertising in magazines or newspapers. The reasoning was that if people couldn't learn about cigarettes from television they'd be less likely to smoke. However, there was a second purpose for the tobacco advertising ban, less publicized and less well known, yet very powerful in terms of passing the law. The second purpose of the law was to "maintain the tobacco industry." As of 1970, seven states depended on the tobacco industry as a major source of jobs and revenue. So it's understandable that the Senators from those states would support a bill that made it easier for those companies to make money - and keep the Senators looking good to the public. Because advertising is an expensive competitive tool, the tobacco companies were probably delighted when Congress passed the law that said they no longer had to spend millions of dollars in advertising.³ The results, tracked for almost twenty years indicate that smoking didn't decline it actually increased between 1970 and 1980, and tobacco companies became profitable enough to diversify into the single most addictive substance known to man: food. They're still doing it. In June of 2000, Phillip Morris bought Nabisco - one of the largest food companies.

The Disney Business

Intellectual property is a key element. And they take their business seriously **Extending Copyright Protection.** As a result of extensive lobbying, copyright protection for properties such as Mickey Mouse has been extended past 75 years (from the 1998 Disney Annual Report). Mickey Mouse is a copyrighted property of The Walt Disney Company.

Throughout this chapter you'll see a collision of economic forces - with some significant change in advertising as the result. Let's look at a few of the arguments...

Economic Arguments on Behalf of Advertising.

The American Association of Advertising Agencies produced a series of ads to address common objections to advertising. On the following pages, we'd like to show you how the techniques of advertising were used to argue on behalf of the economics of advertising. Then, we'll look at some additional thoughts and arguments.

Advertising Saves Money:

This third ad shows the most obvious way advertising saves Americans money. It pays for much of the media we watch, read, and listen to. It uses the magazine as an example - pointing out that, without advertising, the magazine would cost twice as much, and probably offer less.

It implies, but doesn't mention, that TV and radio are free to the public because of advertising, nor does it mention that a newspaper would probably cost two to five times more than it does with advertising.

Advertising Saves Time:

This ad uses the work of a famous cartoonist to illustrate the benefits of using advertising to get an idea across quickly. It shows how advertising helps spread news so that a company with a better product can get the product to people faster. It doesn't tell you one other important point - that good advertising will put a poor product out of business. People will try it once, but not buy it again. Few businesses can survive by only selling their products once; they must have repeat business. As Bill Bernbach said, "Nothing will kill a bad product faster than good advertising."

**ALREADY
SAVED YOU
MONEY.**

If you paid for this magazine, we have something in mrrumm. We paid for it, 000. In fact, every advertiser you see in these pages paid handsomely for the privilege of being here. And what we paid went toward the cost of producing the magazine. Which made it a lot cheaper for you to buy. How much cheaper? Well, if you took all the advertising away, the average magazine would cost you about twice as much. And offer you about half as much. After all, advertising informs you about new products. It helps you make smarter

decisions about what to buy. Often it enlightens you. Sometimes it entertains you. And yes, occasionally it annoys you. But if it does, you can take advantage of one of advertising's nicest features.

The ad does not mention that publicity, sampling, and "word of mouth" are also critical factors in product success.



Isn't It Funny How Stereo Ads Are Boring Until You Want A Stereo?

Advertising is Informative:

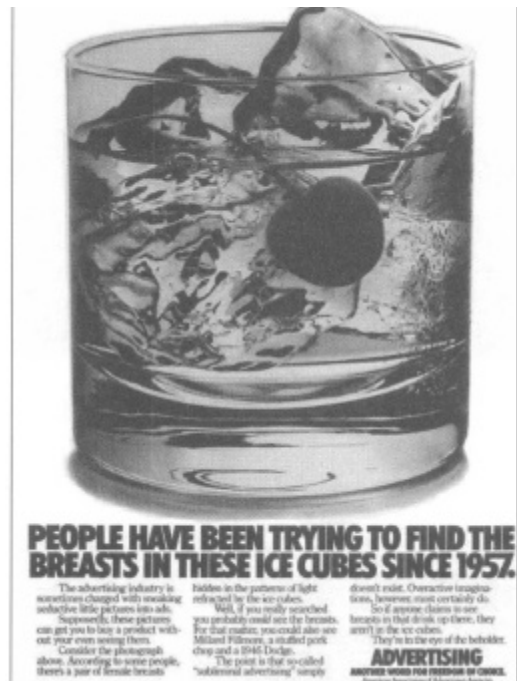
This ad shows advertising can be useful.

It may only be interesting to those who are looking for the products or services that are being advertised, but eventually almost everyone will have an interest in some advertising, some of the time.

Advertising Doesn't Make Us Do What We Don't Want To Do:

The idea that advertising tells us what to buy and what to believe is generally thought to be true, until we ask people if they have personally been influenced to buy something.

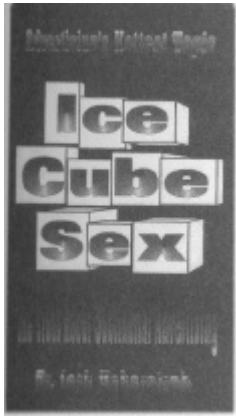
The answer is almost always no. This ad uses a clever photograph to make the point.



Subliminal Advertising Does Not Exist: This advertisement, showing a mixed drink in an old-fashioned glass with ice and a cherry makes light of subliminal advertising claims.

The ad points out that subliminal advertising simply does not exist and that what you see is in your own mind. But this book does. *Ice Cube Sex*, by Jack Haberstroh is an engaging history of

the frauds, exaggerations, and legends of subliminal advertising.



On the Other Hand...



Here are a few advertisements from Ad Busters, a witty but serious-minded magazine dedicated to counteracting the effects of advertising.

They show a pig in the middle of North America, dramatizing high levels of consumption, a junkyard "Autosaurus" as an image of the waste of resources in automobile culture, and more.

Some of the graphic files are low-resolution, but the messages are highly important.

Bull in a China Shop

Thirty-second "Uncommercial" "For years, people have defined the economic health of a country by its Gross National Product... Trouble is, every time a forest falls, the GNP goes up.... with every oil spill, the GNP goes up... every time a new cancer patient is diagnosed, the GNP goes up. If we are to save ourselves, economists must learn to subtract. "



This commercial serves up the agenda for the 1999 Seattle WTO protest.

WTO/Seattle

Sixty-second "Uncommercial" "At this month's World Trade Organization meeting in Seattle, are the world's biggest economic problems really on the agenda?"



An unregulated global casino.

A growing underclass. Over production. Over consumption.

A world awash in chemicals.

Is economic progress killing the planet?

Let us go to Seattle and put those questions on the WTO agenda. www.adbusters.org"

Obsession Fetish

Thirty-second "Uncommercial"

"obsession... fascination...obsession.. . . fascination. . . fetish. . .

Why are 9 out of 10 women dissatisfied with some aspect of their bodies?"

(Cut to bare back of a woman. She is swaying rhythmically, moaning. The camera pans around. The woman vomits into a toilet.)

"The beauty industry. .. is the beast. "

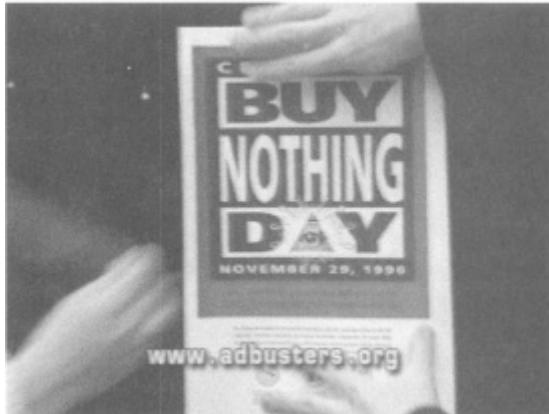
Why the Canadian Broadcasting System would not run this spot. According to Mike Darley of CBC, the Obsession Fetish TV uncommercial "violates CBC's standards of taste policy" and the images in the TV spot "comprise unacceptable exploitation of sex and nudity. "



Buy Nothing Day

Thirty-second "Uncommercial"

"The average North American consumes five times more than a Mexican, ten times more than a Chinese person, and thirty times more than a person from India. We are the most voracious consumers in the world... a world which could die because of the way we North Americans live... Give it a rest. November 27th is Buy Nothing Day."



TV Turnoff Week

Thirty-second "Uncommercial"

"Your living room is the factory. The product being manufactured... is you. TV Turnoff Week April 22nd through the 28th when no one is for sale."



Example: British Advertising

You can see this cultural difference in British advertising.

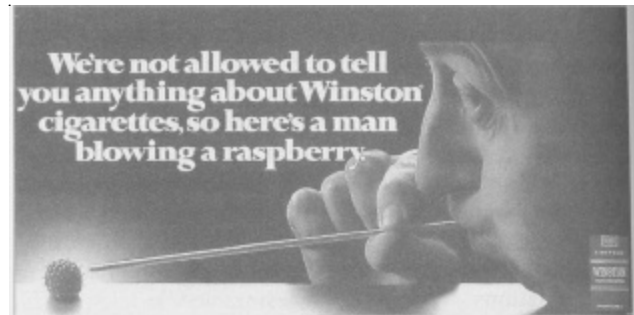
Though we share the same language, the advertiser is viewed as even more of an uninvited guest and selling too hard is unseemly.

Aggressive, bragging advertising that would be little noticed in the US is viewed as clearly inappropriate in the UK.

To Further Complicate the Discussion...

What may be true about advertising in general may not be true of specific ads and campaigns. And vice versa.

With hindsight, it is easy to identify individual brands and programs where advertising clearly increased sales. And it seems obvious that the vitality of the American economy and the uniquely American approach to advertising are somehow related. Easy to understand. Hard to prove.



Making fun of restrictions. That's the approach taken by this British cigarette advertiser. What do you think of this?

The Ethics of Advertising.

Just As We Need To Temper Our Expectations about what can be known about the economic effects of advertising, we also need to temper what can be proven about advertising's social effects.

When I Was You...

When I took this class as an undergraduate, no one told me what ethics really were or how to evaluate whether advertising was good or bad - I had to rely on my own judgment.

Later, as I was preparing to teach an Advertising and Society course, I found many students shared my feelings. Together, over several semesters, we discovered a few ways to understand and evaluate the ethical effects of advertising.

An important part of the ethics of advertising consists of the assumptions we make, as a culture, about life and what makes us happy. The way we answer these important questions explains our fundamental orientation toward life.

Opinions and Proof.

People often think their opinions "prove" advertising is bad or advertising is good. Opinions are easy. Proof is tough.

It's difficult enough for science to provide answers about tangible, physical phenomena, much less the intangible and complex nature of advertising's effect on society. In other words, "... the jury is still out."

The American Political and Ethical Tradition. The roots of modern advertising, like most American institutions, stem from the earliest beginnings of society.

The Protestant Ethic and American frontier society were a powerful combination. As a haven for religious minorities, American society gradually developed a tolerance for new ideas - new ideas in religion and new ideas in enterprise.

This was a gradual process. In the early years, religious minorities were often intolerant of other religious minorities. Philadelphia, with strong Quaker influence, was one of the first real havens for freedom of religion and thought.

It was no accident that this tolerance gave room and freedom for individuals like Benjamin Franklin to flourish. Nor was it accidental that a practical and industrious attitude was part of American society.

Most of these behaviors were based on popular philosophies of the time, and by basing the government on those philosophies, they have become our present cultural orientation towards life, the universe, and advertising.

The Ethics of Persuasion.

Bill Bembach noted that “Advertising is essentially persuasion. And persuasion is an art, not a science.” You might enjoy reading his defense of advertising on the opposite page.

A persuasive pamphlet written by Thomas Paine, *Common Sense*, was a critical factor in the “selling” of the American Revolution. Persuasion has power.

Persuasion is also an ethical issue in its own right.

Persuasion is an act of communication that seeks to change, resolve, or formulate other peoples opinions, feelings, or actions through the deliberate use of argument, reasoning, or entreaty.

This definition also illustrates how persuasion is distinct from coercion or inducement.

Since most advertisements try to be at least somewhat persuasive, a discussion about cultural expectations should help us understand why we perceive some ads to be unethical and why others seem OK.

“Caveat Emptor.”

Our marketplace expectation for products and services is caveat emptor, or “let the buyer beware.” We accept skepticism, recognizing that a seller will seek to highlight advantages while hiding (or failing to mention) flaws and disadvantages. Its up to us to evaluate the ad and draw our own conclusions

A Two-Way Street.

In society, persuasive communication is two-way: this questioning on the part of the audience is the moral duty called “reasonable skepticism.”



Persuasion in and of itself is not inherently unethical. Persuasion is part of how we communicate and progress in human society. Without it, we'd have to discover fire, the wheel, and toothpaste for ourselves, generation after generation.

“Bless That Chicken!” Participating in welcoming the Pope on a visit to New Orleans, local advertiser Popeyes, whose slogan was “Love That Chicken,” worked with a local TV station and outdoor company to create a welcoming promotion that went a bit beyond “normative expectations.” Popeyes? Or Pope Yes!

The Profession of Persuasion.

Persuasion is something also done by politicians, philosophers, ministers, reporters, and college professors. (It's also curious to note how many ministers' sons went into advertising.)

We all do it when we want something. Since we cannot escape persuasion, and indeed benefit from it in terms of time and money, certain normative ethical expectations have been culturally accepted. If an advertiser does not consider these considerations, consumers are likely to feel their ethical expectations have been disappointed and that the ad is unethical.

Most of these expectations stem from the normative statement: “We want to believe that people are honest.”

That's the reason people believe that, although advertisers may not be honest, their ads, for the most part, are. The ethics of persuasion and the consumers' judgment of the goodness or badness of an advertisement, rest on the extent to which a persuasive message allows the audience to make free choices about the issue presented.

Therefore, its the audiences ability to use reason in evaluating the message, as well as the content of rational information in the message, that determines ethical evaluations of the message.

In Summary.

Our judgments about how good or bad advertising is for society are the result of a complicated set of cultural philosophies, personal expectations, and preferred methods of ethical reasoning.

There are many other ethical arguments related to advertising some more persuasive than others.

We'll cover those next.



Cool ad, huh? Hey, you're smart. You're not susceptible. And we bet you probably aren't thinking of the potential hearing loss caused by “too loud.” Then again, when it becomes a problem, you'll be “too old” to do anything about it.

Deontological Vs. Teleological

There are two types of ethical theories: teleological and deontological.

Deontology/Intentions.

Deontological perspectives assume that there is a universal “right” behavior under all circumstances. Deontologists determine how “good” an action is based on the intention of the actor. The consequences of an action are not an issue, only the actor's intention. What consumers believe about the

intention of an advertiser can determine their judgment of the ad. Teleology/Consequences. Teleologists determine what is ethical based on the foreseeable consequences of an action. Decisions that result in the most beneficial consequences for society are best from the teleological perspective. The intention of the actor is not an issue, only the results of an action. What someone believes about the consequences of an ad will determine his or her judgment of the ad. Now that these positions are distinct, we can examine specific methods of ethical reasoning. Intentions and Consequences. Some believe that Calvin Klein counts on controversy to generate publicity and word-of-mouth to supplement their ad expenditures.



An Advertising Debate.

Advertising Has Been Reviled By Some as “the most profoundly subversive force at work in America today”

It has been accused of corrupting youth, fostering rampant materialism, and causing the demise of the nuclear family

Advertising has been called deceptive, manipulative, intrusive, offensive, sexist, boring, irritating, offensive, and an unnecessary added expense to already overpriced goods.

Even those with a more positive view, like James Twitchell, in *AdCult USA*, note: “Advertising is not part of the dominant culture. It is the dominant culture... it has become the dominant meaning-making system of modern life.”

A Criticism and Debate Format.

It is important that you become familiar with some of the most prevalent arguments. (They’ll help you defend your career choice against scornful roommates and mortified parents.)

Using a debate format, the main criticism will be stated first and several supporting arguments presented. Then, to challenge these criticisms, counterarguments will follow. You’ll have to make up your own mind about which side wins or is most persuasive.

The criticisms we’ll discuss are:

1. Advertising takes away free choice.
2. Advertising interferes with democratic process.

3. Advertising exerts powerful controls over media.
4. Advertising is intrusive and violates personal privacy.
5. Advertising molds social values.

1. Criticism: Advertising Takes Away Free Choice.

Support #1. Advertising is inherently deceptive.

Because all advertising, even thoughtful instructive ads, cannot provide complete information, it misleads consumers into making uninformed, and therefore irrational, choices.

Since the advertiser has more money, expertise, and resources than the consumer, consumers are duped into buying products and brands that were created merely to advance the advertiser’s financial situation, without regard for consumers’ scarce financial resources.

Support #2. Advertising creates an artificial social agenda.

Advertising artificially limits the scope of social debate.

This criticism stems from the notion that people can only keep so many things in mind at one time.

Since advertising keeps that space filled with brands and benefits, it’s impossible for most people to think about the more socially important, yet unadvertised issues such as volunteerism, or the sustainable development paradigm.

Furthermore, choices offered by advertising are essentially meaningless. Your choice of cereal, toothpaste, or pizza may have great meaning for the marketers of those products, but in terms of your life or society, they are trivial. Yet, these trivial products have been invested with great meaning.

It is, as Howard Gossage noted, “a billion-dollar hammer pounding a ten-cent thumb tack.”

The social status of “public goods” such as education and political activism are likely to be considerably lower than the social status of an advertised brand.

People are persuaded that owning a BMW is more important than education since BMW advertises and schools do not. A car commercial humorously suggests buying the car instead of paying for college tuition. What signals does that send?

Support #3. Persuasion subjugates consumer autonomy.

Advertising creates and manipulates consumers’ desires by persuading them they need all sorts of superfluous products (e.g., scented kitty litter and 16 kinds of lemon-lime soda).

Critics, after dividing advertising into two types (informational and persuasive), have determined that persuasive ads, as opposed to informational ads, are more dangerous because they manipulate consumers’ desires through imagery and suggestion rather than information.

Persuasive advertising tries to evoke psychological desires and link ideas about how to satisfy those desires to a brand.

Most women have an emotional desire to be attractive, so cosmetic ads use this desire to sell their brands by employing beautiful women to imply the message: “If you use this brand, you’ll be beautiful, too.”

So, even rational women, who know that all brands of cosmetics are very similar in terms of actual ingredients and performance, are, on some levels, convinced of two things:

First, that they must use cosmetics to be beautiful.

Second, that they must use a certain brand.

Finally, whether individual ads persuade us or not, the cumulative effect of a constant barrage of messages that tell us products solve problems and make us happier has a subtle, but powerful effect on personal values.

Support #4. Advertising creates monopoly power.

Because big brands have a great deal of money, they also have a great deal of power over what consumers know. Big brands have the power to keep important or damaging information about the brand out of the media.

They have money to conduct research and learn all the negatives, as well as the positive nature of brand use. However, the information they uncover is hardly likely to be voluntarily distributed to the consumer - especially if it's unpleasant. The tobacco industry is certainly a relevant example.

All this makes big brands even more powerful, and serves to stifle competition.

They have the money to pay for powerful expertise to create and deliver advertising messages.

Unchecked, they can manipulate people by withholding valuable information about brand performance, brand quality, or even dangerous aspects of product use.

There is certainly evidence that the tobacco industry withheld evidence of the dangers of their products.

Defense: Advertising Enables Consumers to Make Choices

There are some powerful defenses to these arguments.

Support #1. Advertising distributes market information.

Advertising provides society with information and ideas about what products are available, when they are available, how much they cost, and what they do. In terms of economic theory, advertising's primary function is to provide market information. This is one of the basic mechanisms that ensures consumer sovereignty in the marketplace.

Free and open advertising permits competing product and service information to reach the consumer. This increases market entry, providing more competition, which lowers prices and thereby reduces the individual market power of any single producer.

Support # 2: Advertising helps create and sustain an abundant society.

The abundant society is one where the majority of citizens have moved beyond the satisfaction of physiological needs and are able to enjoy the benefits of industry and art.

Advertising helps create abundance.

Abundance is the concept of diverse choice. In its role of economic engine, advertising provides an important way for producers to "win" in the marketplace.

Since winning is a fabulous incentive for investment, people are all encouraged to participate in the production and distribution of goods and services. This results in a highly competitive, diverse economy, and social abundance.

The idea of social abundance is not limited to the number and diversity of products and brands available for consumption. It is also applied to the marketplace of ideas and opinions.

As more people worry less about when they will eat next, they can turn their minds to a wider variety of pursuits. And, quite frankly, many of those pursuits are material.

James Twitchell makes this observation:

"Human beings like things. We buy things.

We like to exchange things. We steal things.

We donate things. We live through things.

We call these things 'goods' - as in goods and services.

We do not call them 'bads.' This sounds simplistic, but it is crucial to understanding the power of AdCult.

Still going strong, the Industrial Revolution produces more and more things not because production is what machines do, and not because nasty capitalists twist their handlebar mustaches and mutter 'More slop for the pigs,' but because we are attracted to the world of things.

Madonna was not the first material girl. . .

The Marxist balderdash of cloistered academics aside, human beings did not suddenly become materialistic. Our love of things is the cause of the industrial revolution, not the consequence.

Man (and woman) is not only homo sapiens, or homo ludens or homo

faber, but also homo emptor."

Support #3. Persuasion helps us manage choices in an abundant society.

Persuasion is a necessary and important aspect of society because it solves an important problem: our lack of self-sufficiency. We are not interested or motivated to be experts in every field.

This means we need advice on all sorts of issues from doing laundry to acquiring adequate automobile insurance. While we can call Mom for advice on laundry, unless she is also an insurance agent, we need to go to someone else, a professional, for advice about car insurance.

When we ask Mom for help in getting that stain out of our favorite shirt, we believe she'll give us the best information and experience that she has available. She has no profit motive (especially when she is paying for our clothes).

So we trust she will emphasize the method of stain removal that will work best. Much in the same way a good insurance agent will supply a client with the best information s/he has available while emphasizing the benefits of using a plan that will work the best and also benefit her.

As a professional, s/he may have access to information about the insurance plans of other companies for comparison value, but will have the most information about her own products.

When we call an agent we know that agent is interested in selling us insurance and we hope that she or he is ethical enough to tell us what plans can or cannot meet our needs.

Support #4. Advertising exerts social control without social responsibility.

Advertising teaches people basic values, ideas, and lifestyles without being answerable to any authority and without a comprehensive plan.

As we all know, advertising helps teach cultural norms, in terms of dress (Doc Martens), language (Whassup?) and behavior (Squeezin' the Charmin).

Critics say dress styles, idiomatic speech, and the cultivation of conspicuous consumption habits are merely commercial norms, not necessary and, in many cases not beneficial.

Others believe these consumerist norms are very dangerous, that they are destroying real culture, and that they will ultimately lead to our social demise.

However, there is evidence to suggest that even pluralist commercial enterprises can engage in progressive enculturation.

Since the 1980s, advertisers have moved toward normalizing social interaction between the physically disabled and mainstream society (K-Mart, McDonald's and Levi's ads).

Advertising has been credited with helping create patriotic society. Just think about those Saturn ads, where the folks all got up early to watch TV and see the first **Saturns** imported into Japan. Smokey the Bear has helped the National Forest Service reduce deadly forest fires by increasing awareness and prevention techniques (though Howard Gossage had a different point of view).

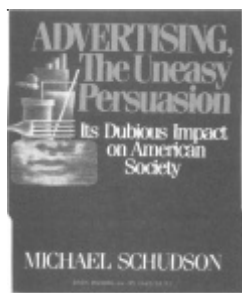
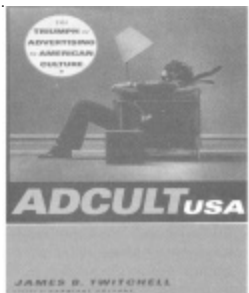
These are all examples of advertising's ability to teach positive, progressive cultural norms. Advertising can also act as an agent of economic control (and thereby social control), especially when providing price and availability information.

While we should acknowledge that no single advertisement is the consumer's best friend, advertising in general is an indispensable source of product information.

Thomas Jefferson noted that free speech is the "bulwark of liberty," meaning that it is the basis and strongest support of the free enterprise system.

Without free speech, there can be no free economy

Applied to commercial activity, advertising, with all its competitive, repetitive and sometimes even irritating information, helps reassure us that we are not being taken advantage of by unseen or undetectable manipulators.



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2. Criticism: Advertising Interferences with Democratic Processes

The presidential campaigns of Harding and Eisenhower are certainly examples of advertising experts having a major impact on elections. Let's look at the major criticisms.

Support #1. Although political advertising is the most protected form of free speech, it can often disrupt the election and campaign process.

Negative advertising, intended to inform the voter about the flaws of "the other guy" ends up alienating everyone.

Many believe this has led to the political apathy evidenced in low turnout of regular voters.

Support #2. Advertising has become so important that fundraising to pay for advertising has become one of the most important aspects of campaigning.

"The Bulworth Argument."

In the movie *Bulworth*, Warren Beatty's character speaks to how money for ads has made politicians captives of big money interests.

And, the media-driven infrastructure of the modern political campaign grew as traditional political infrastructures withered.

The result has been a major change in electoral politics. Campaign spending is critical - and that spending is for ads on TV.

Defense: Advertising is a Democratic Imperative.

Support #1. In the United States, the mass media are free from governmental interference and restraint.

Negative advertising is nothing new - particularly in politics.

Mass media has replaced the special interests of often-corrupt political machines. Mass media are not supported by the government; we have no "Ministry of Public Information." Advertising pays the way for our "free" speech. This freedom from governmental restraint allows the media to act as watchdogs, on guard against corruption.

And, in fact, this often happens. The Watergate investigation, which started with a small news story about a break-in at a political headquarters, led to the down fall of the most powerful person in the country, as well changing the way media covers politics.

(However, it is also worth noting that these "exposes" are more often the result of leaks and tips from those with an "axe to grind" than "nose-to-the-grindstone" political reporting.)

A free media system is necessary to democracy. That free media system is supported by advertising. The price for this freedom is paid by advertisers. Advertisers pay

large sums to get their messages in front of the audience.

This revenue permits magazines, newspapers, and television networks to select and run material they believe people want to see. As new needs develop, the marketplace responds.

This freedom allows the mass media to act as a watchdog of government, never letting necessary, even embarrassing information escape public scrutiny

Support #2. Politics has always had “mudslinging.”

Negative ads, especially negative political ads, permit us a well rounded view of both candidates and issues.

We can tell a lot about a candidate by what sorts of mud he slings. Those mandatory “sponsored by” lines euphemistically referring to some committee to re-elect or citizens group, add volumes of information to those ads.

The same goes for “issue” ads. Just knowing who sponsored an ad is enough to form a meaningful evaluation of the information it contained.

Political advertising is necessary to get a true and well-rounded picture of who and what we’re voting for. We may have added more sophisticated electronics, but the negative content of many political messages is old as democracy

For better or worse, it also allows nontraditional candidates entry into the political arena.

3. Criticism: Advertising Experts Powerful Control over the Media

Support #1. Advertisers interfere with editorial decisions.

This criticism has gained more credibility since federal media regulation relaxed a bit in the '80s, especially given the recent explosion of new media.

Called media fragmentation, the nineties have witnessed a population boom of magazines, the startling development of hundreds of television networks, the birth of the World Wide Web and its growth into millions of sites.

Through this boom, advertisers have gained unprecedented access to the public, as well as gaining additional power over the media.

Now, if an advertiser threatens to pull advertising money from a magazine or a newspaper because of a potentially damaging story, the story has a much greater chance of getting killed to save the ad revenue.

Before this fragmentation, the media had relatively more power. Now that advertisers have so many more options, media may be more likely to surrender editorial control to maintain profitability.

Support #2. Advertisers inherently interfere with editorial content.

Some argue that whether or not any individual advertiser complains about a story is quite beside the point. The influence of advertising has changed media in important ways.

First, the dynamic of being served by a medium such as your newspaper has been altered by the needs of that medium to deliver you (the audience) to their advertisers.

As Gossage and others point out, an important shift occurs. The audience is no longer served, but delivered to advertisers.

As Twitchell says in *AdCult*, “All the mass media are behaving like one vast delivery system.” This has an influence on content. The “tabloidization” of news is one example. As Gossage noted, “The hot dog vendors take over the football game.”

The effect is pervasive. Pandering to a lowest-common denominator mass-audience forces all media to focus on sensationalism of the Monica/O.J. Simpson variety.

The comment by Carol Marin in the introduction is worth repeating: “There is so much emphasis on marketing and demographics. When you decide the target of the information before it’s information at all, the news-gathering process is already perverted.”

Support #1. Advertisers just want a way to reach their target audiences.

Advertising-supported media now exists for even the most narrow of interest groups. By supporting an ever-widening pool of media outlets, advertising provides the voice to many viewpoints previously ignored by media owners and programmers.

Television programming aimed at social minorities and programming that incorporates unpopular opinions have materially enriched our viewing alternatives.

This includes an increase in news coverage - with CNN and an increase in network news shows like *Dateline*.



Mud-Slinging as an Art Form. Here, a skilled candidate presents a commercial that criticizes his opponent for slinging mud - and deftly manages to throw mud back while seeming to take the high ground. Notice we just show the visuals, you don’t have to hear the words to get the point. In fact, the words probably don’t matter: How about that.

4. Criticism: Advertising Is Intrusive and Violates Personal Privacy.

Support #1. Advertising is ubiquitous and unavoidable. According to this view, the mass media, especially television, are invited guests into our homes.

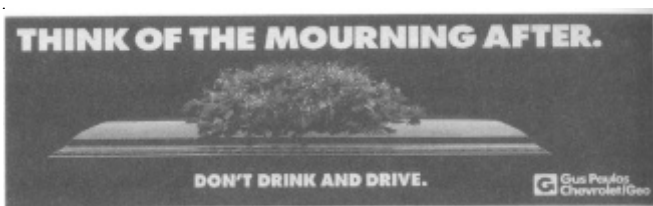
By turning on the set and changing the channel, we are actively asking for a specific program to enter our living room. However, along with the invited guest comes the less welcome and more annoying uninvited crasher: advertising.

When we turn the TV on we know that ads will be delivered, but we don't know which ones. Neither can we guess or estimate the manner in which the message will be delivered: humorously, seriously, evoking fear or anxiety?

These unpredictable visits are often annoying, and many times embarrassing. How many of us have been in a mixed gender group, forced to endure a feminine hygiene commercial much to everyone's discomfort?

People, as sovereigns of their own domain, have a right to be free from this intrusion, while still being able to benefit from the entertaining and informational content of the mass media.

Howard Gossage was particularly critical of outdoor advertising for this reason. It intrudes without any permission.



An Ever-Widening Diversity of Messages. More media outlets and more marketers mean more new ways to connect with customers. Periodically, gasoline, auto, and alcohol marketers will promote safety as part of their communications strategy.

Defense: Advertising Encourages People to Think

Support #1. For the most part, media consumption is voluntary.

Advertising serves to make media more affordable.

In many cases, particularly in events like the Super Bowl, it is part of the entertainment. As Gossage said, "People read what interests them. Sometimes it's advertising."

Support #2. Ayn Rand's theory of Objectivism provides a somewhat bald defense of advertising based on the premise that all human activity is based on self-interest.

From this perspective, advertising is completely ethical because it initiates consumers' thinking processes and enables them to actively, rationally evaluate their options and make choices in their own self-interest.

In this way, Rand's theory supports advertising as a moral practice not because it serves the "greatest good for the greatest number," but because it serves the self-interested individual by helping them achieve their self-interested goals.

5. Criticism: Advertising Molds Social Values.

Support #1. Advertising creates unattainable ideals for physical beauty, which systematically harm women both psychologically and physically.

This has been a popular criticism in recent years, most notably in a book by Naomi Wolf called *The Beauty Myth*.

Advertising has created impossible beauty standards and images few real women can meet. Supermodel Cindy Crawford commented, "Even I don't look as good as Cindy Crawford."

Airbrushing, sophisticated lighting techniques, and soft focus are all mechanical tools advertisers use to enhance the desirability of their products by enhancing the desirability of the models who embody their brand's image or attributes.

Even though we may rationally recognize that advertising idealizes beauty, and that those standards aren't realistic and shouldn't be applied to real people, it happens nonetheless.

From the Middle Ages through the early 20th century, female beauty was robust, not waif-like.

A plump visage and a decent complexion indicated good health and some degree of wealth. It wasn't until the Roaring Twenties that slim was "in." Throughout the following decades, the trend toward slenderizing ideal beauty was evident in the popularity of several female icons: Katherine Hepburn, Marlena Dietrich, Audrey Hepburn, Twiggy, and, more recently, Kate Moss.

However, this trend was not without its exceptions, most notably Marilyn Monroe and Elizabeth Taylor. While mass media advertising has helped popularize these new perceptions of beauty, modern medicine has also helped.

Research findings that people with lower body fat are at less risk of heart disease, hypertension, and cancer have provided the impetus for two multimillion dollar new industries: fitness and organic health foods.

So, it's clear that advertising alone didn't create today's visional "Ideal Beauty." However, as one of the main types of content found in mass media, advertising perpetuates, reinforces, and perhaps extends that vision.

The real harm of this ideal is that it's unattainable, and this produces cognitive dissonance much more often for women than for men.²² Several of the psychological effects of exposure to unattainable beauty standards have been examined: depression, loss of self-esteem, and poor self image.

Physical effects, such as anorexia nervosa and bulimia have also been attributed to advertising's pervasive and unattainable portrayal of ideal beauty.

Defense: Advertising is Capitalist Realism.

Support # 1. Advertising teaches us how to live in our world.

"Advertising is the folklore of a commodity culture." Advertising is the reflection of a common symbolic culture.

America is a consumer nation. Advertising reminds and reinforces our social identity as a market economy. Advertising teaches us how to live in our culture, how to use the products and services available, and how they fit into everyday lives. In this way, advertising helps build social cohesion.

People used to stand around the water cooler talking about the latest episode of Cheers or Seinfeld, but given the fragmentation of television viewing habits, nowadays they are just as likely to be discussing that Levi's ad where the guy is rushed into the emergency room, dies and then his heartbeat comes back to the vivid bass line of "Tainted Love."

Advertising, by delivering the same message to everyone, ensures that even disparate groups have common references.

Twitchell again: "The idea that advertising creates artificial desires rests on a wistful ignorance of history and human nature... Once fed and sheltered, our needs have always been cultural, not natural."

Support #2. Advertising provides and reinforces ideals that help us strive to be the best.

Classical liberalist business scholars like Theodore Levitt support this idea. Levitt said that advertising is at its most moral when it is embellishing and exaggerating reality.

A startling statement, but true, according to Levitt, because people are always rational and discerning and they want to be uplifted from the mundane everyday world.

Like art and poetry, advertising provides examples of what can be attained, so we know what to strive for.

The Next-to-the-Last Word...

We'll let Twitchell have the next -to-the-last word in the debate here - something to think about. "By adding value to material, by adding meaning to objects, by branding things, advertising performs a role historically associated with religion."

The Last Word.

Its yours. Debate these points in class - or after class.

AdFact: Privacy.

There is no specific "Right to Privacy" provided for in the US Constitution. However, personal privacy is protected by both Supreme Court doctrine and state legislation. Two legal theories have been used to claim a "Right to Privacy." 1. The right to be free from intrusion (your home is your castle). 2. The property value of your publicity. In other words, what is your personal information worth? So, the next time you hear someone use the term "my constitutional right to privacy" you'll know they aren't fully informed.

Rules & Regulations.

Most Advertisers Are Honest Business PEOPLE. But the exceptions, such as the patent medicine advertisers of the last century, have made rules necessary, such as the Pure Food and Drug Act of 1906 and early postal fraud laws.

Attempts to mitigate the harmful effects of advertising on individuals and society take the form of regulation.

Two Main Purposes.

There are two main purposes for advertising regulation:

- to protect competition
- to protect consumers from economic or physical harm

Three Main Areas.

Advertising regulations are typically concerned with three main areas:

- deceptive or unfair advertising content
- how advertising is delivered to consumers
- protection of susceptible groups, like children

Many Forms.

The regulation of advertising takes many forms: federal, state and local laws, regulations that are administered by both federal and industrial agencies, consumer groups and private enterprises, such as the media and ad agencies.

With such a complicated environment keeping the "dos" and "don'ts" straight can be confusing and costly.

How This Section Is Organized.

This third section is organized according to the scope or power of each particular form of regulation.

Regulatory Power Continuum - 5 Levels.

There are five main forces that occupy different positions along the power continuum of advertising regulation:

1. Natural market forces (consumers' demand)
2. Organized market Forces
3. Self-regulatory forces
4. Governmental forces
5. Private policy

The Supreme Court is at the top of the power continuum because it has the broadest scope. Power exerted by lone consumers resides at the lower end - but not because it isn't the most effective. It resides at the lower end because its scope is limited to individual actions - even though these market forces can be extremely powerful.

1. Natural Market Forces.

Historically, there was little advertising regulation before the 20th century: The phrase "caveat emptor" or "let the buyer beware" was the prevailing philosophy. This left advertising regulation to the natural forces of the free-market economic system.

According to natural market forces, businesses that engage in deceptive or unfair advertising practices will be driven out of business because no one will believe their ads or make repeated purchase of inferior products.

In a healthy marketplace, competitors create better products and use more truthful ads to tell consumers their goods are better than those of the competition.

Accordingly, poor performers would be forced to upgrade products and correct their ads or go out of business. This is also called **laissez-faire** regulation (or "hands off").

The underlying assumption of natural market forces are described as the "invisible hand" type of regulation.

Laws of supply and demand drive the quality of advertising. Nondeceptive advertising increases demand and keeps competition strong.

While deceptive ads may result in short-term and irreproducible profits, they will ultimately drive inferior brands out of the market. As Bill Bernbach said, "Nothing will kill a bad product faster than a good ad."

A Few Problems.

There are a few problems with relying on natural market forces to regulate advertising.

- First, natural market regulation is a long-term solution; in the short run, consumers can be severely harmed, financially and even physically, by deceptive or misleading ads.
- Second, society suffers as a whole when consumer sovereignty is diminished.
- Finally, natural market forces provide no help or compensation to consumers harmed by unethical practices. Short of a civil law suit, consumers who weren't "beware" are left bereft.

The consequences of natural market regulation offered the basis for finding new ways to manage advertising. So, things got organized.

2. Organized Market Forces.

One of The More Recent Developments is Using Organized Market Force To Support Socially Responsible Practices. There Are Three Major Forms Of Organized Market Forces:

- Consumer groups
- Media forces
- Industrial self-regulation

As you will see, this type of regulation has more power than natural market forces.

Consumer Groups.

Consumer groups have been active since the 1930s. Groups such as Consumers' Union and Consumer Research, founded movement called consumerism.

Aaker defines this as "an evolving set of activities of government, business, independent organizations and concerned consumers that are designed to protect the rights of consumers."

Other groups such as the Center for Science in the Public Interest are a relatively new force in this movement.

Consumers recognize that they may not be able to make fully informed, rational decisions as individuals and need the protection offered by a group. The major methods employed are lobbying and boycotts.

Lobbying for Legislation.

Consumer groups lobbied for protective laws, such as the Fair Packaging and Labeling Act of 1965 and the Consumer Credit Act of 1988.

A powerful, well-organized group - Action for Children's Television (ACT) - helped write the Children's Television Act of 1990.

Boycotts.

Product and brand boycotting have also been successful in promoting change. More media options, combined with sophisticated media techniques, have expanded opportunities to create this type of activity. With the flickering attention span of the public, a certain tenacity is necessary - a few celebrities on your side won't hurt, either.

Example: "Dolphin Safe" Tuna

What began as a small consumer boycott helped change the commercial fishing industry. Publicity informed the nation that tuna fishing regularly caught and drowned dolphins.

Canned tuna sales plummeted. Then, producers changed fishing methods and began to promote "dolphin safe" labeling. However, one prevalent problem with relying on this type of organized market force is the length of time it takes to get action.

In addition, business is likely to ignore small groups, and without the economic threat of a serious reduction in profits, has little incentive to change.

Self-Regulatory Forces.

Industrial self-regulation is another organized market force. To avoid government interference, advertisers monitor the activities of one another to investigate, prevent, and discourage false and unreliable advertising practices. This is known as "enlightened self-interest."

Self-regulatory forces try to maximize the ability of consumers to make good decisions by encouraging the use of truthful, relevant information in advertising. **Professional Associations and Self-Regulation.**

Industrial self-regulation generally occurs when an industry committee is established with codes, review boards, policies, and standards that must be met in order to maintain good standing within the community.

An example of single industry self-regulation is found in several professional associations such as the American Bar Association and the American Medical Association.

Many of these organizations have stringent rules about what type

of advertisements are appropriate and acceptable. Professional boards insisted that these rules were necessary to protect consumers from unscrupulous practitioners. (The assumption being that any professional who would stoop to advertising I was no gentleman... or lady.)

Punishment for infraction of the professional restrictions could be severe. Fines, expulsion from the group, and even loss of practitioner's license were all possible penalties.

While these regulations sounded like they were intended to protect consumers, a number of empirical studies indicated that they served the professionals more than the public.

Disadvantages to Consumers.

The economic disadvantages experienced by consumers due to advertising bans are clearly illustrated in several instances.

Example: Optometrists

One study found the Optometrists Board of Nebraskas restrictions on advertising increased the price of eyeglasses from 25 to 100% compared with areas where advertising was permitted.

Save up to 650%!

Another study indicated that prescription drug prices varied up to 650% between states where retail pharmacy advertising was restricted and those where it was permitted.

Social disadvantages were also illustrated. These were based on the common sense notion that limiting sources of information about anything, a brand or a political candidate, necessarily decreases the amount of information a consumer can access within a given budget of time and money.

When sources of information are restricted, consumers with limited budgets of time or money (generally those consumers in a lower socio-economic strata) must make decisions with less than optimal information. This perpetuates social stratification and creates consumer inequity. And, it attracts litigation.

As a result of several Supreme Court decisions, professional organizations no longer have the power to ban advertising, and many of the trade practices of these organizations are now overseen by the FTC.

Industrial Self-Regulation.

Industrial self-regulation operates differently from professional self regulation. It works only when a group of producers and manufactures get together in an effort to promote truthful advertising.

In 1971, the Association of National Advertisers and several large advertising agencies agreed to support the nonprofit **Council of Better Business Bureaus** in the creation of a department called the National Advertising Division (NAD). The Better Business Bureau handles all administration and funding for the NAD.

The NAD - Complaints and Claim Substantiation.

The purpose of the NAD is "serving the public interest by sustaining high levels of truth and accuracy in national advertising." "30 The function of the NAD is to investigate complaints about advertising.

Complaints can come from anywhere - consumers, advocacy groups, even competitors.

The NAD also monitors the advertising landscape and initiates investigations on its own. The scope of these investigations is mostly limited to evaluating whether the advertiser had enough information or a good justification for making the disputed claim.

This is known as **claim substantiation**.

Advertising to Children.

A special department of the NAD called the Children's Advertising Review Unit (CARD) is dedicated to protecting the special interests of children.

The FCC and "The Fairness Doctrine"

The FCC regulates advertising indirectly, through licensure and the renewal of broadcast licenses. The most notable and direct example of its regulation occurred during the middle 1960s, when the FCC suddenly applied "The Fairness Doctrine" to tobacco advertising. Prior to this, it had been applied only to "issues of public debate" where political candidates from opposing viewpoints might be denied equal access to the broadcast media. But the FCC widened the scope of the application, deciding that cigarette advertisements "did contribute to the public debate on smoking." (9 FCC 2d 921, 1961) This application of the doctrine raised the level of anti-tobacco advertising to an unprecedented high. It was a level that the

FCC was unwilling to maintain. A few years later, after being ordered to apply the doctrine to other advertisements, they made an abrupt about face, stating that "ordinary product commercials do not make a meaningful contribution to public debate." (48 FCC 2d 1, 1974)

3. Media Forces.

Media Clearances.

The most powerful enforcement among organized market forces~

the media clearance process. Individual broadcaster licensees are responsible for denying access to unacceptable advertising content and practices.

License Renewal and the "Public Interest."

Broadcast licenses are awarded and renewed based on the Fm determination of how well the station's management served the "Public interest, convenience and necessity. "

The FCC's historical perspective on advertising addresses only its lack of tolerance for "excessive" airing of commercial matter.

The NAB - Clearance Procedures.

For almost 50 years, broadcasters regulated advertising according to guidelines set out by the National Association of Broadcasters' (NAB) Code of Broadcaster Responsibility. This code dictated how much advertising time a station could sell, the number of different ads ("clutter" limits), and limited the acceptance of advertising for certain legal products.

Example: Maidenform

One example of an unacceptable advertising practice was showing lingerie ads with live models. The Maidenform woman would have been out in the cold, and the Hanes ads showing the little boy wandering into the bathroom with his dad looking on fondly wouldn't have had a chance with the NAB.

According to the NAB, responsible broadcasters could not air advertisements for condoms (or other methods of birth control), nor for liquor. Truthful advertisements for many of these legal products are still denied network time.

Some parts of this Code are still honored, although it was found to violate the Sherman Anti-Trust Laws in 1982.

Liquor Advertising.

It is not illegal to advertise liquor. The industry association called DISCUS (Distilled Spirits Council of the United States) has a Code of Behavior for its members that expressly forbids the use of television advertising. There are several reasons why DISCUS took the anti-television stand, but mainly it stems from tradition.

In 1934 the newly elected Federal Communications Commissioner, Anning Prall, told Congress he believed the advertising of liquor was contrary to the public interest and that broadcasters airing such ads would be severely sanctioned.

Of course in 1934, there were no powerful companies to lobby on behalf of the liquor industry, and radio had plenty of sponsors.

Companies that did exist really had no need to advertise - the recent legalization of alcohol after 14 years of Prohibition created more demand than existing producers could handle.

But things were different in 1996. Liquor sales were declining and brands scrambled to maintain market share in the face of reduced consumption.

The distilled spirits industry was becoming more and more competitive. So Seagrams decided to break with tradition and advertise on TV.

That's where Frank Smith entered the picture. In Frank's case, he had long been an advocate of liquor as a source of advertising revenue.

The point here is that you can be moving along in your advertising career and suddenly find yourself at the center of a legal and ethical crisis - that's why we all have to be prepared.

On whichever side of an issue you find yourself, you will quickly find that you have to know more about the other side.

Example: Frank Smith - KRIS

This wasn't Frank Smith's first experience with liquor advertising and it was, in many ways, a result of his own view of what was ethical and proper. In August of 1982, Frank had signed a local Corpus Christi liquor retailer to run an entire schedule of ads using brand names and prices.

It was an experiment really, to see if anyone would object. The station received only minimum prices for the spots, but ran over three-hundred 30-second spots in every time slot (except Saturday morning) over the next three months.

Frank set up a monitoring system with local stores to track complaints, but during the entire course of the campaign less than twenty complaints were received.

Even when a convention of more than 5,000 Baptists came to town, complaints were practically non-existent. But the distributors got nervous, and when the campaign ended, they made no plans to follow up.

In 1995, one of Frank's friends, Phil Block, the owner of Block Distributing was called into a meeting with the Seagrams' marketing team. They were complaining that they wanted to use television, but couldn't find a network or affiliate to take the ads. Phil knew just who to call.

"It was a mess," said Frank, "Seagrams had ads they'd run overseas, but nothing for the US; no creative, no positioning." Despite that, by early June they had a spot ready, and Frank had the perfect time slot - right after an NBA playoff game.

The media attention was remarkable. Seagrams had a press conference in the KRIS offices with the Wall Street Journal, UPI, API, CNN, and 17 other news organizations in attendance.

Advertising Age reported that a total of 17 news broadcasts devoted more than nine minutes to the story, while ten major daily newspapers printed more than 2,500 words covering the report.

Frank says the station received a total of 77 letters, mostly local, complaining or commenting on the ads. From all the evidence, it appears that the real controversy about running liquor ads on

television is at the national level- it doesn't seem like the local population was disturbed hardly at all.

TV was the beginning. Liquor ads are now on the radio.

Advertising & Addiction. Products that are part of addictive consumption behaviors may or may not be in a special category. In comparing tobacco usage in regulated and unregulated countries, it is not clear that regulating advertising has much impact on established smoking behavior. However, it is also unclear what the effect is on underage non-smokers being exposed to attractive adult imagery for cigarettes. Other practices are also cause for concern. For example, direct mail marketing by casinos to heavy gamblers - many of whom have severe gambling problems. Marketing to these people clearly does them a disservice. Yet, on the other hand, it is merely the traditionally accepted marketing practice of mailing to your best customers. Another related issue is the fact that these addictive behaviors generate substantial tax revenue, as tobacco, alcohol, and gambling (through both casinos and state lotteries) are now major sources of revenue for states.

Give dad an expensive belt.



Award-winning liquor advertising created by Doyle Dane Bernbach.

Laws Affecting Advertising
1890 Sherman Anti-Trust Act- Prohibits monopolies and any contract, conspiracy, or combination involving restraint of trade.
1906 Pure Food And Drug Act Prohibits misbranding of food or drugs, including labeling.
1914 Clayton Act Prohibits price discrimination.
1914 Federal Trade Commission Act Established the Federal Trade Commission. Prohibits unfair methods of competition.
1934 Federal Communications Act Created the Federal Communications Commission to regulate broadcasting.
1936 Robinson-Patman Amendment to Clayton Act Prohibits price discrimination that lessens competition or helps to create a monopoly.
1938 Wheeler-Lea Amendment to Federal Trade Commission Act Prohibits unfair or deceptive advertising.
1947 Lanham Trademark Act Protects brand names and slogans from infringement by competitors. Directs the US Patent office to register names, slogans, and identifying symbols for brands or companies.
1939 Wool Products Labeling Act Created labeling

requirements for wool products, including fiber content, condition, and manufacturer. 1952 Fur Products Labeling Act Created labeling requirements for fur products, including species and manufacturing details. 1958 Automobile Information Disclosure Act Requires car manufacturers to itemize new car stickers, including base costs, extras, and freight. 1960 Textile Fibers Product Identification Act Created labeling requirements for cloths and other materials manufactured in the US. 1966 Fair Packaging & Labeling Act Created "truth-in-labeling" law, stipulating manufacturers disclose contents and volume on packages. 1966 Child Safety Act Prohibits marketers from advertising potentially dangerous products and enables the FDA to remove dangerous products from the marketplace. 1966 Highway Beautification Act Restricts placement of billboards along public highways. 1968 Truth-in-Lending Act Requires creditors to make full disclosure of the costs of consumer credit in ads. 1970 Public Health Cigarette Smoking Act Prohibits broadcasters from accepting money from tobacco manufacturers for advertising. Requires a health warning on all cigarette packaging. 1971 Federal Election Campaign Act Requires political candidates to disclose ad sponsorship. 1975 Magnuson-Moss Warranty Act Requires manufacturers to honor product warranties - implied or explicit. 1978 Copyright Act A revision of the much older Act, this clarified the protection of copyrighted materials. 1980 Federal Trade Commission Improvement Act Empowers the Federal Trade Commission to create trade rules and regulations. 1990 Children's Television Act Restricts the amount of time that can be sold for advertising during children's television viewing times.

4. Governmental Forces.

State Regulation – Two Types

Every state has its own laws and regulations affecting advertising. There are two main types of state laws. Several states have "mini FTC" laws - aimed at preventing unfair business practices rather than protecting consumers.

Other states have consumer protection laws that also can be used to protect competition. Some states even permit individual citizens to collect monetary damages from companies that advertise deceptively. (Check your state to see if they have a "price-scanner" law that requires stores to pay up to ten times the difference between the stated price and the scanned price.)

As federal regulators moved away from active participation, state regulations, and the power of state regulators, increased.

State regulation is a complex and increasingly important area of concern for advertisers.

NAAG.

The National Association of Attorneys General (NAAG), is comprised of states attorneys who have banded together to create regulatory policy where the federal agencies have not.

Several states work through this organization to combat mail fraud (e.g., YOU HAVE JUST WON \$1,000,000), illegal sweepstakes, telemarketing scams, and other deceptive business schemes.

NAAG has also played an important role in the recent indictment of tobacco marketers as well as creating "green guidelines." Federal Regulation.

Federal Trade Commission.

The Federal Trade Commission (FTC) was created in 1914 by Congress as part of the Federal Trade Commission Act (FTCA) in an attempt to limit unfair and deceptive business practices. Section 5 of the Act states that "unfair or deceptive acts or practices in or affecting commerce are illegal."

In 1938, a consumer protection component was added to the original law with the enactment of the Wheeler-Lea Amendment. Section 12 forbids any false advertising likely to induce the purchase of goods, drugs, devices, or cosmetics.

Functions of the FTC.

Today, the functions of the FTC are two-fold. First, to protect business from unfair competition. Second, to protect consumers.

This second function, originally incorporated to serve the first, was intended to make sure people weren't forced to make decisions based on misleading information and to stop or limit practices that were morally objectionable, exploitive, inequitable, or seriously detrimental to consumers and society.

The Domain of the FTC.

The federal government has jurisdiction over all matters that affect the country as a whole. The Court gains jurisdiction over issues that are affected by interstate travel or, as in advertising, interstate communication.

Because of a Supreme Court ruling regarding interstate commerce, Congress, through the FTC, has the power to regulate advertisers, products, and any firm that sells, supplies, airs, or transports across state lines.

This power is loosely interpreted. In today's world, virtually everything crosses state lines, which invokes federal jurisdiction, somewhere along the line of commerce.

If the FTC really wants to go after a company, they can claim jurisdiction based on as tangential a relationship as a company's salesperson having purchased gasoline that had been trucked in from another state! Powers of the FTC.

The FTC adjudicates complaints on a case-by-case basis.

Complaints can come from any source: competitors, consumers, or even from members of the FTC staff. After a complaint is lodged, the FTC evaluates whether the claim made in the ad is deceptive.

Example: Campbell's Soup

Here is an example of how visual distortions can create a net impression that may be viewed as deceptive.

It involved Campbell's Soup, a brand we'll be featuring throughout the book. In *The Matter Of Campbell Soup Co.*, 77 FTC 664 (1970). A Campbell's Soup television commercial, intending to make Campbells soups look inviting and hearty, created the net impression that the brand had more ingredients than was actually true. By putting clear marbles at the bottom of a bowl of soup, the carrots, potatoes, peas, and onions in the soup rose to the surface and were highlighted.

"Advertisements which purport to demonstrate or offer evidence of the quantity and abundance of solid ingredients in a can of Campbell's Soup (actually relies on) a number of clear, glass marbles which prevent the solid ingredients from sinking

to the bottom, thereby giving the soup the appearance of containing more solid ingredient than it actually contains, a fact that is not disclosed.

“The aforesaid demonstration exaggerates, misrepresents and ~ not evidence of the quality or abundance of solid ingredients in a can of Campbell’s Soup; therefore the aforesaid advertising is false, misleading and deceptive. “

The Campbell Soup Company responded that, due to the limitations of the medium, television, these photographic techniques were necessary to illustrate the richness of the soup, merely allowed consumers to see the ingredients which were, in fact, in the soup.

I

However, the Commission was not persuaded, and the soup and company was ordered to cease and desist using the ads.

Advertising Regulators.

Here are some governmental entities that regulate advertising - in alphabetical order: BATF - Bureau of Alcohol, Tobacco, and Firearms Regulates advertising of controlled substances and dangerous goods. CAB - Civil Aeronautics Board Regulates airline advertising. Federal Election Committee Regulates political advertising. FTC - Federal Trade Commission Regulates all facets of interstate commerce. FCC - Federal Communications Commission Regulates radio, television, and telephone providers. FDA - Food and Drug Administration Regulates advertising, labeling, and branding of all food, drugs, and health devices. Library of Congress Registers copyrighted materials, including books, music, computers, software, advertisements, and other published materials, such as patents and trademarks. NAAG - The National Association of Attorneys General Each state has its own attorney general. This person is charged with making sure that the laws of the state are fairly enforced against all citizens, corporate and private, as well as defending the state and its citizens from all unlawful activity. For example, the Texas attorney general named four international tobacco companies in an anti-racketeering suit. The State of Texas claimed Phillip Morris, RJ Reynolds, and others had acted together as a group to harm the citizens of Texas. SEC - Securities & Exchange Commission Regulates advertising of stocks, bonds, mutual funds, and other securities. United States Supreme Court Possesses the authority to evaluate the constitutionality of any law or regulation restricting free speech, including commercial speech.

Puffery.

Though the FTC sidebar lists what we know about defining deception, there’s still quite a bit of controversy surrounding the issue. Much of it focuses on the differences between deception and exaggeration or “puffery.”

Puffery is the use of terms that cannot be precisely determined. As the term itself suggests, puffery is considered by the courts and other regulators to be acceptable, yet nonsensical verbiage that rational consumers can clearly disregard.

However, if there is the possibility that a consumer might place some credence in these claims, or if they have a tendency or are intended to be interpreted as true, they are deceptive.

The use of puffery in an ad typically refers to statements of opinion, exaggerations, overstatements, and the use of superlatives.³¹ Examples of puffery are: “out of this world flavor,” “Coke is the real thing,” and “the world’s best beer.”

Puffery is often less identifiable than the courts and regulators assume. The difference between statements of fact and statements of opinion are often the topic of fierce debate.

Example: Dannon Yogurt

This kind of debate ensued between the FTC and Dannon Yogurt about the claim: “Dannon is known as nature’s perfect food that science made better.” Dannon’s point was that everyone knows there really isn’t such a thing as a perfect food and that the claim was clearly hyperbole. In other words, no rational consumer could possibly take it seriously.

The Commission didn’t see the claim in the same light. The FTC concluded that the claim was a misrepresentation of fact, “given the present day emphasis on dieting, health, and nutrition, to make the claim that a food is perfect far exceeds puffing or exaggerations of qualities. “

The Reasonable Consumer and Material Claims.

The crux of whether a claim is deceptive or mere puffery seems to rely on the likely interpretation by a consumer.

The FTC created a “test” to consider it from the viewpoint of reasonable consumers.

The FTC looks at the ad from the viewpoint of a reasonable consumer (not an expert) who is acting reasonably under normal circumstances.

The heart of the matter in using the “reasonable consumer” test is to define “reasonable.” The FTC defines “reasonable consumers” as average people acting normally in normal situations. They also evaluate audience susceptibility.

This refers to the level of expertise the typical consumer has in regard to the product, its use, or purchase.

For example, the FTC is not likely to perceive medical doctors as highly susceptible to ad claims or as consumers who are in great need of regulation. The commission will, however, apply a much stricter standard when the intended target of an ad is somehow disadvantaged, such as children.

For some consumer groups, “acting reasonably” does not include reading the fine print. An example might be an audio warehouse company offering “10 CDs for a penny.” You know you’ll have to buy another 6 at “regular club prices,” but nowhere, except in the fine print, does it say those prices are far greater than retail, and shipping and handling fees might constitute a 40% addition to the cost of each CD.

Given that these ads are typically aimed at teens and pre-teens with limited purchasing experience, and virtually no experience with legally binding agreements, it’s reasonable to conclude that the ad is likely to mislead a substantial number of consumers (millions of teenagers) or a significant proportion of the target audience (30% of all teenagers). This ad might fail the “reasonable consumer” test and therefore be accountable to the FTC for deceptive practices.

Material Claims.

However, even deceptive claims aimed at susceptible audiences may not be censored by the FTC. If the claim is not material, no harm has been done.

“A material claim is any claim that affects a consumers choice or behavior, or that makes injury likely. “33

The materiality of a claim differs according to product category and audience, just as assessments of reasonableness differ. Claims that might be material for one product category may be inconsequential for another.

Claim Substantiation.

The FTC requires advertisers to provide adequate substantiation for any claim made in an ad. The claim substantiation policies insist advertisers have a “reasonable basis” for making claims. This means advertisers must have information supporting the claim on hand before making the claim in an ad.

The NAD and the NARB rely on the standards set by the FTC for their own self-regulation efforts.

Substantiation of Claims.

There are several important steps advertisers must take to ensure that claims are adequately substantiated:

1. Make sure the ad has been examined by several people, not just the copywriter and art director, but the folks in the accounting and legal departments. That’s what they’re there for; use their expertise as a preventive measure.
2. What type of claims are made? There is a long history of regulating certain types of claims. Are these types of claims made in your ad? Is that exaggeration really just puffery?
3. Have you done enough research to make the claims appearing in your ad? Have you claimed 4 out of 5 dentists agree, when you only interviewed 5 dentists in your building?

Remedies for Deceptive Advertising.

If an ad is found to be deceptive, there are remedies:

- Cease and desist orders
- Corrective advertising
- Let’s review them in more detail.
- Cease and Desist Orders.

If the ad clearly violates either Section 5 or 12, as defined by the FTC, a Cease and Desist order may be issued. This is legal notification to stop running an ad, and, if violated, fines are approximately \$5,000 per exposure.

While this is the most powerful punishment the FTC has at its disposal, sometimes it’s not powerful enough. Sometimes this makes noncompliance attractive to unethical advertisers. Some companies make many times the fine each time a deceptive ads runs, choosing to pay the fine rather than pull the ad.

Some companies may fail to comply with orders, but the stakes do get higher when the FTC finds noncompliance. Fines can increase and, in a few cases, there has even been jail time. Civil Offenses - Not Criminal Offenses.

Advertising regulations are not criminal offenses with a prison penalty attached for violation; they are civil offenses.

Typically, offenders do not end up in jail, unless they are found to be in contempt of court during the proceedings.

Contempt = Jail.

However, the FTC may sue the advertiser in federal court and, theoretically, a judge can jail an advertiser for contempt.

Still, identifying and catching an offender is often the biggest problem for regulators.

Corrective Advertising.

A drastic remedy, no longer as popular as it once was, is corrective advertising. This remedy allows the FTC to order advertisers guilty of deceptive advertising to correct material beliefs held by consumers caused by the deceptive advertising.

The reasoning was, if a brand’s deceptive advertising practices had contributed to consumers’ erroneous beliefs about an important brand attribute or benefit, the advertiser should correct that belief by allocating a portion of future advertising budgets to consumer re-education.

Example. Listerine

The most famous “corrective” advertising case involved Listerine mouthwash. “Kills germs that cause colds” was a famous slogan that had dominated the mouthwashes advertising since 1879. Variations on the theme for almost 100 years had taught consumers well.

The FTC initially ordered approximately \$10 million to be spent correcting this false claim by clearly and conspicuously disclosing the following language: “Contrary to prior advertising, Listerine will not help prevent colds or sore throats or lessen their severity.”

On appeal, the brand was permitted to drop the humiliating phrase “contrary to prior advertising” but was still required to include the rest of the information in all ads.

The philosophy behind corrective has been applied by Federal courts in comparison advertising cases and included in out-of-court settlements. It is no longer used by the FTC.

Affirmative Disclosure.

The remedies presented above are methods typically applied to deceptive practices after they have occurred.

In addition to these remedies, affirmative disclosure is the FTC’s remedy for future harm. The principle behind affirmative disclosure rulings is that consumers need all the information, not merely the attractive information, to make good decisions.

Affirmative disclosure rulings direct businesses to include necessary, yet sometimes unappealing, information. They force businesses to include health and safety information, credit terms and agreements, product ingredients, and warning labels.

Disclaimers.

The example of affirmative disclosure we see most often is the disclaimer. It is intended to clarify claims made in the body copy.

This policy is intended to provide consumers with the most relevant, truthful information possible to aid decision making. The information can be used to clarify an offer or to inform consumers about product performance.

Disclaimers are not always an effective method of avoiding consumer deception. Some people are likely to be confused or deceived no matter how much information an ad provides; sometimes more information creates more confusion. In fact, many believe that advertisers word this information in such a way as to maximize confusion.

The small type used in disclaimers supports these suspicions, but research indicates fine print isn't really the problem.

According to a study done by Foxman, Muehling and Moore, the type size used in a disclaimer does not significantly assist consumer comprehension (i.e., big type does not always equal better understanding) .

They also found that 5 to 20% of all consumers are unable to discern true claims from false ones, no matter how much information is provided or what size type is used.

While for the most part, disclaimers do not change beliefs or brand preference, they can change understanding about implied and express warranties contained in main advertisement copy.

Laws Regulating Advertising.

Comparative Advertising.

Today, the practice of naming competitors in an ad is widely used to let consumers know how much better your brand is than others in the category.

From many consumer perspectives, as well as ethical points of view, comparison ads are socially beneficial. Useful information comparing meaningful attributes is viewed by many as advertising at its best. In fact, this is exactly how consumer groups and services, such as Consumer Reports, treat categories of goods, from automobiles to toaster ovens - by comparing them.

Until the 1970s, comparative advertising was rare.

"Brand X."

Competitors were seldom named. Many advertisers viewed naming competitors in ads as "giving away advertising."

Network advertising guidelines prohibited direct comparisons, allowing only comparisons to "Brand X" in ads.

Many advertisers were afraid they'd confuse consumers. But there were two larger motivations behind the reluctance to use comparison ads:

1. Advertisers' fear that competing brands would sue for disparaging their brand or violating their "trademark."
2. A concern among large advertisers that it would create a harping, negative, and argumentative tone and, once started, might be quite difficult to stop.

Procompetitive Practices.

The FTC, in an effort to promote consumerism, strongly urged the "pro competitive practice."

The Commission helped assuage advertisers' fears by persuading networks to change their policies, and by teaming up with industry organizations such as the American Association of Advertising Agencies to create comparative advertising guidelines.

Lanham Trademark Act.

Comparison ads found a boost in support from the 1988 revision of the Lanham Trademark Act of 1946.

The Act, which allows competitors to sue each other for trademark infringement, was originally passed to prevent misrepresentation of a brand "causing some trade (profits) to be diverted" from the rightful company.

In this original form, it was used by brands whose name or likeness had been usurped by another company.

1988 Revision of Lanham Act.

Liberal application in support of comparative advertising led to a revision of the act in 1988.

The revisions create the basis for a civil suit, "disparaging an other person's goods, services, or commercial activities." This is the only means available for competitors to sue rivals for false advertising.

Supreme Court.

The Supreme Court on "Commercial Speech."

Noting that people are often more interested in information of economic value than in political value, the Court ruled that the flow of commercial information should not be restricted.

The opinion reads, in part: "[I]nformation is not in itself harmful... people will perceive their own best interests if only they are well enough informed and that the best means to that end is to open channels of communications rather than to close them... it is precisely this kind of choice, between the dangers of its misuse, if it is freely available, that the First Amendment makes for us."

The United States Supreme Court has the power to uphold laws and regulations as constitutional or to strike them down as violations of the federal constitution. Some of its decisions affect advertising in important ways. Here are examples:

Example: *Bigelow v. Virginia*

Until 1975 no advertising regulation had been struck down as unconstitutional by the Supreme Court. That year the Court handed down its first opinion to change that in a landmark case known as *Bigelow v. Virginia*.

Ad regulations typically try to stop, ban, or reduce advertising, prevent advertising placement in various locations, or dictate ad copy or content.

Bigelow; a newspaper editor, was convicted of violating Virginias anti-abortion laws by publishing an ad for a New York women clinic informing Virginia residents of the clinics services.

The Court overturned the conviction, saying that 'just because the information was contained in an ad, that fact was not enough to strip it of all its First Amendment protection. "

The Court ruled that the ad contained information relevant to an issue of social importance and granted advertising limited First Amendment protection. Pharmacy Retail Restrictions.

The protection offered to advertisements was widened further when the Court examined a law restricting purely commercial information. In this case, the Court ruled that retail pharmacy

restrictions prohibiting the listing of prices actually caused economic harm

The Central Hudson Test.

In 1980, the Court backed off from the absolute protection offered in the Virginia pharmacy case. The Court created a four-pan test, which is covered in the sidebar.

The Central Hudson test is now used to evaluate the constitutionality of advertising regulations. It provides limited protection for speech that “proposes a purely commercial transaction.”

The first criteria of this test is that the restrictions are directed at ads concerning a lawful activity or product and are not misleading. Obviously, the public interest is not served by protecting deceptive advertising.

Advertising regulation is only acceptable when the state has a substantial, legitimate, or compelling interest in regulating the speech. In addition, the regulation must directly advance the state’s interest.

The restriction may not be so broad as to affect other speech. This test clarified the limited level of protection that commercial speech had been granted. The Virginia Pharmacy and Central Hudson cases are landmarks in advertising protection.

Since stating this test, the Court has applied it a number of times.

However, its reasoning has not always been consistent.

Example: Puerto Rico & Gambling

One example of this is lack of consistency is *Posadas de Puerto Rico Associates v. Tourism Co. of Puerto Rico*.

Here, the Court allowed a ban on truthful ads for a legal product based on Puerto Rico’s substantial interest in keeping its residents from gambling.

The Puerto Rican government sought to prevent its citizens from wagering in the local casinos, possibly inflicting irreparable damage to their economic well-being.

Therefore, it banned ads for casinos inside Puerto Rico. The ban went so far as to include printed matchbook covers advertising casinos and monograms stenciled on plates.

The Court, while recognizing the restriction on matchbook covers as excessive, upheld Puerto Rico’s interest in preventing its citizens from learning about casinos through advertising.

Administration of Advertising Regulations.

The Supreme Court, while the highest judicial power in the US, does not actually regulate and administer advertising regulations. That responsibility has been delegated to executive administrative agencies previously discussed - the Federal Trade Commission and the Federal Communication Commission.

Even the Bureau of Alcohol, Tobacco, and Firearms exerts some power over advertising in certain categories.

The Parameters of Comparison Advertising. Originally, trademark law only applied in situations where a competitor tried to confuse consumers by “palming-off” an inferior product by associating it with a trademarked product. The Lanham Act of 1946 was passed to prevent loss of goodwill or

profit to a business due to a competitor who unfairly used their trademark

A. Benefits of Comparative Ads:

1. Provides greater information.
2. Stimulates comparison shopping.
3. Encourages product improvement and innovation.
4. Fosters a competitive business environment.

B. Risks of Comparative Advertising Perceived by Businesses:

1. Bad publicity for your brand.
2. Possibility of misinformation.
3. Your brand might be mis-identified as the poor performer.
4. Information is narrowed to focus on only a few comparable product attributes and benefits.
5. Publicizing the competition.
6. Potential legal problems.

C. Public Policy Intentions in Regulating Comparative Ads:

1. Fosters more and better information.
2. Seeks to slow the flow of false and misleading ads.
3. Protects business from unfair competition.

D. The FTC Has Stated: Ads that disparage competitive products, but are not deceptive, are not illegal. In addition, discouraging or forbidding direct comparison advertisements is considered to be prohibiting free trade by restricting free flow of information.

Other Laws Affecting Advertising.

The Magnuson-Moss Warranty and Federal Trade Commission Improvement Act of 1975.

This act, administered by the FTC, constitutes another effort to use information as a remedy for deceptive ads. It deals with implied or explicit brand warranties and guarantees.

Warranties and Guarantees.

Warranties and guarantees are different types of claims that are made or implied in advertisements. A warranty is a promise of performance, attributes, or benefits made by a manufacturer.

It becomes a contract between the manufacturer and the consumer upon purchase of the product. Many claims made in an ad are warranties, e.g., Kodak claims their film is free from defects in materials and workmanship.

Express and Implied Warranties.

An actual claim of performance, attributes, or benefits is considered to be an express warranty. An implied warranty is any claim (e.g., audio or visual) made by a manufacturer that, although not specifically stating a claim, implies one.

“Merchantability. “

The most important type of implied claim is merchantability. This means the product will perform as claimed if it is properly used for the purpose it was manufactured and intended.

Advertising claims are often used to substantiate product liability claims, which can be among the most expensive types of suits for manufacturers to defend.

LESSON 9: SCANNING THE MARKET

Topics Covered

What are the key methods for tracking and identifying opportunities in the macro environment? What are the key demographic, economic, natural, technological, political, and cultural developments?

Objectives

1. To know what are the key methods for tracking and identifying opportunities in the macro environment.
2. To be aware of the key demographic, economic, natural, technological, political, and cultural developments.

Successful companies take an outside-inside view their business. They recognize that the marketing environment is constantly spinning new opportunities and threats and understand the importance of continuously monitoring and adapting to that environment. One company that has continually reinvented one of its brands to keep up with the changing marketing environment is Mattel with its Barbie doll.

Mattel

Mattel's genius is in keeping its Barbie doll both timeless and trendy. Since Barbie's creation in 1959, the doll has filled a fundamental need that all girls share: to play a grown-up. Yet, Barbie has changed as girls' dreams have changed. Her aspirations have evolved from jobs like "stewardess," "fashion model," and "nurse," to "astronaut," "rock singer," and "presidential candidate." Mattel introduces new Barbie dolls every year in order to keep up with the latest definitions of achievement, glamour, romance, adventure, and nurturing. Barbie also reflects America's diverse population. Mattel has produced African American Barbie dolls since 1968 the time of the civil rights movement and the company has introduced Hispanic and Asian dolls as well. In recent years, Mattel has introduced the Crystal Barbie doll (a gorgeous glamour doll), Puerto Rican Barbie (part of its "dolls of the world" collection), Great Shape Barbie (to tie into the fitness craze), Flight lime Barbie (a pilot), and Troll and Baywatch Barbies (to tie into kids' fads and TV shows). Industry analysts estimate that two Barbie dolls are sold every second and that the average American girl owns eight versions of Barbie. Every year since 1993, sales of the perky plastic doll have exceed \$1. Billion.

Many companies fail to see change as opportunity. They ignore or resist changes until it is too late. Their strategies, structures, systems, and organizational culture grow increasingly obsolete and dysfunctional. Corporations as mighty as General Motors, IBM, and Sears have passed through difficult times because they ignored macro environmental changes too long.

The major responsibility for identifying significant marketplace changes falls to the company's marketers. More than any other group in the company, they must be the trend trackers and opportunity seekers. Although every manager in an organization needs to observe the outside environment, marketers have

two advantages: They have disciplined methods-marketing intelligence and marketing research-for collecting information about the marketing environment. They also spend more time with customers and more time watching competitors.

In this lesson, we examine the firm's external environment - the macro environment forces that affect it, its consumer markets, its business markets, and its competitors.

Analyzing Needs and Trends in the macro environment

Successful companies recognize and respond profitably to unmet needs and trends. Companies could make a fortune if they could solve any of these problems: a cure for cancer, chemical cures for mental diseases, desalinization of seawater, nonfattening tasty nutritious food, practical electric cars, and affordable housing.

Enterprising individuals and companies manage to create new solutions to unmet needs. Club Mediterranean emerged to meet the needs of single people for exotic vacations; the Walkman and CD Man were created for active people who wanted to listen to music; Nautilus was created for men and women who wanted to tone their bodies; Federal Express was created to meet the need for next-day mail delivery.

Many opportunities are found by identifying trends. One major trend is the increasing participation of women in the workforce, which has spawned the child day-care business, increased consumption of microwavable foods, and office-oriented women's clothing.

Simplex Knowledge More and more workplaces and child-care centers are installing monitoring setups such as the "I See You" equipment from Simplex Knowledge in White Plains, New York. Not created to monitor child-care providers, the system allows parents to see their children at different points throughout the day. Via still photos taken by a camera in the child-care center and posted on a secure Web site on the Internet, working parents who long to spend more time with their young ones get reassuring glimpses throughout the day.

Shops at Somerset Square Although shopping malls are in decline, there's been a boom in niche malls that cater to the needs of working women. Shops at Somerset Square in Glastonbury, Connecticut, are one such open-air shopping center. It features a customized retail mix of specialty shops, targeted promotions, and phone-in shopping, in which shoppers phone ahead with sizes and color preferences while store employees perform a "wardrobing" service. Many of the stores also informally extend hours for working women who find time to shop only before or after work.

We can draw distinctions among fads, trends, and megatrends. A fad is "unpredictable, short-lived, and without social, economic, and political significance." A company can cash in on

a fad such as Pet Rocks or Cabbage Patch dolls, but this is more a matter of luck and good timing than anything else.

Trends are more predictable and durable. A trend reveals the shape of the future. According to futurist Faith Popcorn, a trend has longevity, is observable across several market areas and consumer activities, and is consistent with other significant indicators occurring or emerging at the same time.

John Naisbitt, another futurist, prefers to talk about megatrends, which are “large social, economic, political and technological changes [that] are slow to form, and once in place, they influence us for some time-between seven and ten years, or longer.”⁶ Naisbitt and his staff spot megatrends by counting the number of times hard-news items on different topics appear in major newspapers. The 10 megatrends Naisbitt has identified are:

1. The booming global economy
2. A renaissance in the arts
3. The emergence of free-market socialism
4. Global lifestyles and cultural nationalism
5. The privatization of the welfare state
6. The rise of the Pacific Rim
7. The decade of women in leadership
8. The age of biology
9. The religious revival of the new millennium
10. The triumph of the individual

Trends and mega trends merit marketers' close attention. A new product or marketing program is likely to be more successful if it is in line with strong trends rather than opposed to them. But detecting a new market opportunity does not guarantee its success, even if it is technically feasible. For example, today some companies have created portable “electronic books” in which different book disks can be inserted for reading. But there may not be a sufficient number of people interested in reading a book on a computer screen or willing to pay the required price. This is why market research is necessary to determine an opportunity's profit potential.

Marketing Insights

Faith Popcorn Points to 16 Trends in the Economy. Famous trend-watcher Faith Popcorn runs BrainReserve, a marketing consulting firm that monitors cultural trends and advises companies such as AT&T, Black & Decker, Hoffman-LaRoche, Nissan, Rubbermaid, and many more. Popcorn and her associates have identified 16 major cultural trends affecting the U.S. economy. How many of these trends have you noticed in your own life?

1. Anchoring: The tendency to use ancient practices as anchors or support for modern lifestyles. This trend explains the widespread popularity of aromatherapy, meditation, yoga, and Eastern religions.
2. Being alive: The desire to lead longer and more enjoyable lives. Vegetarianism, low-tech medicine, meditation, and other life extenders and enhancers are part of this trend. Marketers can capitalize on the trend by designing healthier products and services.
3. Cashing out: The desire for a simpler, less hectic lifestyle, as when an executive suddenly quits a high-profile career, escapes the hassles of big-city life, and turns up in Vermont running a bed-and-breakfast. The trend is marked by a nostalgic return to small-town values.
4. Clanning: The growing need to join up with and belong to groups in order to confront a more chaotic world. Marketers are responding with products, services, and programs that help make consumers feel a part of something; for example, Harley-Davidson's Harley Owners Group (HOG).
5. Cocooning: The impulse to stay inside when the going outside gets too tough and scary. People are turning their homes into nests: redecorating, watching TV and rental movies, ordering from catalogs, and using answering machines to filter out the outside world. Socialized cocoons gather inside for conversation or a “salon.” Wandering cocoons are people who hole up in their cars with take-out foods and their car phones.
6. Down-aging: The tendency for older people to act and feel younger than their age. They spend more on youthful clothes and hair coloring, and they engage in more playful behavior, such as buying adult toys, attending adult camps, or signing up for adventure vacations.
7. Egonomics: The wish to individualize oneself through possessions and experience. Egonomics gives marketer~ an opportunity to succeed by offering customized goods, services, and experiences.
8. Fantasy adventure: The need to find emotional escapes to offset daily routines. People following this trend seek safari vacations or eat exotic foods. For marketers, this is an opportunity to create fantasy products and services. The trend will certainly feed the growth of virtual reality throughout the first decade of the new millennium.
9. Female think: The recognition that men and women act and think differently. A strong indicator of female think is the popularity of books such as *Men Are from Mars, Women Are from Venus*. Because relationships are powerful motivators for women, for example, Saturn Car Company has created strong relationships with its customers, many of whom are women.
10. Icon toppling: The idea that “if it's big, it's bad.” Marketers are responding by finding ways, to think, act, and look smaller. An example is Miller's Plank Road Brewery beer, which has the look and feel of today's popular microbrewery beverages.
11. Mancipation: The emancipation of men from stereotypical male roles. Men are no longer required to be macho, distant, and strong. This trend is revealed in ads featuring men as nurturing dads and concerned husbands.
12. 99 lives: The attempt to relieve time pressures by doing many things at once: People become adept at “multitasking”: doing many tasks at once, such as talking on a portable phone while surfing the Internet. Marketers can cash in on the 99 lives trend by creating cluster marketing enterprises—all-in-one service stops.

13. **Pleasure revenge:** The proud and public pursuit of pleasure as a rebellion against self-control and deprivation. Fed up with the health kick of the early 1990s, people are consuming more red meat, fats, and sugars and turning away from health-food alternatives.
 14. **S.O.S. (save our society):** The desire to make society more socially responsible with respect to education, ethics, and the environment. The best response for marketers is to urge their own companies to practice more socially responsible marketing.
 15. **Small indulgences:** A penchant to indulge in small-scale splurges to obtain an occasional emotional lift. A consumer might eat healthy all week, and then splurge on a pint of super premium Haagen-Dazs ice cream on the weekend, or might brown bag it for lunch but buy an expensive Starbucks latte and pastries for breakfast.
 16. **The vigilant consumer:** Intolerance for shoddy products and poor service. Vigilant consumers want companies to be more aware and responsive, so they act up, boycott, write letters, and buy “green products:
- The severe debt problems of a number of countries, along with the increasing fragility of the international financial system.
 - The increasing use of barter and countertrade to support international transactions.
 - The move toward market economies in formerly socialist countries along with rapid privatization of publicly owned companies.
 - The rapid dissemination of global lifestyles.
 - The gradual opening of major new markets, namely China, India, eastern Europe, the Arab countries, and Latin America.
 - The increasing tendency of multinationals to transcend their locational and national characteristics and become transnational firms.
 - The increasing number of cross-border corporate strategic alliances—for example, MCI and British Telecom, and Texas Instruments and Hitachi.
 - The increasing ethnic and religious conflicts in certain countries and regions.
 - The growth of global brands in autos; food, clothing, electronics, and so on.



The Harley-Davidson home page makes Harley owners part of a family.

Identifying and Responding to the Major Macroenvironment Forces

Companies and their suppliers, marketing intermediaries, customers, competitors, and publics all operate in a macroenvironment of forces and trends that shape opportunities and pose threats. These forces represent “noncontrollables,” which the company must monitor and respond to. In the economic arena, global forces increasingly affect companies and consumers. These include:

- The substantial speedup of international transportation, communication, and financial transactions, leading to the rapid growth of world trade and investment, especially tripolar trade (North America, Western Europe, Far East).
- The rising economic power of several Asian countries in world markets.
- The rise of trade blocs such as the European Union and the NAFTA signatories.



Colgate Palmolive

Colgate-Palmolive test-marketed Total, its antibacterial plaque-fighting toothpaste, in six countries: the Philippines, Australia, Colombia, Greece, Portugal, and the United Kingdom. The team in charge of the global launch was a veritable corporate United Nations of operations, logistics, and marketing strategists. Their efforts paid off handsomely: Total was soon a \$150 million brand worldwide, selling in 75 countries, with virtually identical packaging, positioning, and advertising.

Within the rapidly changing global picture, the firm must monitor six major forces: demographic, economic, natural, technological, political-legal, and social-cultural. Although these forces will be described separately, marketers must pay attention to their causal interactions, because these set the stage for new opportunities as well as threats. For example, explosive population growth (demographic) leads to more resource depletion and pollution (natural environment), which leads consumers to call for more laws (political-legal). The restrictions stimulate new technological solutions and products (technology), which if they are affordable (economic forces) may actually change attitudes and behavior (social-cultural).

Colgate-Palmolive's Total Global

Branding Strategy

Colgate-Palmolive has had global success with its Colgate line of tooth-care products. The products and their packaging design do not vary from country to country; the only thing that changes is the language on the packages.

Demographic Environment

The first macroenvironmental force that marketers monitor is population because people make up markets. Marketers are keenly interested in the size and growth rate of population in different cities, regions, and nations; age distribution and ethnic mix; educational levels; household patterns; and regional characteristics and movements.

Worldwide Population Growth

The world population is showing "explosive" growth. It totaled 5.4 billion in 1991 and is growing at 1.7 percent per year. At this rate, the world's population will reach 6.2 billion by the year 2000.

The world population explosion has been a source of major concern, for two reasons. The first is the fact that certain resources needed to support this much human life (fuel, foods, and minerals) are limited and may run out at some point. First published in 1972, *The Limits to Growth* presented an impressive array of evidence that unchecked population growth and consumption would eventually result in insufficient food supply, depletion of key minerals, overcrowding, pollution, and an overall deterioration in the quality of life.⁹ One of the study's strong recommendations is the worldwide social marketing of family planning.

The second cause for concern is that population growth is highest in countries and communities that can least afford it. The less developed regions of the world currently account for 76 percent of the world population and are growing at 2 percent per year, whereas the population in the more developed countries is growing at only 0.6 percent per year. In the developing countries, the death rate has been falling as a result of modern medicine, but the birthrate has remained fairly stable. Feeding, clothing, and educating their children while also providing a rising standard of living is nearly impossible in these countries.

The explosive world population growth has major implications for business. A growing population does not mean growing markets unless these markets have sufficient purchasing power. Nonetheless, companies that carefully analyze their markets can find major opportunities. For example, to curb its skyrocketing population, the Chinese government has passed regulations limiting families to one child per family. Toy marketers, in particular, are paying attention to one consequence of these regulations: These children are spoiled and fussed over as never before. Known in China as "little emperors," Chinese children are being showered with everything from candy to computers as a result of what's known as the "six pocket syndrome." As many as six adults—parents, grandparents, great-grandparents, and aunts and uncles—may be indulging the whims of each child. This trend has encouraged such companies as Japan's Bandai Company (famous for its Mighty Morphin' Power

Rangers), Denmark's Lego Group, and Mattel to enter the Chinese market.

Population Age Mix

National populations vary in their age mix. At one extreme is Mexico, a country with a very young population and rapid population growth. At the other extreme is Japan, a country with one of the world's oldest populations. Milk, diapers, school supplies, and toys would be important products in Mexico. Japan's population would consume many more adult products.

A population can be subdivided into six age groups: preschool, school-age children; teens, young adults age 25 to 40, middle-aged adults age 40 to 65, and older adults age 65 and up. For marketers, the most populous age groups shape the marketing environment. In the United States, the "baby boomers," the 78 million people born between 1946 and 1964, are one of the most powerful forces shaping the marketplace. Baby boomers are fixated on their youth, not their age, and ads geared to them tend to capitalize on nostalgia for their past, such as those for the newly redesigned Volkswagen Beetle or the Mercedes-Benz ad featuring the rock music of Janis Joplin. Boomers grew up with TV advertising, so they are an easier market to reach than the 45 million born between 1965 and 1976, dubbed Generation X (and also the shadow generation, twenty somethings, and baby busters). Gen-Xers are typically cynical about hard-sell marketing pitches that promise more than they can deliver. Ads created to woo this market often puzzle older people, because they often don't seem to "sell" at all.

Miller Brewing Company

Instead of the usual macho men, scantily clad women, beauty shots of beer and mountain vistas, Miller's new beef ads targeted to 21- to 27-year-olds feature the on-screen legend "It's time to embrace your inner idiot" and images of a frenetic, sloppy hot-dog eating contest.

Diesel Jeans

Diesel jeans ads revolve around a celebration of the bizarre, and they playfully poke fun at mainstream situations. Called "Reasons for Living," the ads reverse our code of ethics with images like one of humans serving a roasted girl to pigs sitting at a dining table laden with exotic foods.

Finally, both baby boomers and Gen-Xers will be passing the torch to the latest demographic group, the baby boomlet, born between 1977 and 1994. Now numbering 72 million, this group is almost equal in size to baby boomers; One distinguishing characteristic of this age group is their utter fluency and comfort with computer and Internet technology. Douglas Tapscott has christened them Net-Gens for this reason. He says: "To them, digital technology is no more intimidating than a VCR or a toaster." See the Marketing Memo "Tapping into the Internet Generation."

But do marketers have to create separate ads for each generation? J. Walker Smith, co-author of *Rocking the Ages: The Yankelovich Report on Generational Marketing*, says that marketers do have to be careful about turning off one generation each time they craft a message that appeals effectively to another. "I think the idea is to try to be broadly inclusive and at

the same time offer each generation something specifically designed for it. Tommy Hilfiger has big brand logos on his clothes for teenagers and little pocket polo logos on his shirts for baby boomers. It's a brand that has a more inclusive than exclusive strategy."

Ethnic Markets

Countries also vary in ethnic and racial makeup. At one extreme is Japan, where almost everyone is Japanese; at the other is the United States, where people from come virtually all nations. The United States was originally called a "melting pot," but there are increasing signs that the melting didn't occur. Now people call the United States a "salad bowl" society with ethnic groups maintaining their ethnic differences, neighborhoods, and cultures. The U.S. population (267 million in 1997) is 73 percent white. African Americans constitute another 13 percent, and Latinos another 10 percent. The Latino population has been growing fast, with the largest subgroups of Mexican (5.4 percent), Puerto Rican (1.1 percent), and Cuban (0.4 percent) descent. Asian Americans constitute 3.4 percent of the U.S. population, with the Chinese constituting the largest group, followed by the Filipinos, Japanese, Asian Indians, and Koreans, in that order. Latino and Asian American consumers are concentrated in the far western and southern parts of the country, although some dispersal is taking place. Moreover, there are nearly 25 million people living in the United States—more than 9 percent of the population—who were born in another country.

Each group has certain specific wants and buying habits. Several food, clothing, and furniture companies have directed their products and promotions to one or more of these groups. For instance, Sears is taking note of the preferences of different ethnic groups.

Sears



If a Sears, Roebuck and Company store has a shopping base that is at least 20 percent Latino, it is designated as a Hispanic store for the purpose of Sears's Hispanic marketing program. More than 130 stores in southern California, Texas, Florida, and New York have earned this label. "We make a special effort to staff those stores with bilingual sales personnel, to use bilingual signage, and to support community programs," says a Sears's spokesperson. Choosing merchandise for the Latino marketplace is primarily a color and size issue. "What we find in Hispanic communities is that people tend to be smaller than the general market, and that there is a greater demand for special-occasion clothing and a preference for bright colors. In hardlines, there isn't much difference from the mainstream market."

Microtargeting: Sears advertisements to the Latino community.

Yet marketers must be careful not to overgeneralize about ethnic groups. Within each ethnic group are consumers who are as different from each other as they are from Americans of European background. "There is really no such thing as an Asian market," says Greg Macabenta, whose ethnic advertising agency specializes in the Filipino market. Macabenta emphasizes that the five major Asian American groups have their own very specific market characteristics, speak different languages, consume different cuisines, practice different religions, and represent very distinct national cultures.

Educational Groups

The population in any society falls into five educational groups: illiterates, high school dropouts, high school degrees, college degrees, and professional degrees. In Japan, 99 percent of the population is literate, whereas in the United States 10 percent to 15 percent of the population may be functionally illiterate. However, the United States has one of the world's highest percentages of college-educated citizenry, around 36 percent. The

high number of educated people in the United States spells a high demand for quality books, magazines, and travel. .

Household Patterns

The “traditional household” consists of a husband, wife, and children (and sometimes grandparents). Yet, in the United States today, one out of eight households are “diverse” or “nontraditional,” and include single live-alones, adult live together of one or both sexes, single-parent families, childless married couples, and empty nesters. More people are divorcing or separating, choosing not to marry, marrying later, or marrying without the intention to have children. Each group has a distinctive set of needs and buying habits. For example, people in the SSWD group (single, separated, widowed, divorced) need smaller apartments; inexpensive and smaller appliances, furniture, and furnishings; and food packaged in smaller sizes. Marketers must increasingly consider the special needs of nontraditional households, because they are now growing more rapidly than traditional households.

The gay market, in particular, is a lucrative one. A 1997 Simmons Market Research study of readers of the National Gay Newspaper Guild’s 12 publications found that, compared to the average American, respondents are 11.7 times more likely to be in professional jobs, almost twice as likely to own a vacation home, eight times more likely to own a computer notebook, and twice as likely to own individual stocks. Insurance companies and financial services companies are now waking up to the needs and potential of not only the gay market but also the nontraditional household market as a whole.

American Express Financial Advisors, Inc.

Minneapolis-based American Express Financial Advisors, Inc., launched print ads that depict same-sex couples planning their financial futures. The ads ran in *Out* and *The Advocate*, the two highest-circulation national gay publications. The company’s director of segment marketing, Margaret Vergeyle, said: “We’re targeting gay audiences with targeted ads and promotions that are relevant to them and say that we understand their specific needs. Often, gay couples are very concerned about issues like Social Security benefits and estate planning, since same-sex marriages often are not recognized under the law.”

John Hancock Mutual Life Insurance Company

The John Hancock Mutual Insurance Company has been focusing on single parents and working women with two series of ads on cable television channels. The company is focusing on a very specific segment of women whose financial needs happen to be even more critical because of their situation. The slogan for the ads: “Insurance for the unexpected. Investments for the opportunities.”

Geographical Shifts In Population

This is a period of great migratory movements between and within countries. Since the collapse of Soviet eastern Europe, nationalities are reasserting themselves and forming independent countries. The new countries are making certain ethnic groups unwelcome (such as Russians in Latvia or Muslims in Serbia), and many of these groups are migrating to safer areas.

As foreign groups enter other countries for political sanctuary, some local groups start protesting. In the United States, there has been opposition to the influx of immigrants from Mexico, the Caribbean, and certain Asian nations. Yet many immigrants have done very well. Forward-looking companies and entrepreneurs are taking advantage of the growth in immigrant populations and marketing their wares specifically to these new members of the population.

Population movement also occurs as people migrate from rural to urban areas, and then to suburban areas. The U.S. population has now undergone another shift, which demographers calls “the rural rebound.” Nonmetropolitan counties that lost population to cities for most of this century are now attracting large numbers of urban refugees. Between 1990 and 1995, the rural population has grown 3.1 percent as people from the city have moved to small towns.

Businesses with potential to cash in on the rural rebound might be those that cater to the growing SOHO (small office-home office) segment. For instance, makers of RTA (ready to assemble) furniture might find a strong consumer base among all the cashed out former city residents setting up offices in small towns or telecommuting from there to larger companies.

Location makes a difference in goods and service preferences. The movement to the Sunbelt states has lessened the demand for warm clothing and home heating equipment and increased the demand for air conditioning. Those who live in large cities such as New York, Chicago, and San Francisco account for most of the sales of expensive furs, perfumes, luggage, and works of art. These cities also support the opera, ballet, and other forms of culture. Americans living in the suburbs lead more casual lives, do more outdoor living, and have greater neighbor interaction, higher incomes, and younger families. Suburbanites buy vans, home workshop equipment, outdoor furniture, lawn and gardening tools, and outdoor cooking equipment. There are also regional differences: People in Seattle buy more toothbrushes per capita than people in any other U.S. city; people in Salt Lake City eat more candy bars; people from New Orleans use more ketchup; and people in Miami drink more prune juice.

Shift from a Mass Market to Micromarkets

The effect of all these changes is fragmentation of the mass market into numerous micromarkets differentiated by age, sex, ethnic background, education, geography, lifestyle, and other characteristics. Each group has strong preferences and is reached through increasingly targeted communication and distribution channels. Companies are abandoning the “shotgun approach” that aimed at a mythical “average” consumer and are increasingly designing their products and marketing programs for specific micromarkets.

Demographic trends are highly reliable for the short and intermediate run. There is little excuse for a company’s being suddenly surprised by demographic developments. The Singer Company should have known for years that smaller families would hurt its sewing machine business and more working wives, yet it was slow in responding. In contrast, think of the rewards marketers reap when they focus on a demographic development. Some marketers are actively courting the home

office segment of the lucrative SOHO market. Nearly 40 million Americans are working out of their homes with the help of electronic conveniences like cell phones, fax machines, and handheld organizers. One company that is shifting gears to appeal to this micromarket is Kinko's Copy Centers:

Kinko's Copy Centers

Founded in the 1970s as a campus photocopying business, Kinko's is now reinventing itself as the well-appointed office outside the home. Where once there were copy machines, the 902 Kinko's stores in this country and abroad now feature a uniform mixture of fax machines, ultrafast color printers, and networks of computers equipped with popular software programs and high-speed Internet connections. People can come to a Kinko's store to do all their office jobs: They can copy, send and receive faxes, use various programs on the computer, go on the Internet, order stationery and other printed supplies, and even teleconference. And as more and more people join the work-at-home trend, Kinko's is offering an escape from the isolation of the home office. Kinko's, which charges \$12 an hour for computer use, is hoping to increase its share of industry revenue by getting people to spend more time-and hence, more money-at its stores. Besides adding state-of-the-art equipment, the company is talking to Starbucks about opening up coffee shops adjacent to some Kinko's. The lettering on the Kinko's door sums up the \$1 billion company's new business model: "Your branch office/Open 24 hours."

Economic Environment

Markets require purchasing power as well as people. The available purchasing power in an economy depends on current income, prices, savings, debt, and credit availability. Marketers must pay close attention to major trends in income and consumer spending patterns.

Income Distribution

Nations vary greatly in level and distribution of income and industrial structure. There are four types of industrial structures:

1. **Subsistence economies:** In a subsistence economy, the vast majority of people engage in simple agriculture, consume most of their output, and barter the rest for simple goods and services. These economies offer few opportunities for marketers.
2. **Raw-material-exporting economies:** These economies are rich in one or more natural resources but poor in other respects. Much of their revenue comes from exporting these resources. Examples are Zaire (copper) and Saudi Arabia (oil). These countries are good markets for extractive equipment, tools and supplies, materials-handling equipment, and trucks. Depending on the number of foreign residents and wealthy native rulers and landholders, they are also a market for Western-style commodities and luxury goods.
3. **Industrializing economies:** In an industrializing economy, manufacturing begins to account for 10 percent to 20 percent of gross domestic product. Examples include India, Egypt, and the Philippines. As manufacturing increases, the country relies more on imports of raw materials, steel, and heavy machinery and less on imports of finished textiles,

paper products, and processed foods. Industrialization creates a new rich class and a small but growing middle class, both demanding new types' of goods.

4. **Industrial economies:** Industrial economies are major exporters of manufactured goods and investment funds. They buy manufactured goods from one another and also export them to other types of economies in exchange for raw materials and semifinished goods. The large and varied manufacturing activities of these nations and their sizable middle class make them rich markets for all sorts of goods.

Marketers often distinguish countries with five different income-distribution patterns: (1) very low incomes; (2) mostly low incomes; (3) very low, very high incomes; (4) low, medium, high incomes; and (5) mostly medium incomes. Consider the market for Lamborghinis, an automobile costing more than \$150,000. The market would be very small in countries with type 1 or 2 income patterns. One of the largest single markets for Lamborghinis turns out to be Portugal (income pattern 3)—one of the poorer countries in Western Europe, but one with enough wealthy families to afford expensive cars.

Since 1980, the wealthiest fifth of the U.S. population has seen its income grow by 21 percent, while wages for the bottom 60 percent have stagnated or even dipped. According to Census Bureau statisticians, the 1990s have seen a greater polarization of income in the United States than at any point since the end of World War II. This is leading to a two-tier U.S. market, with affluent people buying expensive goods and working-class people spending more carefully, shopping at discount stores and factory outlet malls, and selecting less expensive store brands. Conventional retailers who offer medium-price goods are the most vulnerable to these changes. Companies that respond to the trend by tailoring their products and pitches to these two very different Americas stand to gain a lot:

The Walt Disney Company The Walt Disney Company, which owns the rights to A. A. Milne's Winnie-the-Pooh and his make-believe friends, is marketing two distinct Poohs. The original line-drawn figures appear on fine china, pewter spoons, and expensive kids' stationery found in upscale specialty and department stores like Nordstrom and Bloomingdale. A plump, cartoon like Pooh, clad in a red T-shirt and a goofy smile, adorns plastic key chains, polyester bed sheets, and animated videos. This downscaled Pooh sells at Wal-Mart and other discount stores.

The National Basketball Association The National Basketball Association sells front-row seats in New York's Madison Square Garden for \$1,000 apiece. Yet, worried they might lose fans who can't afford the typical \$200 for a family night out at a sports event, NBA marketers have launched an array of much more affordable merchandise and entertainment properties such as traveling basketball exhibitions.

Savings, Debt, and Credit Availability

Consumer expenditures are affected by consumer savings, debt, and credit availability. The Japanese, for example, save about 13.1 percent of their income, whereas U.S. consumers save about 4.7 percent. The result has been that Japanese banks were able to loan money to Japanese companies at a much lower

interest rate than U.S. banks could offer to U.S. companies. Access to lower interest rates helped Japanese companies expand faster. U.S. consumers also have a high debt-to-income ratio, which slows down further expenditures on housing and large-ticket items. Credit is very available in the United States but at fairly high interest rates, especially to lower-income borrowers. Marketers must pay careful attention to major changes in incomes, cost of living, interest rates, savings, and borrowing patterns because they can have a high impact on business, especially for companies whose products have high income and price sensitivity.

Natural Environment

The deterioration of the natural environment is a major global concern. In many world cities, air and water pollution have reached dangerous levels. There is great concern about certain chemicals creating a hole in the ozone layer and producing a "greenhouse effect" that will lead to dangerous warming of the earth. In Western Europe, "green" parties have vigorously pressed for public action to reduce industrial pollution. In the United States, several thought leaders have documented ecological deterioration, whereas watchdog groups such as the Sierra Club and Friends of the Earth carried these concerns into political and social action.

New legislation passed as a result has hit certain industries very hard. Steel companies and public utilities have had to invest billions of dollars in pollution-control equipment and more environmentally friendly fuels. The auto industry has had to introduce expensive emission controls in cars. The soap industry has had to increase its products' biodegradability.

Marketers need to be aware of the threats and opportunities associated with four trends in the natural environment: the shortage of raw materials, the increased cost of energy, increased pollution levels, and the changing role of governments.

Shortage of Raw Materials.

The earth's raw materials consist of the infinite, the finite renewable, and the finite nonrenewable. Infinite resources, such as air and water, pose no immediate problem, although some groups see a long-run danger. Environmental groups have lobbied for a ban on certain propellants used in aerosol cans because of the potential damage they can cause to the ozone layer. Water shortages and pollution are already major problems in some parts of the world.

Finite renewable resources, such as forests and food, must be used wisely. Forestry companies are required to reforest timberlands in order to protect the soil and to ensure sufficient wood to meet future demand. Because the amount of arable land is fixed and urban areas are constantly encroaching on farmland, food supply can also be a major problem. Finite nonrenewable resources—oil, coal, platinum, zinc, silver—will pose a serious problem as the point of depletion approaches. Firms making products that require these increasingly scarce minerals face substantial cost increases. They may not find it easy to pass these cost increases on to customers. Firms engaged in research and development have an excellent opportunity to develop substitute materials.

Increased Energy Costs

One finite nonrenewable resource, oil, has created serious problems for the world economy. Oil prices shot up from \$2.23 a barrel in 1970 to \$34.00 a barrel in 1982, creating a frantic search for alternative energy forms. Coal became popular again, and companies searched for practical means to harness solar, nuclear, wind, and other forms of energy. In the solar energy field alone, hundreds of firms introduced first generation products to harness solar energy for heating homes and other uses. Other firms searched for ways to make a practical electric automobile, with a potential prize of billions for the winner.

The development of alternative sources of energy and more efficient ways to use energy and the weakening of the oil cartel led to a subsequent decline in oil prices. Lower prices had an adverse effect on the oil-exploration industry but considerably improved the income of oil-using industries and consumers. In the meantime, the search continues for alternative sources of energy.

Increased Pollution Levels

Some industrial activity will inevitably damage the natural environment. Consider the dangerous mercury levels in the ocean, the quantity of DDT and other chemical pollutants in the soil and food supply, and the littering of the environment with bottles, plastics, and other packaging materials.

Research has shown that about 42 percent of U.S. consumers are willing to pay higher prices for "green" products. This willingness creates a large market for pollution-control solutions, such as scrubbers, recycling centers, and landfill systems. It leads to a search for alternative ways to produce and package goods. Smart companies are initiating environment-friendly moves to show their concern. 3M runs a Pollution Prevention Pays program that has led to a substantial reduction in pollution and costs. Dow built a new ethylene plant in Alberta that uses 40 percent less energy and releases 97 percent less wastewater. AT&T uses a special software package to choose the least harmful materials, cut hazardous waste, reduce energy use, and improve product recycling in its operations. McDonald's and Burger King eliminated their polystyrene cartons and now use smaller, recyclable paper wrappings and paper napkins.

New concern over the toxic nature of dry cleaning solvents has opened up opportunities for a new breed of "green cleaners," although these new businesses face an uphill battle. See the Marketing for the Millennium" A New Guard of Green Cleaners Vies for Concerned Customers."

Changing Role of Governments

Governments vary in their concern and efforts to promote a clean environment. For example, the German government is vigorous in its pursuit of environmental quality, partly because of the strong green movement in Germany and partly because of the ecological devastation in the former East Germany. Many poor nations are doing little about pollution, largely because they lack the funds or the political will. It is in the richer nations' interest to help the poorer nations control their pollution, but even the richer nations today lack the necessary funds. The

major hopes are that companies around the world will accept more social responsibility and that less expensive devices will be invented to control and reduce pollution.

Technological Environment

One of the most dramatic forces shaping people's lives is technology. Technology has released such wonders as penicillin, open-heart surgery, and the birth-control pill. It has released such horrors as the hydrogen bomb, nerve gas, and the submachine gun. It has also released such mixed blessings as the automobile and video games.

Every new technology is a force for "creative destruction." Transistors hurt the vacuum-tube industry, xerography hurt the carbon-paper business, autos hurt the railroads, and television hurt the newspapers. Instead of moving into the new technologies, many old industries fought or ignored them, and their businesses declined.

The economy's growth rate is affected by how many major new technologies are discovered. Unfortunately, technological discoveries do not arise evenly through time—the railroad industry created a lot of investment, and then investment petered out until the auto industry emerged. Later, radio created a lot of investment, which then petered out until television appeared. In the time between major innovations, the economy can stagnate.

In the meantime, minor innovations fill the gap: freeze-dried coffee, combination shampoo and conditioner, antiperspirant/deodorants, and the like. Minor innovations involve less risk, but critics argue that today too much research effort is going into producing minor improvements rather than major breakthroughs.

New technology creates major long-run consequences that are not always foreseeable. The contraceptive pill, for example, led to smaller families, more working wives, and larger discretionary incomes—resulting in higher expenditures on vacation travel, durable goods, and luxury items.

The marketer should monitor the following trends in technology: the pace of change, the opportunities for innovation, varying R&D budgets, and increased regulation.

Accelerating Pace of Technological Change

Many of today's common products were not available 40 years ago. John F. Kennedy did not know personal computers, digital wristwatches, video recorders, or fax machines. More ideas are being worked on; the time lag between new ideas and their successful implementation is decreasing rapidly; and the time between introduction and peak production is shortening considerably. Ninety percent of all the scientists who ever lived are alive today, and technology feeds upon itself.

The advent of personal computers and fax machines has made it possible for people to telecommute—that is, work at home instead of traveling to offices that may be 30 or more minutes away. Some hope that this trend will reduce auto pollution, bring the family closer together, and create more home-centered entertainment and activity. It will also have substantial impact on shopping behavior and marketing performance.

Unlimited Opportunities for Innovation

Scientists today are working on a startling range of new technologies that will revolutionize products and production processes. Some of the most exciting work is being done in biotechnology, solid-state electronics, robotics, and materials sciences.²⁸ Researchers are working on AIDS cures, happiness pills, painkillers, totally safe contraceptives, and nonfattening foods. They are designing robots for firefighting, underwater exploration, and home nursing. In addition, scientists also work on fantasy products, such as small flying cars, three-dimensional television, and space colonies. The challenge in each case is not only technical but also commercial—to develop affordable versions of these products.

Companies are already harnessing the power of virtual reality (VR), the combination of technologies that allows users to experience three-dimensional, computer generated environments through sound, sight, and touch. Virtual reality has already been applied to gathering consumer reactions to new automobile designs, kitchen layouts, exterior home designs, and other potential offerings.

Varying R&D Budgets

The United States leads the world in annual R&D expenditures (\$ 74 billion), but nearly 60 percent of these funds are still earmarked for defense. There is a need to transfer more of this money into research on material science, biotechnology, and micromechanics. Japan has increased its R&D expenditures much faster than has the United States and is spending it mostly on nondefense-related research in physics, biophysics, and computer science.

A growing portion of U.S. R&D expenditures is going into the development side of R&D, raising concerns about whether the United States can maintain its lead in basic science. Many companies are content to put their money into copying competitors' products and making minor feature and style improvements. Even basic research companies such as DuPont, Bell Laboratories, and Pfizer are proceeding cautiously. Much of the research is defensive rather than offensive. And, increasingly, research directed toward major breakthroughs is being conducted by consortiums of companies rather than by single companies.

Increased Regulation of Technological Change

As products become more complex, the public needs to be assured of their safety. Consequently, government agencies' powers to investigate and ban potentially unsafe products have been expanded. In the United States, the Federal Food and Drug Administration must approve all drugs before they can be sold. Safety and health regulations have also increased in the areas of food, automobiles, clothing, electrical appliances, and construction. Marketers must be aware of these regulations when proposing, developing, and launching new products.

Political Legal Environment

Marketing decisions are strongly affected by developments in the political and legal environment. This environment is composed of laws, government agencies, and pressure groups that influence and limit various organizations and individuals. Sometimes these laws also create new opportunities for business. For example, mandatory recycling laws have given the

recycling industry a major boost and spurred the creation of dozens of new companies making new products from recycled materials:

Wellman In 1993, Wellman introduced Ecospun Post Consumer Recycled (PCR) fiber, made from recycled soda bottles, and sold 800,000 pounds in that first year alone. Today, Wellman boasts 15 million pounds in sales and is collaborating with domestic fabric mills like Milliken & Company, Malden Mills, and Dyersburg. At the outdoor Retailer Winter Market in 1998, Wellman introduced its new EcoSpun Squared fiber, which has moisture-management properties and was designed specifically for a performance apparel market anxious to jump aboard the recycling bandwagon.

Legislation Regulating Business

Business legislation has three main purposes: to protect companies from unfair competition, to protect consumers from unfair business practices, and to protect the interests of society from unbridled business behavior. A major purpose of business legislation and enforcement is to charge businesses with the social costs created by their products or production processes. Legislation affecting business has steadily increased over the years. The European Commission has been active in establishing a new framework of laws covering competitive behavior, product standards, product liability, and commercial transactions for the 15 member nations of the European Union. Ex-Soviet nations are rapidly passing laws to promote and regulate an open market economy. The United States has many laws on its books covering such issues as competition, product safety and liability, fair trade and credit practices, and packaging and labeling.³⁰ Several countries have gone further than the United States in passing strong consumer-protection legislation. Norway bans several forms of sales promotion—trading stamps, contests, premiums as inappropriate or “unfair” instruments for promoting products. Thailand requires food processors selling national brands to market low-price brands also so that low-income consumers can find economy brands. In India, food companies need special approval to launch brands that duplicate what already exists on the market, such as another cola drink or brand of rice. A central concern about business legislation is: At what point do the costs of regulation exceed the benefits? The law\$ are not always administered fairly; regulators and enforcers may be lax or overzealous. Although each new law may have a legitimate rationale, it may have the unintended effect of sapping initiative and retarding economic growth.

Marketers must have a good working knowledge of the major laws protecting competition, consumers, and society. Companies generally establish legal review procedures and promulgate ethical standards to guide their marketing managers. As more and more business takes place in cyberspace, marketers must establish new parameters for doing business ethically. Although America Online has been hugely successful and is the country's most popular on-line service provider, it has lost millions of dollars due to consumer complaints regarding unethical marketing tactics:

America Online, Inc. In 1998, America Online, Inc., agreed to pay a \$2.6 million penalty and revamp some of its business

practices to settle deceptive marketing complaints brought by 44 state attorneys general. In this instance, AOL failed to clearly notify consumers that the “SO free hours” in its on-line service's much-touted trial memberships must be used within a one-month period and that users would incur subscription fees after the first month. This was AOL's third settlement with state regulators in less than two years. Previous settlements dealt with the company's data network congestion in early 1997 (due to a move to flat rate pricing that gave the company more subscriptions than it had equipment to handle) and efforts in late 1996 to switch customers to a higher-priced subscription plan. The three agreements not only cost the company \$34 million in total but also created a barrage of negative publicity that AOL had to work hard to counter.

Growth of Special-Interest Groups

The number and power of special-interest groups have increased over the past three decades. Political-action committees (PACs) lobby government officials and pressure business executives to pay more attention to consumer rights, women's rights, senior citizen rights, minority rights, and gay rights. Many companies have established public-affairs departments to deal with these groups and issues. An important force affecting business is the consumerist movement—an organized movement of citizens and government to strengthen the rights and powers of buyers in relation to sellers. Consumerists have advocated and won the right to know the true interest cost of a loan, the true cost per standard unit of competing brands (unit pricing), the basic ingredients in a product, the nutritional quality of food, the freshness of products, and the true benefits of a product. In response to consumerism, several companies have established consumer-affairs departments to help formulate policies and respond to consumer complaints. Whirlpool Corporation is just one of the companies that have installed toll-free phone numbers for consumers. Whirlpool even expanded the coverage of its product warranties and rewrote them in basic English.

Clearly, new laws and growing numbers of pressure groups have put more restraints on marketers. Marketers have to clear their plans with the company's legal, public relations, public affairs, and consumer-affairs departments. Insurance companies directly or indirectly affect the design of smoke detectors; scientific groups affect the design of spray products by condemning aerosols. In essence, many private marketing transactions have moved into the public domain.

Social-cultural Environment

Society shapes our beliefs, values, and norms. People absorb, almost unconsciously, a worldview that defines their relationship to themselves, to others, to organizations, to society, to nature, and to the universe.

- **Views of themselves:** People vary in the relative emphasis they place on self-gratification. In the United States during the 1960s and 1970s, “pleasure seekers” sought fun, change, and escape. Others sought “self-realization.” People bought products, brands, and services as a means of self-expression. They bought dream cars and dream vacations and spent more time in health activities (jogging, tennis), in introspection, and in arts and crafts. Today, in contrast,

people are adopting more conservative behaviors and ambitions. They have witnessed harder times and cannot rely on continuous employment and rising real income. They are more cautious in their spending pattern and more value-driven in their purchases.

- **Views of others:** Some observers have pointed to a countermovement from a “me society” to a “we society.” People are concerned about the homeless, crime and victims, and other social problems. They would like to live in a more humane society. At the same time, people are seeking out their “own kind” and avoiding strangers. People hunger for serious and long-lasting relationships with a few others. These trends portend a growing market for social-support products and services that promote direct relations between human beings, such as health clubs, cruises, and religious activity. They also suggest a growing market for “social surrogates,” things that allow people who are alone to feel that they are not, such as television, home video games, and chat rooms on the Internet.
- **Views of organizations:** People vary in their attitudes toward corporations, government agencies, trade unions, and other organizations. Most people are willing to ‘work for these organizations, although they may be critical of particular ones. But there has been an overall decline in organizational loyalty. The massive wave of company downsizing has bred cynicism and distrust. Many people today see work not as a source of satisfaction but as a required chore to earn money to enjoy their non-work hours.

This outlook has several marketing implications. Companies need to find new ways to win back consumer and employee confidence. They need to make sure that they are good corporate citizens and that their consumer messages are honest. More companies are turning to social audits and public relations to improve their image with their publics.

- **Views of society:** People vary in their attitudes toward their society. Some defend it (preservers), some run it (makers), some take what they can from it (takers), some want to change it (changers), some are looking for something deeper (seekers), and some want to leave it (escapers). Often consumption patterns reflect social attitude. Makers tend to be high achievers who eat, dress, and live well. Changers usually live more frugally, driving smaller cars and wearing simpler clothes. Escapers and seekers are a major market for movies, music, surfing, and camping.
- **Views of nature:** People vary in their attitude toward nature. Some feel subjugated by it, others feel harmony with it, and still others seek mastery over it. A long term trend has been humankind’s growing mastery of nature through technology. More recently, however, people have awakened to nature’s fragility and finite resources. They recognize that nature can be destroyed by human activities. Love of nature is leading to more camping, hiking, boating, and fishing. Business has responded with hiking boots, tenting equipment, and other gear. Tour operators are packaging more tours to wilderness areas. Marketing

communicators are using more backgrounds that are scenic in advertising. Food producers have found growing markets for “natural” products, such as natural cereal, natural ice cream, and health foods. Two natural-food grocery stores, Whole Foods Markets and Fresh Fields, merged in 1997 with sales of \$1.1 billion.

- **Views of the universe:** People vary in their beliefs about the origin of the universe and their place in it. Most Americans are monotheistic, although religious conviction and practice have been waning through the years. Church attendance has fallen steadily, with the exception of certain evangelical movements that reach out to bring people back into organized religion. Some of the religious impulse has been redirected into an interest in Eastern religions, mysticism, the occult, and the human potential movement.

As people lose their religious orientation, they seek self-fulfillment and immediate gratification. At the same time, every trend seems to breed a countertrend, as indicated by a worldwide rise in religious fundamentalism. Here are some other cultural characteristics of interest to marketers: the persistence of core cultural values, the existence of subcultures, and shifts of values through time.

High Persistence of Core Cultural Values

The people living in a particular society hold many core beliefs and values that tend to persist. Most Americans still believe in work, in getting married, in giving to charity, and in being honest. Core beliefs and values are passed on from parents to children and are reinforced by major social institutions—schools, churches, business, and government. Secondary beliefs and values are more open to change. Believing in the institution of marriage is a core belief; believing that people ought to get married early is a secondary belief. Thus family-planning marketers could make some headway arguing that people should get married later rather than that they should not get married at all. Marketers have some chance of changing secondary values but little chance of changing core values. For instance, the nonprofit organization Mothers Against Drunk Drivers (MADD) does not try to stop the sale of alcohol, but it does promote the idea of appointing a designated driver who will not drink that evening. The group also lobbies to raise the legal drinking age.

Existence of Subcultures

Each society contains subcultures, groups with shared values emerging from their special life experiences or circumstances. Star Trek fans, Black Muslims, and Hell’s Angels all represent subcultures whose members share common beliefs, preferences, and behaviors. To the extent that sub cultural groups exhibit different wants and consumption behavior, marketers can choose particular subcultures as target markets.

Marketers sometimes reap unexpected rewards in targeting subcultures. For instance, marketers have always loved teenagers because they’re society’s trendsetters in fashion, music, entertainment, ideas, and attitudes. Marketers also know that if they attract someone as a teen, there’s a good chance they’ll keep the person as a customer in the years ahead. Frito-Lay, which draws 15 percent of its sales from teens, says it has seen a rise in chip

Although core values are fairly persistent, cultural swings do take place. The advent in the 1960s of hippies, the Beatles, Elvis Presley, and other cultural phenomena had a major impact on young people's hairstyles, clothing, sexual norms, and life goals. Today's young people are influenced by new heroes and fads: Pearl Jam's Eddie Vedder, Michael Jordan, and roller lading.

Summary

- pollution levels, and the changing role of governments in environmental protection.

7. In the technological arena, marketers should take account of the accelerating pace of technological change, opportunities for innovation, varying R&D budgets, and the increased governmental regulation brought about by technological change.
8. In the political-legal environment, marketers must work within the many laws regulating business practices and with various special-interest groups.
9. In the social-cultural arena, marketers must understand people's views of themselves, others, organizations, society, nature, and the universe. They must market products that correspond to society's core and secondary values, and address the needs of different subcultures within a society.

1. Do you discern a shift in cultural values as far as India is concerned? Is this evident in the advertising of brands that you see around you? Substantiate your answer with examples. Now also spell out whether you think this shift is positive or negative.

[illegible]

LESSON 10

IDENTIFYING MARKET SEGMENTS AND SELECTING TARGET MARKETS

Topics Covered

Identifying Target Segments, Selecting Target Markets. Target marketing involving three major steps: Identify and profile distinct groups of buyers who might require separate products or marketing mixes (market segmentation), Select one or more market segments to enter (market targeting), Establish and communicate the products' key distinctive benefits in the market (market positioning).

Objectives

1. How can a company identify the segments that make up a market?
2. What criteria can a company, use to choose the most attractive target markets?

A company cannot serve all customers in a broad market such as computers or soft drinks. The customers are too numerous and diverse in their buying requirements. The company needs to identify the market segments that it can serve more effectively. Here we will examine levels of segmentation, patterns of segmentation, market. Segmentation procedure, bases for segmenting consumer and business markets, and requirements for effective segmentation.

Many companies are embracing target marketing. Here sellers distinguish the major market segments, target one or more of those segments, and develop products and marketing programs tailored to each. Instead of scattering their marketing effort (a "shotgun" approach), they can focus on the buyers they have the greatest chance of satisfying (a "rifle" approach).

Target marketing requires marketers to take three major steps:

1. Identify and profile distinct groups of buyers who might require separate products or marketing mixes (market segmentation).
2. Select one or more market segments to enter (market targeting).
3. Establish and communicate the products' key distinctive benefits in the market (market positioning).

This lesson will focus on the first two questions.

Levels and Patterns of Market Segmentation.

We begin by examining the various levels and patterns of market segmentation.

Levels of Market Segmentation.

Market segmentation is an effort to increase a company's precision marketing. The starting point of any segmentation discussion is mass marketing. In mass marketing, the seller engages in the mass production, mass distribution, and mass promotion of one product for all buyers. Henry Ford epitomized this marketing strategy when he offered the Model T-Ford "in any color, as long as it is black." Coca-Cola also

practiced mass marketing when it sold only one kind of Coke in a 6.5-ounce bottle.

The argument for mass marketing is that it creates the largest potential market, which leads to the lowest costs, which in turn can lead to lower prices or higher margins. However, many critics point to the increasing splintering of the market, which makes mass marketing more difficult. According to Regis McKenna,

[Consumers] have more ways to shop: at giant malls, specialty, shops, and superstores; through mail order catalogs, home shopping networks, and virtual stores on the Internet. And they are bombarded with messages pitched through a growing number of channels: broadcast and narrow-cast television, radio, on-line computer networks, the Internet, telephone services such as fax and telemarketing; and niche magazines and other print media.

The proliferation of advertising media and distribution channels is making it difficult to practice "one size fits all" marketing. Some claim that mass marketing is dying. Not surprisingly, many companies are turning to micromarketing at one of four levels: segments, niches, local areas, and individuals.

Segment Marketing.

A market segment consists of a large identifiable group within a market with similar wants, purchasing power, geographical location, buying attitudes, or buying habits.

For example, an auto company may identify four broad segments: car buyers who are primarily seeking basic transportation or high performance or luxury or safety.

Segmentation is an approach midway between mass marketing and individual marketing. Each segment's buyers are assumed to be quite similar in wants and needs, yet no two buyers are really alike. Anderson and Narus urge marketers to present flexible market offerings instead of a standard offering to all members within a segment.² A flexible market offering consists of two parts: a naked solution consisting of product and service elements that all segment members value-and options that some segment members value. Each option carries an additional charge. For example, Delta Airlines offers all economy passengers a seat, food, and soft drinks. It charges extra for alcoholic beverages and earphones to those economy passengers wanting them. Siemens sells metal-clad boxes whose price includes free delivery and a warranty but also offers installation, tests, and communication peripherals as extra-cost options.

Segment marketing offers several benefits over mass marketing. The company can create a more fine-tuned product or service offering and price it appropriately for the target audience. The choice of distribution channels and communications channels becomes much easier. The company also may face fewer competitors in the particular segment.

Niche Marketing

A niche is a more narrowly defined group, typically a small market whose needs are not well served. Marketers usually identify niches by dividing a segment into sub segments or by defining a group seeking a distinctive mix of benefits. For example, the segment of heavy smokers includes those who are trying to stop smoking and those who don't care.

Whereas segments are fairly large and normally attract several competitors, niches are fairly small and normally attract only one or two. Larger companies, such as IBM, lose pieces of their market to nichers: Dalgic labeled this confrontation "guerrillas against gorillas." Some larger companies have therefore turned to niche marketing, which has required more decentralization and some changes in the way they do business. Johnson & Johnson, for example, consists of 170 affiliates (business units), many of which pursue niche markets. .

The prevalence of niche-and even "microniche"-marketing can be seen in the media. Witness the proliferation of new magazines (in 1998 there were 1,000 first edition magazines launched) targeting specific niches, divided and subdivided along lines of ethnicity, gender, or sexual orientation: BIG2 (meaning "black first, gay second") is a New York-based lifestyle magazine for black gay men. There's Aqua, a bimonthly for divers and snorkelers, and Miami-based Quince, a magazine just for Hispanic teenage girls. As the media's gaze turns ever inward, there is Stephen Brill's Content, a consumer magazine about the media.

Niche marketers presumably understand their customers' needs so well that the customers willingly pay a premium. Ferrari gets a high price for its cars because loyal buyers feel no other automobile comes close to offering the product-service-membership benefit bundle that Ferrari does.

An attractive niche is characterized as follows: The customers in the niche have a distinct set of needs; they will pay a premium to the firm that best satisfies their needs; the niche is not likely to attract other competitors; the nicher gains certain economies through specialization; and the niche has size, profit, and growth potential.

Both small and large companies can practice niche marketing. Here are some examples of large companies that have moved into niche marketing:

- **Ramada** Ramada Franchises Enterprises offers lodgings in a variety of niches: Ramada Limited for economy travelers; Ramada Inn for those seeking a midprice full-service hotel; Ramada Plaza, a new offering in the upper-mid-price niche; Ramada Hotels offering three-star service; and Ramada Renaissance hotels, offering four-star service.
- **Estee Lauder** The four best-selling prestige perfumes in the United States belong to Estee Lauder. Seven of the top ten prestige makeup products are Estee Lauder's. Of the ten best-selling prestige skin-care products, eight belong to Estee Lauder. Yet, few cosmetic consumers even realize that the product they're buying is an Estee Lauder product because the company is expert at collecting and marketing brands that appeal to women (and men) of all different tastes. There's the original Estee Lauder brand, which

appeals to older, junior league types. Then there's Clinique, perfect for the middle-aged mom with a minivan and no time to waste. Then there's the hip M.A.C. line, which boasts RuPaul, a six-foot, seven-inch drag queen, as its spokes model. For the New Age type, there's upscale Aveda, with its aromatherapy line and earthy Origins, which the company expects to become a \$1 billion brand. There are even downscale brands like Jane by Sassaby, available for teens at Wal-Mart and Rite Aid.

- **Progressive Corporation** Progressive, a Cleveland auto insurer, grew rapidly as a result of filling a niche: The company sells "nonstandard" auto insurance to risky drivers with a record of auto accidents or drunkenness. Progressive charges a high price for coverage, has made a lot of money, and had the field to itself for several years.
- Linneman and Stanton claim that there are riches in niches and believe that companies will have to niche or risk being niched. Blattberg and Deighton claim that "niches too small to be served profitably today will become viable as marketing efficiency improves." The low cost of setting up shop on the Internet is a key factor making it more profitable to serve even seemingly minuscule niches. Small businesses, in particular, are realizing riches from serving small niches on the World Wide Web. Fifteen percent of the commercial Web sites with fewer than 10 employees take in more than \$100,000, and 2 percent even ring up more than \$1 million. The recipe for Internet niching success: Choose a hard-to-find product that customers don't need to see and touch. These two "Webpreneurs" followed this recipe with astonishing results:
- **Ostrichonline.com** Whereas Internet giants like music retailer CD now and bookseller Amazon.com have yet to even realize a profit, Steve Warrington is earning a six-figure income selling ostriches, and every product derived from them, on-line (www.ostrichonline.com). Launched for next to nothing on the Web, Warrington's business generated \$4 million in sales in 1998. Visitors to the site can buy ostrich meat, feathers, leather jackets, videos, eggshells, and skin-care products derived from ostrich body oil.
- **Mesomorphosls.com** At the age of 26, Millard Baker, a clinical psych graduate student at the University of South Florida, launched a Web-based business selling body building supplements and oils (www.mesomorphosis.com). Although there were actually some other Web sites peddling similar products, few offered articles and content, so Millard Baker added these elements to his site and now pulls in \$25,000 a month.

In many markets today, niches are the norm. See the Marketing Insight "Hidden Champions: German Midsize Companies Grow Prosperous Through Niching."

Local Marketing

Target marketing is leading 1:0 marketing programs being tailored to the needs and wants of local customer groups (trading areas, neighborhoods, even individual stores). Citibank provides different mixes of banking services in its branches depending on neighborhood demographics. Kraft helps

supermarket chains identify the cheese assortment and shelf positioning that will optimize cheese sales in low-, middle-, and high-income stores, and in different ethnic neighborhoods.

Those favoring localizing a company's marketing see national advertising as wasteful because it fails to address local needs. Those against local marketing argue that it drives up manufacturing and marketing costs by reducing economies of scale. Logistical problems become magnified when companies try to meet varying local requirements. A brand's overall image might be diluted if the product and message differ in different localities.

Individual Marketing

The ultimate level of segmentation leads to "segments of one," "customized marketing," or "one-to-one marketing." For centuries, consumers were served as individuals: The tailor made the suit and the cobbler designed shoes for the individual. Much business-to-business marketing today is customized, in that a manufacturer will customize the offer, logistics, communications, and financial terms for each major account. New technologies—computers, databases, robotic production, e-mail, and fax—permit companies to return to customized marketing, or what is called "mass customization." Mass customization is the ability to prepare on a mass basis individually designed products and communications to meet each customer's requirements.

According to Arnold Ostle, chief designer for Mazda, "Customers will want to express their individuality with the products they buy. The opportunities offered by these technologies promise to turn marketing from 'a broadcast medium to a dialog medium,' where the customer participates actively in the design of the product and offer.

Today customers are taking more individual initiative in determining what and how to buy. They log onto the Internet; look up information and evaluations of product or service offers; dialogue with suppliers, users, and product critics; and make up their own minds about the best offer.

Marketers will still influence the process but in new ways. They will need to set up toll-free phone numbers and e-mail addresses to enable buyers to reach them with questions, suggestions, and complaints. They will involve customers more in the product specification process. They will sponsor an Internet home page that provides full information about the company's products, guarantees, and locations.

Patterns of Market Segmentation

Market segments can be built up in many ways. One way is to identify preference segments. Suppose ice cream buyers are asked how much they value sweetness and creaminess as two product attributes. Three different patterns can emerge.

- **Homogeneous preferences:** shows a market where all the consumers have roughly the same preference. The market shows no natural segments. We would predict that existing brands would be similar and cluster around the middle of the scale in both sweetness and creaminess.
- **Diffused preferences:** At the other extreme, consumer preferences may be scattered throughout the space, indicating that consumers vary greatly in their preferences.

The first brand to enter the market is likely to position in the center to appeal to the most people. A brand in the center minimizes the sum of total consumer dissatisfaction. A second competitor could locate next to the first brand and fight for market share. Or it could locate in a corner to attract a customer group that was not satisfied with the center brand. If several brands are in the market, they are likely to position throughout the space and show real differences to match consumer-preference differences.

• **Clustered preferences:** The market might reveal distinct preference clusters, called natural market segments. The first firm in this market has three options. It might position in the center, hoping to appeal to all groups. It might position in the largest market segment (concentrated marketing). It might develop several brands, each positioned in a different segment. If the first firm developed only one brand, competitors would enter and introduce brands in the other segments.

Market Segmentation Procedure

Here is a three-step procedure for identifying market segments: survey, analysis, and profiling.

Step One: Survey Stage

The researcher conducts exploratory interviews and focus groups to gain insight into consumer motivations, attitudes, and behavior. Then the researcher prepares a questionnaire and collects data on attributes and their importance ratings; brand awareness and brand ratings; product-usage patterns; attitudes toward the product category; and demographics, geographies, psychographics, and mediagraphics of the respondents.

Step Two: Analysis Stage

The researcher applies factor analysis to the data to remove highly correlated variables, then applies cluster analysis to create a specified number of maximally different segments.

Step Three: Profiling Stage

Each cluster is profiled in terms of its distinguishing attitudes, behavior, demographics, psychographics, and media patterns. Each segment is given a name based on its dominant characteristic. In a study of the leisure market, Andreasen and Belk found six segments: passive homebody, active sports enthusiast, inner-directed self-sufficient, culture patron, active homebody, and socially active. They found that performing arts organizations could sell the most tickets by targeting culture patrons and socially active people.

Market segmentation must be redone periodically because market segments change. At one time the personal computer industry segmented its products purely on speed and power, thus appealing to two broad swathes, high-end users and low end users, but missing out on the prosperous middle. Later PC marketers recognized an emerging "SoHo" market, named for "small office and home office." Mail-order companies such as Dell and Gateway appealed to this market's requirement for high performance coupled with low price and user-friendliness. Shortly thereafter PC makers began to see SoHo as comprised of smaller segments. "Small-office needs might be very different from home-office needs," says one Dell executive.

One way to discover new segments is to investigate the hierarchy of attributes that consumers examine in choosing a brand. This process is called market partitioning. Years ago, most car buyers first decided on the manufacturer and then on one of its car divisions (brand-dominant hierarchy). A buyer might favor General Motors cars and, within this set, Pontiac. Today, many buyers decide first on the nation from which they want to buy a car (nation-dominant hierarchy). Buyers may first decide they want to buy a Japanese car, then Toyota, and then the Corolla model of Toyota. Companies must monitor potential shifts in the consumers' hierarchy of attributes and adjust to changing priorities. The hierarchy of attributes can reveal customer segments. Buyers who first decide on price are price dominant; those who first decide on the type of car (e.g., sports, passenger, station wagon) are type dominant; those who first decide on the car brand are brand dominant. One can identify those who are type then price then brand dominant as making up a segment; those who are quality then service then type dominant as making up another segment. Each segment may have distinct demographics, psychographics, and mediagraphics.

Segmenting Consumer and Business Markets.

Bases for segmenting consumer markets

Two broad groups of variables are used to segment consumer markets. Some researchers try to form segments by looking at consumer characteristics: geographic, demographic, and psychographic. Then they examine whether these customer segments exhibit different needs or product responses. For example, they might examine the differing attitudes of "professionals," "blue collars," and other groups toward, say, "safety" as a car benefit.

Other researchers try to form segments by looking at consumer responses to benefits sought, use occasions, or brands. Once the segments are formed, the researcher sees whether different characteristics are associated with each consumer-response segment. For example, the researcher might examine whether people who want "quality" versus "low price" in buying an automobile differ in their geographic, demographic, and psychographic makeup.

Geographic Segmentation

Geographic segmentation calls for dividing the market into different geographical units such as nations, states, regions, counties, cities, or neighborhoods. The company can operate in one or a few geographic areas or operate in all but pay attention to local variations. For example, Hilton Hotels customizes rooms and lobbies according to the location of its hotels. Northeastern hotels are sleeker and more cosmopolitan. Southwestern hotels are more rustic. Or, how about Campbell Soup, an experienced regional marketer? Since 1994, the company has marketed its Pace Picante sauce regionally. People in the Southwest don't need to be told that "picante" is a cooking ingredient, whereas northerners confuse it with salsa. The packaging, communication, and marketing effort are more educational in the North. More and more regional marketing means marketing right down to a specific zip code

Blockbuster Entertainment

Blockbuster has invested in complex databases to track the video preferences of its 85 million members and buys additional demographic data from outside companies. It then stocks each of its stores accordingly. San Francisco stores may carry more videos portraying gay relationships, reflecting the city's large gay population. Chicago stores are big on family pictures and dramas. Blockbuster can even measure the difference between patterns of East Dallas and South Dallas.

Demographic Segmentation

In demographic segmentation, the market is divided into groups on the basis of variables such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality, social class. Demographic variables are the most popular bases for distinguishing customer groups. One reason is that consumer wants, preferences, and usage rates are often associated with demographic variables. Another is that demographic variables are easier to measure. Even when the target market is described in nondemographic terms (say, a personality type), the link back to demographic characteristics is needed in order to estimate the size of the target market and the media that should be used to reach it efficiently.

Here is how certain demographic variables have been used to segment markets.

Age and Life-Cycle Stage

Consumer wants and abilities change with age. Gerber realized this and began expanding beyond its traditional baby foods line. Its new "Graduates" line is geared for the 1- to 3-year-old. One of the reasons for Gerber's expansion into this new segment is that the baby food category's growth is declining, due to factors including the declining birthrate, babies staying on formula longer, and children moving to solid foods sooner. The company is hoping that the parents who buy Gerber's baby food will be receptive to Gerber's Graduates line as their baby grows. Sega, the computer games giant, has a similar goal of retaining the loyalty of its main market segment. Sega is launching a range of associated goods for adults, including clothes and sports equipment, under its Sega Sports brand. Sega's core market lies in the 10 to 18 age range. Says a Sega licensing executive, "They sit in their bedrooms playing games for hours, then they turn 18 and discover girls. . . and the computer gets locked away." Clothing and other products are a way of taking the brand to a more mature market. Sega watches will be available, too; as will Sega shoes and Sega Sports-branded footballs and basketballs.

Photo companies are now applying age and life-cycle segmentation to the film market. With film sales down, photo companies are working hard to exploit promising niche markets: moms, kids, and older people.

Eastman Kodak Kodak has begun selling camera sets to kids. These single use cameras are packaged with an envelope to mail the film back to Kodak for developing. The goal is to make kids independent; they need not pester mom for a lift to the mall to get their film processed, a factor inhibiting picture taking among kids. Mom also will not see photos of late-night pranks at a slumber party. To play up kids' independence further, Kodak

calls the campaign “Big Shots.” On the other end of the demographic spectrum, Kodak trains its own retirees to hold photography workshops for other retirees. Since 1992, Kodak’s Ambassador program has been sending retirees on safaris in Kenya, hikes in national parks, and cruises to Nassau and Disney World. The tour organizer or cruise line pays for the Kodak travelers, who earn their keep by providing daily photo demonstrations, games, and activities to teach tour members or passengers to take pictures.

Nevertheless, age and life cycle can be tricky variables. For example, the Ford Motor Company designed its Mustang automobile to appeal to young people who wanted an inexpensive sport car. But Ford found that all age groups were purchasing the car. It then realized that its target market was not the chronologically young but the psychologically young.

The Neugartens’ research indicates that age stereotypes need to be guarded against:

Age has become a poor predictor of the timing of life events, as well as a poor predictor of a person’s health, work status, family status, and therefore, also, of a person’s interests, preoccupations, and needs. We have multiple images of persons of the same age: there is the 70-year-old in a wheelchair and the 70-year-old on the tennis court. Likewise, there are 35-year-olds sending children off to college and 35-year-olds furnishing the nursery for newborns, producing in turn, first-time grandparenthood for persons who range in age from 35 to 75.20

Gender. Gender segmentation has long been applied in clothing, hairstyling, cosmetics, and magazines. Occasionally other marketers notice an opportunity for gender segmentation. Consider the cigarette market, where brands like Virginia Slims have been introduced, accompanied by appropriate flavor, packaging, and advertising cues to reinforce a female image.

iVillage.com. iVillage.com, a Web site devoted to women, reaped the benefits of gender segmentation after initially going to a broader market. iVillage.com began with little more than the premise of “Internet for the rest of us” and a focus on baby boomers. Offerings geared for women were the ones that really took off, such as Parent Soup where parents (mainly moms) exchange advice and tips. So iVillage soon evolved into the leading women’s on-line community. Its home page entreats visitors to “join our community of smart, compassionate, real women.” Although the company has yet to turn a profit, its popularity has helped it raise \$67 million in venture capital financing.

The automobile industry is beginning to recognize gender segmentation. With more women car owners, some manufacturers are designing certain features to appeal to women, although stopping short of advertising the cars as women’s cars.

Income. Income segmentation is a long-standing practice in such product and service categories as automobiles, boats, clothing, cosmetics, and travel. However, income does not always predict the best customers for a given product. Blue-collar workers were among the first purchasers of color television sets; it was cheaper for them to buy these sets than to go to movies and restaurants. Rather those who think of

themselves as poor relative to their status aspirations do not buy by the poor, but the most economical cars. Medium-price and expensive cars tend to be purchased by the over privileged segments of each social class.

Generation. Many researchers are now turning to generation segmentation. Each generation is profoundly influenced by the times in which it grows up—the music, movies, politics, and events of that period. Some marketers target baby boomers (those born between 1946 and 1964) using communications and symbols that appeal to the optimism of that generation. Other marketers are targeting Generation X (those born between 1964 and 1984), aware that the members of this generation grew up distrustful of society, politicians, and slick advertising and merchandising. Generation Xers are more sophisticated in evaluating products. Many are turned off by advertising that has too much hype or takes itself too seriously. Meredith and Schewe have proposed a more focused concept of generation segmentation that they call cohort segmentation. Cohorts are groups of people who share experiences of major external events that have deeply affected their attitudes and preferences. There is a cohort group that experienced the Great Depression, another that experienced World War II, another that experienced the Vietnam War, and so on. Members of a cohort group feel a bonding with each other for having shared the same major experiences. Marketers often advertise to a cohort group by using the icons and images prominent in their experience.

Social Class. Social class has a strong influence on preference in cars, clothing, home furnishings, leisure activities, reading habits, and retailers. Many companies design products and services for specific social classes.

The tastes of social classes can change with the years. The 1980s were about greed and ostentation for the upper classes, but the nineties were more about values and self-fulfillment. Affluent tastes now run more toward the utilitarian, a Range Rover or Ford Explorer rather than a Mercedes.

Psychographic Segmentation

In psychographic segmentation, buyers are divided into different groups on the basis of lifestyle or personality and values. People within the same demographic group can exhibit very different psychographic profiles.

Lifestyle. People exhibit many more lifestyles than are suggested by the seven social classes. The goods they consume express their lifestyles. Meat would seem like an unlikely product for lifestyle segmentation, but one forward looking grocery store found that segmenting its self-service meat products by lifestyle had a big payoff:

Kroger Company Walk by the refrigerated self-service meat cases of most grocery stores and you’ll usually find the offering grouped by type of meat. Pork is here, lamb is there, and chicken is over there. A Nashville, Tennessee-based Kroger supermarket decided to experiment and offer groupings of different meats by lifestyle. For instance, the store had a section called “Meals in Minutes,” one called “Cookin’ Lite,” another, filled with prepared products like hot dogs and ready-made hamburger patties, called “Kids Love This Stuff,” and one

called “I Like to Cook.” By focusing on lifestyle needs and not on protein categories, Kroger’s test store encouraged habitual beef and pork buyers to consider lamb and veal as well. Also, the 16-foot service case, which regularly pulled in \$10,000 a week, has seen an improvement in both sales and profits.

Companies making cosmetics, alcoholic beverages, and furniture are always seeking opportunities in lifestyle segmentation. But lifestyle segmentation does not always work. Nestle introduced a special brand of decaffeinated coffee for “late nighters,” and it failed.

Personality. Marketers have used personality variables to segment markets. They endow their products with brand personalities that correspond to consumer personalities. In the late 1950s, Fords and Chevrolets were promoted as having different personalities. Ford buyers were identified as independent, impulsive, masculine, alert to change, and self-confident. Chevrolet owners were conservative, thrifty, prestige conscious, less masculine, and seeking to avoid extremes.

Values. Some marketers segment by core values, the belief systems that underlie consumer attitudes and behaviors. Core values go much deeper than behavior or attitude, and determine, at a basic level, people’s choices and desires over the long term. Marketers that segment by values believe that by appealing to people’s inner selves it is possible to influence their outer selves—their purchase behavior. A marketing research firm’s Roper Reports Worldwide Global Consumer Survey has developed a values segmentation scheme for global markets (see the Marketing Memo “Tapping into Core Values Around the Globe”)

Behavioral Segmentation

In behavioral segmentation, buyers are divided into groups on the basis of their knowledge of, attitude toward, use of, or response to a product. Many marketers believe that behavioral variables—occasions, benefits, user status, usage rate, loyalty status, buyer readiness stage, and attitude—are the best starting points for constructing market segments.

Occasions. Buyers can be distinguished according to the occasions they develop a need, purchase a product, or use a product. For example, air travel is triggered by occasions related to business, vacation, or family. An airline can specialize in serving people for whom one of these occasions dominates. Thus charter airlines serve groups of people who fly to a vacation destination.

Occasion segmentation can help firms expand product usage. For example, orange juice is usually consumed at breakfast. An orange juice company can try to promote drinking orange juice on other occasions—lunch, dinner, midday. Certain holidays—Mother’s Day and Father’s Day, for example—were established partly to increase the sale of candy and flowers. The Curtis Candy Company promoted the trick-or-treat custom at Halloween, with every home ready to dispense candy to eager little callers knocking at its door.

A company can consider critical life events to see whether they are accompanied by certain needs. This kind of analysis has led to service providers such as marriage, employment, and bereavement counselors.

Benefits. Buyers can be classified according to the benefits they seek. One study of travelers uncovered three benefit segments: those who travel to be with their family, those who travel for adventure or educational purposes, and people who enjoy the “gambling” and “fun” aspects of travel.

Haley reported a successful benefit segmentation of the toothpaste market. He found four benefit segments: economy, medicinal, cosmetic, and taste. Each benefit-seeking group had particular demographic, behavioral, and psychographic characteristics. For example, decay-prevention seekers had large families, were heavy toothpaste users, and were conservative. Each segment favored certain brands. A toothpaste company can use these findings to focus its brand better and to launch new brands.

Benefit Segments	Demographics	Behavioristics	Psychographies	Favored Brands
Economy (low price)	Men	Heavy users	High autonomy, value oriented	Brands on sale
Medicinal (decay prevention)	Large families	Heavy users	Hypochondriac, conservative	Crest
Cosmetic (bright teeth)	Teens, young adults	Smokers	High sociability, active	Maclean’s, Ultra Brite
Taste (good tasting)	Children	Spearmint lovers	High self-involvement, hedonistic	Colgate, Aim

Benefit Favored Segments Demographics Behavioristics-Psychographies Brands
 Economy (low price) value oriented sale
 Medicinal Large families Heavy users Hypochondriac, Crest (decay prevention)-conservative
 Cosmetic Teens, young adults active
 Taste (good tasting) Children Spearmint lovers High self-involvement, Colgate, hedonistic Aim

Benefit Segmentation of the Toothpaste Market

User Status. Markets can be segmented into nonusers, ex-users, potential users, first-time users, and regular users of a product. Thus blood banks must not rely only on regular donors to supply blood. They must recruit new first-time donors and contact ex-donors, and each will require a different marketing strategy. The company’s market position will also influence its focus. Market-share leaders will focus on attracting potential users, whereas smaller firms will try to attract current users away from the market leader.

Usage Rate. Markets can be segmented into light, medium, and heavy product users. Heavy users are often a small percentage of the market but account for a high percentage of total consumption. Marketers usually prefer to attract one heavy user rather than several light users, and they vary their promotional efforts accordingly. For example, 41 percent of the sampled households buy beer. But heavy users accounted for 87 percent of the beer consumed—almost seven times as much as the light users. Thus, most beer companies target heavy beer drinkers, using appeals such as Miller Lite’s “tastes great, less filling.” Heavy beer drinkers have the following profile: working class; age 25 to 50; heavy viewers of television, particularly sports

programs. These profiles can assist marketers in developing price, message, and media strategies.

Social marketing agencies face a heavy-user dilemma. A family planning agency would normally target poor families who have many children, but these families are usually the most resistant to birth control messages. The National Safety Council would target unsafe drivers, but these drivers are the most resistant to safe-driving appeals. The agencies must decide whether to go after a few highly resistant heavy offenders or many less-resistant light offenders.

Loyal Status. Consumers have varying degrees of loyalty to specific brands, stores, and other entities. Buyers can be divided into four groups according to brand loyalty status:

Hard-core loyals: Consumers who buy one brand all the time.

Split loyals: Consumers who are loyal to two or three brands.

Shifting loyals: Consumers who shift from one brand to another.

Switchers: Consumers who show no loyalty to any brand.

Each market consists of different numbers of the four types of buyers. A brand loyal market is one with a high percentage of hard-core brand-loyal buyers. The toothpaste market and the beer market are fairly high brand-loyal markets. Companies selling in a brand-loyal market have a hard time gaining more market share, and companies that enter such a market have a hard time getting in.

A company can learn a great deal by analyzing the degrees of brand loyalty: By studying its hard-core loyals, the company can identify its products' strengths. By studying its split loyals, the company can pinpoint which brands are most competitive with its own. By looking at customers who are shifting away from its brand, the company can learn about its marketing weaknesses and attempt to correct them.

One caution: What appear to be brand-loyal purchase patterns may reflect habit, indifference, a low price, a high switching cost, or the non availability of other brands. Thus a company must carefully interpret what is behind the observed purchase patterns.

Buyer-Readiness Stage. A market consists of people in different stages of readiness to buy a product. Some are unaware of the product, some are aware, some are informed, some are interested, some desire the product, and some intend to buy. The relative numbers make a big difference in designing the marketing program.

Suppose a health agency wants to encourage women to have an annual Pap test to detect possible cervical cancer. At the beginning, most women may be unaware of the Pap test. The marketing effort should go into high-awareness-building advertising using a simple message. Later, to move more women into desiring the test, the advertising should dramatize the benefits of the Pap test and the risks of not taking it. A special offer of a free health examination might be made to motivate women into actually signing up for the test.

Attitude. Five attitude groups can be found in a market: enthusiastic, positive, indifferent, negative, and hostile. Door-to-door workers in a political campaign use the voter's attitude

to determine how much time to spend with that voter. They thank enthusiastic voters and remind them to vote; they reinforce those who are positively disposed; they try to win the votes of indifferent voters; they spend no time trying to change the attitudes of negative and hostile voters. To the extent that attitudes are correlated with demographic descriptors, the political party can more efficiently locate the best prospects.

Multi-Attribute Segmentation (Geocustering)

Marketers no longer talk about the average consumer or even limit their analysis to only a few market segments. Rather, they are increasingly combining several variables in an effort to identify smaller, better-defined target groups. Thus a bank may not only identify a group of wealthy retired adults, but within that group distinguish several segments depending on current income, assets, savings, and risk preferences.

One of the most promising developments in multi-attribute segmentation is called geocustering. Geocustering yields richer descriptions of consumers and neighborhoods than traditional demographics. Claritas Inc. has developed a geocustering approach called PRIZM (Potential Rating Index by Zip Markets) that classifies over half a million U.S. residential neighborhoods into 62 distinct lifestyle groupings called PRIZM Clusters.²⁹ The groupings take into consideration 39 factors in 5 broad categories: (1) education and affluence, (2) family life cycle, (3) urbanization, (4) race and ethnicity, and (5) mobility. The neighborhoods are broken down by zip code, zip + 4, or census tract and block group. The clusters have descriptive titles such as Blue Blood Estates, Winner's Circle, Hometown Retired, Latino America, Shotguns and Pickups, and Back Country Folks. The inhabitants in a cluster tend to lead similar lives, drive similar cars, have similar jobs, and read similar magazines.

Geocustering's importance as a segmentation tool is growing. It captures the increasing diversity of the American population, and marketing to microsegments has become accessible even to small organizations as database costs decline, PCs proliferate, software becomes easier to use, data integration increases, and as the Internet grows.

Targeting Multiple Segments

Very often, companies start marketing to one segment, and then expand to others. Many shoppers cannot be neatly pigeonholed into one segment. Many consumers are cross-shoppers. Consider the "cross-shopper" who buys an expensive Bill Blass suit but shops at Wal-Mart for underwear. Or the "cross-eater" who eats a Healthy Choice frozen dinner followed by Ben & Jerry's ice cream for dessert. It is dangerous to interpret segment membership by observing only one purchase. Segmentation ignores the whole customer profile, which becomes clear only with individual customer profiling.

Bases for segmenting business markets.

Business markets can be segmented with some variables employed in consumer market segmentation, such as geography, benefits sought, and usage rate. Yet business marketers can also use several other variables. Bonoma and Shapiro proposed segmenting the business market with the variables shown in the table below the demographic variables are the most

important, followed by the operating variables-down to the personal characteristics of the buyer.

The table lists major questions that business marketers should ask in determining which segments and customers to serve. A rubber-tire company should first decide which industries it wants to serve. It can sell tires to manufacturers of automobiles, trucks, farm tractors, forklift trucks, or aircraft. Within a chosen target industry, a company can further segment by company size. The company might set up separate operations for selling to large and small customers.

Small businesses, in particular, have become a Holy Grail for business marketers. 33 In the United States small businesses are now responsible for 50 percent of the gross national product, according to the U.S. Small Business Administration, and this segment is growing at 11 percent annually, three percentage points higher than the growth of large companies. IBM is one company that is going after this segment with almost religious zeal:

IBM. The \$78 billion technology company has already proved that it can market successfully to fellow corporate giants such as General Motors and Citibank. Now it's trying to prove that it's nimble enough to market to the millions of enterprises with 1,000 or fewer employees. In addition to devoting field salespeople exclusively to small and medium-size businesses (SMBs), the company is putting greater emphasis on telesales and service, a radical break from tradition. Small businesses have typically felt ignored by IBM. Within the small business segment, IBM is targeting minority-owned businesses. Small business owners are more likely to be women, black, Asian, Hispanic, gay, or lesbian than white males. IBM has even hired executives responsible for targeting each segment, and these executives have become involved in associations such as the National Black MBA Association or the National Foundation for Women Business Owners.

Major Segmentation Variables for Business Markets.-

Demographic1. Industry: Which industries should we serve?2.

Company size: What size companies should we serve?3.

Location: What geographical areas should we serve?**Operating**

Variables4. Technology: What customer technologies should we focus on?5. User or nonuser status: Should we serve heavy

users, medium users, light users, or nonusers? 6. Customer capabilities: Should we serve customers needing many or few

services?**Purchasing Approaches**7. Purchasing-function organization: Should we serve companies with highly central-

ized or decentralized purchasing organizations?8. Power structure: Should we serve companies that are engineering

dominated, financially dominated, and so on?9. Nature of existing relationships: Should we serve companies with which

we have strong relationships or simply go after the most desirable companies?10. General purchase policies: Should we

serve companies that prefer leasing? Service contracts? Systems

purchases? Sealed bidding?11. Purchasing criteria: Should we serve companies that are seeking quality? Service? Price?-

Situational Factors12. Urgency: Should we serve companies that need quick and sudden delivery or service? 13. Specific

application: Should we focus on certain applications of our

we focus on large or small orders?**Personal Characteristics**15.

Buyer-seller similarity: Should we serve companies whose people and values are similar to ours?16. Attitudes toward risk:

Should we serve risk-taking or risk-avoiding customers?17.

Loyalty: Should we serve companies that show high loyalty to their suppliers?

Service businesses are approaching small business customers as well. BB&1, a Raleigh, North Carolina, bank, is positioning itself as a powerful local bank with a down-home approach, particularly to entrepreneurs. It launched a business-to-business advertising campaign depicting various Carolina businesses and their owners. Each entrepreneur is a BB&T small business customer, and the ads reinforce the bank's commitment to small business.

Within a given target industry and customer size, the company can segment by purchase criteria. For example, government laboratories, in buying scientific equipment, need low prices and service contracts; university laboratories need equipment that requires little service; and industrial laboratories need equipment that is highly reliable and accurate.

Business marketers generally identify segments through a sequential segmentation process. Consider an aluminum company:

The aluminum company first undertook macrosegmentation consisting of three steps. It looked at which end-use market to serve: automobile, residential, or beverage containers. Choosing the residential market, it needed to determine the most attractive product application: semifinished material, building components, or aluminum mobile homes. Deciding to focus on building components, it considered the best customer size and chose large customers. The second stage consisted of microsegmentation. The company distinguished among customers buying on price, service, or quality. Because the aluminum company had a high-service profile, it decided to concentrate on the service-motivated segment of the market.

Business buyers seek different benefit bundles based on their stage in the purchase decision process:

1. First-time prospects: Customers who have not yet purchased want to buy from a vendor who understands their business, who explains things well, and whom they can trust.
2. Novices: Customers who are starting their purchasing relationship want easy-to read manuals, hot lines, a high level of training, and knowledgeable sales reps.
3. Sophisticates: Established customers want speed in maintenance and repair, product customization, and high technical support.

These segments may also have different channel preferences. First-time prospects would prefer to deal with a company salesperson instead of a catalog or direct-mail channel, because the latter provides too little information. Sophisticates, on the other hand, may want to conduct more of their buying over electronic channels.

Rangan, Moriarty, and Swartz studied a mature commodity market, steel strapping, and found four business segments:

1. **Programmed buyers:** Buyers who view the product as not very important to their operation. They buy it as a routine purchase item, usually paying full price and receiving below-average service. Clearly this is a highly profitable segment for the vendor.
2. **Relationship buyers:** Buyers who regard the product as moderately important and are knowledgeable about competitive offerings. They get a small discount and a modest amount of service and prefer the vendor as long as the price is not far out of line. They are the second most profitable group.
3. **Transaction buyers:** Buyers who see the product as very important to their operations. They are price and service sensitive. They receive about a 10 percent discount and above-average service. They are knowledgeable about competitive offerings and are ready to switch for a better price, even at the sacrifice of some service.
4. **Bargain hunters:** Buyers who see the product as very important and demand the deepest discount and the highest service. They know the alternative suppliers, bargain hard, and are ready to switch at the slightest dissatisfaction. The company needs these buyers for volume purposes, but they are not very profitable.

This segmentation scheme can help a company in a mature commodity industry do a better job of figuring out where to apply price and service increases and decreases, because each segment would react differently.

Effective segmentation.

Not all segmentations are useful. For example, table salt buyers could be divided into blond and brunet customers, but hair color is not relevant to the purchase of salt. Furthermore, if all salt buyers buy the same amount of salt each month, believe all salt is the same, and would pay only one price for salt, this market would be minimally segmentable from a marketing point of view.

To be useful, market segments must be:

Measurable: The size, purchasing power, and characteristics of the segments can be measured.

Substantial: The segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program. It would not pay, for example, for an automobile manufacturer to develop cars for people who are shorter than four feet.

Accessible: The segments can be effectively reached and served.

Differentiable: The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs. If married and unmarried women respond similarly to a sale on perfume, they do not constitute separate segments.

Actionable: Effective programs can be formulated for attracting and serving the segments.

Market targeting

Once the firm has identified its market-segment opportunities, it has to decide how many and which ones to target.

Evaluating the market segments

In evaluating different market segments, the firm must look at two factors: the segment's overall attractiveness and the company's objectives and resources. First, the firm must ask whether a potential segment has the characteristics that make it generally attractive, such as size, growth, profitability, scale economies, and low risk. Second, the firm must consider whether investing in the segment makes sense given the firm's objectives and resources. Some attractive segments could be dismissed because they do not mesh with the company's long-run objectives, or the segment should be dismissed if the company lacks one or more necessary competences to offer superior value.

Selecting the market segments

Having evaluated different segments, the company can consider five patterns of target market selection.

Single-Segment Concentration

The company may select a single segment. Volkswagen concentrates on the small-car market and Porsche on the sports car market. Through concentrated marketing, the firm gains a strong knowledge of the segment's needs and achieves a strong market presence. Further more, the firm enjoys operating economies through specializing its production, distribution, and promotion. If it captures segment leadership, the firm can earn a high return on its investment.

However, concentrated marketing involves higher than normal risks. A particular market segment can turn sour. When young women suddenly stopped buying sportswear, Bobbie Brooks's earnings fell sharply. Or a competitor may invade the segment. For these reasons, many companies prefer to operate in more than one segment.

Selective Specialization

Here the firm selects a number of segments, each objectively attractive and appropriate. There may be little or no synergy among the segments, but each segment promises to be a moneymaker. This multisegment coverage strategy has the advantage of diversifying the firm's risk.

Consider a radio broadcaster that wants to appeal to both younger and older listeners. Emmis Broadcasting owns New York's KISS-FM, which describes itself as "smooth R&B [rhythm and blues] and classic soul" and appeals to older listeners, and WQHT-FM ("Hot 97"), which plays hip-hop (urban street music) for listeners in the under-25 crowd.

Product Specialization

Here the firm specializes in making a certain product that it sells to several segments. An example would be a microscope manufacturer that sells microscopes to university laboratories, government laboratories, and commercial laboratories. The firm makes different microscopes for different customer groups but does not manufacture other instruments that laboratories might use. Through a product specialization strategy, the firm builds a strong reputation in the specific product area. The downside risk is that the product may be supplanted by an entirely new technology.

Market Specialization

Here the firm concentrates on serving many needs of a particular customer group. An example would be a firm that sells an assortment of products only to university laboratories, including microscopes, oscilloscopes, Bunsen burners, and chemical flasks. The firm gains a strong reputation in serving this customer group and becomes a channel for further products that the customer group could use. The downside risk is that the customer group may have its budgets cut.

Full Market Coverage

Here a firm attempts to serve all customer groups with all the products they might need. Only very large firms can undertake a full market coverage strategy. Examples include IBM (computer market), General Motors (vehicle market), and Coca-Cola (drink market). Large firms can cover a whole market in two broad ways: through undifferentiated marketing or differentiated marketing.

In undifferentiated marketing, the firm ignores market-segment differences and goes after the whole market with one market offer. It focuses on a basic buyer need rather than on differences among buyers. It designs a product and a marketing program that will appeal to the broadest number of buyers. It relies on mass distribution and mass advertising. It aims to endow the product with a superior image in people's minds. Undifferentiated marketing is "the marketing counterpart to standardization and mass production in manufacturing. The narrow product line keeps down costs of research and development, production, inventory, transportation, marketing research, advertising, and product management. The undifferentiated advertising program keeps down advertising costs. Presumably, the company can turn its lower costs into lower prices to win the price-sensitive segment of the market.

In differentiated marketing, the firm operates in several market segments and designs different programs for each segment. General Motors does this when it says that it produces a car for every "purse, purpose, and personality." IBM offers many hardware and software packages for different segments in the computer market.

Differentiated marketing typically creates more total sales than undifferentiated marketing. However, it also increases the costs of doing business. The following costs are likely to be higher:

- **Product modification costs:** Modifying a product to meet different market-segment requirements usually involves some R&D, engineering, and special tooling costs.
- **Manufacturing costs:** It is usually more expensive to produce 10 units of 10 different products than 100 units of one product. The longer the production setup time and the smaller the sales volume of each product, the more expensive the product becomes. However, if each model is sold in sufficiently large volume, the higher costs of setup time may be quite small per unit.
- **Administrative costs:** The company has to develop separate marketing plans for each market segment. This requires extra marketing research, forecasting, sales analysis, promotion, planning, and channel management.

- **Inventory costs:** It is more costly to manage inventories containing many products.
- **Promotion costs:** The company has to reach different market segments with different promotion programs. The result is increased promotion-planning costs and media costs.

Because differentiated marketing leads to both higher sales and higher costs, nothing general can be said regarding this strategy's profitability. Companies should be cautious about over segmenting their market. If this happens, they may want to turn to counter segmentation to broaden the customer base. Johnson & Johnson, for example, broadened its target market for its baby shampoo to include adults. Smith Kline Beecham launched its Aqua fresh toothpaste to attract three benefit segments simultaneously: those seeking fresh breath, whiter teeth, and cavity protection.

Additional considerations

Four other considerations must be taken into account in evaluating and selecting segments: ethical choice of market targets, segment interrelationships and super segments, segment-by-segment invasion plans, and intersegment cooperation.

Ethical Choice of Market Targets

Market targeting sometimes generates public controversy. The public is concerned when marketers take unfair advantage of vulnerable groups (such as children) or disadvantaged groups (such as inner-city poor people), or promote potentially harmful products. The cereal industry has been heavily criticized for marketing efforts directed toward children. Critics worry that high-powered appeals presented through the mouths of lovable animated characters will overwhelm children's defenses and lead them to eat too much sugared cereal or poorly balanced breakfasts. Toy marketers have been similarly criticized. McDonald's and other chains have drawn criticism for pitching their high-fat, salt-laden fare to low-income inner-city residents. R. J. Reynolds was criticized when it announced plans to market Uptown, a menthol cigarette targeted toward low-income African Americans. Recently, internal documents from R. J. Reynolds and Brown & Williamson Tobacco Corporation (marketer of the Kool brand) have revealed the extent to which these companies target black youths age 16 to 25, particularly with their menthol brands. G. Heileman Brewing drew fire when it extended its Colt 45 malt liquor line with Powermaster, a new high-test malt (5.9 alcohol). Primarily blacks consume malt liquor, and by targeting blacks extensively Heileman was itself targeted by federal officials, industry leaders, black activists, and the media.

Not all attempts to target children, minorities, or other special segments draw criticism. Colgate-Palmolive's Colgate Junior toothpaste has special features designed to get children to brush longer and more often. Golden Ribbon Playthings has developed a highly acclaimed and very successful black character doll named "Huggy Bear" to connect minority consumers with their African heritage. Other companies are responding to the special needs of minority segments. Black-owned ICE theaters noticed that although movie going by blacks has surged, there is

a dearth of inner-city theaters. The chain has opened a theater in Chicago's South Side as well as two other Chicago theaters, and it plans to open in four more cities in 1999. ICE partners with the black communities in which it operates theaters, using local radio stations to promote films and featuring favorite food items at concession stands. Thus, in market targeting, the issue is not who is targeted but rather how and for what. Socially responsible marketing calls for targeting that serves not only the company's interests but also the interests of those targeted.⁴⁶

Segment Interrelationships and Supersegments

In selecting more than one segment to serve, the company should pay close attention to segment interrelationships on the cost, performance, and technology side. A company carrying a fixed cost (sales force, store outlets) can add products to absorb and share some costs. The sales force will sell additional products, and a fast-food outlet will offer additional menu items. Economies of scope can be just as important as economies of scale.

Companies should try to operate in supersegments rather than in isolated segments. A supersegment is a set of segments sharing some exploitable similarity. For example, many symphony orchestras target people who have broad cultural interests, rather than only those who regularly attend concerts.

Segment-by-Segment Invasion Plans

A company would be wise to enter one segment at a time without revealing its total expansion plans. The competitors must not know to what segment(s) the firm will move next. Three firms, A, B, and C, have specialized in adapting computer systems to the needs of airlines, railroads, and trucking companies. Company A meets all the computer needs of airlines. Company B sells large computer systems to all three transportation sectors. Company C sells personal computers to trucking companies.

Where should company C move next? Company C will next offer midsize computers to trucking companies. Then, to allay company B's concern about losing some large computer business with trucking companies, C's next move will be to sell personal computers to railroads. Later, C will offer midsize computers to railroads. Finally, it may launch a full-scale attack on company B's large computer position in trucking companies. Of course, C's hidden planned moves are provisional in that much depends on the competitors' planned segment moves and responses.

Unfortunately, too many companies fail to develop a long-term invasion plan. Pepsi-Cola is an exception. In its attack on Coca-Cola, Pepsi first attacked Coca-Cola in the grocery market, then in the vending-machine market, then in the fast food market, and so on. Japanese firms also plot their invasion sequence. They first gain a foothold in a market, then enter new segments with products. Toyota began by introducing small cars (e.g., Tercel, Corolla), then expanded into midsize cars (Camry, Cressida) and finally into luxury cars (Lexus).

A company's invasion plans can be thwarted when it confronts blocked markets. The invader must then figure out a way to

break in. The problem of entering blocked markets calls for a megamarketing approach.

Megamarketing is the strategic coordination of economic, psychological, political, and public-relations skills to gain the cooperation of a number of parties in order to enter or operate in a given market.

Pepsi used megamarketing to enter the Indian market:

PepsiCo. After Coca-Cola left India, Pepsi laid plans to enter this huge market. Pepsi worked with an Indian business group to gain government approval for its entry over the objections of domestic soft-drink companies and anti multinational legislators. Pepsi offered to help India export some agricultural products in a volume that would more than cover the cost of importing soft drink concentrate. Pepsi also promised to reach into rural areas to help in their economic development. Pepsi further offered to transfer food-processing, packaging, and water-treatment technology to India. Pepsi bundled a set of benefits that won the support of various interest groups in India. Instead of relying on the normal four Ps for entering a market, Pepsi added two additional Ps, namely politics and public opinion.

Once in, a multinational must be on its best behavior. This calls for well-thought-out civic positioning. Olivetti, for example, enters new markets by building housing for workers, generously supporting local arts and charities, and hiring and training indigenous managers.

Intersegment Cooperation

The best way to manage segments is to appoint segment managers with sufficient authority and responsibility for building their segment's business. At the same time, segment managers should not be so segment-focused as to resist cooperation with other company personnel.

Summary

1. Companies usually are more effective when they target their markets. Target marketing involves three activities: market segmentation; market targeting, and market positioning.
2. Markets can be targeted at four levels: segments, niches, local areas, and individuals. Market segments are large identifiable groups within a market. A niche is a more narrowly defined group. Marketers are localizing their campaigns for trading areas, neighborhoods, and even individual stores. Finally, more companies are practicing individual and mass customization. The future is likely to see more self-marketing, a form of individual marketing in which individual consumers take more initiative in designing their products and brands.
3. There are two bases for segmenting consumer markets: consumer characteristics and consumer responses. The major segmentation variables for consumer markets are geographic, demographic, psychographic, and behavioral. These variables can be used singly or in combination. Business marketers use all these variables along with operating variables, purchasing approaches, and situational factors. To be useful, market segments must be measurable/substantial, accessible, differentiable, and actionable.

1. Choose a product and identify the market segment(s) targeted. Do you find a perfect match here, or do you feel that there is a mismatch? Elaborate.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.This image shows a single page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page, leaving small margins at the top and bottom. There are no vertical margin lines, text, or other markings on the page.

LESSON 11: INTEGRATED MARKETING COMMUNICATIONS

Topics Covered

The Role of Advertising Within the Marketing program, the Role of Advertising Within the “Communications Mix”, other Action-oriented Communications, what Is Integrated Marketing Communications? The impact of IMC on Advertising practice, integrating the different elements, why IMC has grown and organizing for IMC.

Objectives

1. To examine the role of advertising in the marketing program and the communications mix.
2. To understand what is Integrated Marketing Communications (UIMC).
3. To study the impact of IMC in the Indian context vis-à-vis the international scene.

“Integrated Marketing Communications is a concept of marketing communications planning, that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communications disciplines—for example, general advertising, direct response, sales promotion, and public relations—and combines these disciplines to provide clarity, consistency, and maximum communications impact (through the seamless integration or discrete messages).” When Southwest Airlines started flights out of its new Baltimore hub in September 1993, they knew they had to familiarize East Coast travelers, unaware of what Southwest stood for, with the no-frills, low-fare, high frequency service that it offered. Five weeks before the first flight, they staged a public relations event: Southwest Airlines Chairman Herb Kelleher and the Maryland Governor jointly announced Southwest’s entry into Baltimore, and Kelleher handed the Governor a flotation device, calling it a “lifesaver” from: high fares for the people of Baltimore. Another public relations event followed: to launch the \$49 fare to Cleveland, Southwest flew 49 elementary schoolchildren free to the Cleveland Zoo. Next, the company sent a direct mail piece to frequent short hauls travelers in the Baltimore area, offering a special promotion to join Southwest’s frequent flier program. Another consumer promotion followed that featured employees handing out fliers and peanuts at Baltimore street corners, promoting the airline’s low “Just Peanuts” fares. And, only then did TV and print ads kick in. This combination of public relations, direct mail, sales promotions, and advertising led to a company record for advance bookings—90,000 passengers bought advance tickets even before “service began.”

This case is an excellent example of an increasingly popular approach called integrated marketing communications, or IMC for short - to combining and integrating different elements of the communication mix. We will discuss what IMC is and how to implement it in detail later in this chapter. The key idea behind IMC, however, is simply that advertising has various strengths, weaknesses, and that it thus has to be combined with

the other elements of the communications mix—for example, direct marketing, consumer and trade promotions, publicity and public relations, and event and sports marketing, and others—in an integrated and consistent way.

In addition, these different elements of the communications mix have to be used in a way that the strengths of one are used to offset the weakness of another. For instance, one of advertising’s weaknesses is its frequent failure to induce immediate action. Very often advertising can create high awareness and favorable attitudes, but it cannot create the final “push” needed to get the inquiry, trial, or sale. When such a situation appears, a marketer must use direct marketing, or sales promotions, to get the necessary action, possibly after an advertising campaign.

In this lesson, we will first discuss some of the strengths and weaknesses of advertising, in the context of the other communications tools available to the marketer. We will then review some of these other communications tools: direct marketing, sales promotions, and public relations and publicity. We will also discuss some other specialized forms of advertising that attempt to create actual behavioral change, such as retail advertising, co-op advertising, and industrial advertising that aims to generate sales leads.

Then we will return to the concept of IMC to understand both the key ideas involved and the tactical issues involved in implementing it.

The Role of Advertising Within the Marketing Program.

Advertising planning and decision-making take place in the context of an overall marketing program. Obviously, there are several marketing tools that can be used to help an organization achieve its marketing objectives. Its product or service can be developed or refined. A distribution network can help match an organization’s output with its clientele. Pricing strategy is another marketing decision variable. The most appropriate way to improve the sales of a brand may not involve promotion or advertising at all, but may involve more extensive distribution, better relationships with the trade, a lower price, or simply better product quality.

A brand manager needs to spend considerable time pinpointing the exact source of a brand’s poor sales before deciding that the core problem is inadequate or poor advertising or promotion. For instance, if research data indicate that consumers are trying the brand but are not repurchasing it, it may well be that the firm’s advertising is successful (since consumers are trying the brand) but that the brand’s product quality needs attention (since people who try the brand do not repurchase it). The marketing plan thus should be based on the specific problems or opportunities uncovered for the brand by the kind of situation analysis. In addition to placing the advertising plan in

this total context, the brand manager must also take care to develop a marketing program in which the component parts work in a coordinated, synergistic manner instead of at cross purposes. For instance, when a firm develops a prestige product with a premium price, it is important that the advertising reinforce that idea of high quality and prestige. This can be done by associating the product with prestigious people, situations, or events. If the advertising objectives are written to encourage the use of advertising copy and advertising media incompatible with a prestige image, the whole marketing program may be jeopardized. Alternatively, when a firm offers a low-priced product, the job of advertising might be to stress the price differential by using hard-hitting copy.

As another example, the role of advertising will also depend on the distribution channel selected. If door-to-door selling is employed, advertising may be used only to introduce the salesperson, or it may not be used at all. If wholesalers, retailers, or other middlemen are employed, different advertising strategies are available. The advertising and selling effort may be primarily directed to either the consumer or the trade. In the former case, the intent would then be to have consumer interest “pull” the merchandise through the distribution channel; in the latter case, distributor margins would get the emphasis, consumer advertising would be less, and the intent would be to “push” it through the channel. Generally, the nature and significance of advertising will differ according to whether the company is stressing a push or pull strategy and whether its distribution strategy is intensive (the use of many outlets to maximize customer convenience), exclusive (the use of a few outlets to maximize retailer interest), or selective (intermediate arrangements).

The Role of Advertising Within the “Communications Mix”

Once it has been determined that a key problem or opportunity for the brand involves its communication with consumers, it should not be immediately concluded that more money needs to be spent on advertising. Advertising is only one part of the communications mix: a firm can also communicate with its consumers through the sales force, through publicity or public relations, and through various consumer and trade promotions.

Within this mix, advertising has various strengths and weaknesses. Unlike the high cost of a sales call, which by some estimates now exceeds \$225 per call once all relevant costs are considered, advertising is a much cheaper way to reach target consumers (often pennies per exposure), since it uses mass media. And, again, unlike sales calls, advertising can use complex visual and emotional devices to increase the persuasiveness of the message. However, salespeople can often communicate more complex information (often necessary in industrial or big-ticket purchases) better than advertising can, can tailor the nature of the message much more closely to the message recipient, and are much more likely to “close” the sale by getting an order. Thus, direct marketing may be needed to target certain prospects with a more customized message, provide them with detailed information, and induce them to act. Direct marketing will be introduced below.

Advertising is notorious for this inability to actually get the sale: while the effects of advertising in increasing brand awareness and favorable attitudes for the brand are easily documented, effects on sales are harder to find. It is thus often useful, after advertising creates awareness of a brand, to supplement advertising with sales promotions (both consumer promotions and trade promotions), which are often more effective in actually getting consumers to try the brand. Such sales promotions may be especially required if research shows, during the situation analysis, that target consumers are aware of the brand and think it has the features they are looking for but have not gotten around to trying it. Sales promotions are outlined below.

Finally, advertising is also weak in another respect: it is widely perceived as biased. Many consumers often do not trust advertising and are skeptical about its claims. In such situations, it is often useful for a marketer to try to communicate this message to consumers through media that are perceived as more credible and unbiased, such as editorial endorsements obtained through publicity and public “relations (PR) campaigns. Such PR programs are introduced below.

Thus, an integral part of the advertising planning and decision-making process is an assessment of the role that advertising is meant to play—as one part of a firm’s communications mix and as one part of the total marketing mix. Once this perspective has been gained, the brand manager must design a marketing and communications plan in which the different elements complement each other in increasing the sales for the brand. Although this book deals mostly with advertising management, we cannot emphasize enough that an advertising plan can only be developed in the context of a total marketing and communications plan for the brand.

To help place advertising in the context of this total communications mix, we will now discuss the other nonadvertising elements (direct marketing, sales promotions, and public relations) as well as some more specialized, action-oriented types of advertising. Then, we will address some of the conceptual, strategic, and tactical issues involved in integrating all these elements.

Direct or Database Marketing.

Direct marketing includes not just direct mail, but also telemarketing and direct response advertising on TV and radio and other media, in which the ad aims to generate an action response (such as calling a toll-free number). Direct marketing has two key advantages that differentiate it from regular, mass advertising: (1) the ability to target specific, individual consumers (not just demographically described segments) with an offer that is tailored to that consumer and (2) the ability to directly measure response. For example, the script used by a telemarketer can be tailored to what is known about the person being called. The response (or lack of it) can then be entered into a computerized database so that the next marketing effort aimed at this individual can be customized to whatever the direct marketer knows about this specific individual.

Unlike traditional mass media advertising, the goal of most direct marketing efforts is not simply to build awareness or change preference, but to generate an action: either an order or request for more information, a visit to a dealer or a store, and

so on. This need to generate action is another distinguishing element of direct marketing and has implications for its creative requirements, which we will discuss further below.

These features of action orientation, target ability, customization ability, and measurability have led to the tremendous growth in direct marketing over the past decade and have led to the current popularity of so-called database marketing. While the first catalog in the United States was offered as far back as 1744 by Benjamin Franklin, today about 4,000 catalogs go through the mails each year in the U.S., and almost 100 million Americans shop every year by mail or telephone, spending over \$50 billion. By one estimate, Americans today receive 62 billion pieces of direct mail and 18 million telemarketing calls per year!

To share in this growth, all the major ad agency groups now own direct marketing units. The leading direct marketing agencies in the United States include Ogilvy and Mather Direct (New York), Wunderman Cato Johnson (a division of Young and Rubicam, in New York), Rapp Collins Marcoa (a part of the Omnicom group, and based in New York), Kobs and Draft Worldwide (Chicago), and Bronner Slosberg Humphrey (Boston).

This explosion in direct marketing has occurred because more and more traditional "mass market" advertisers have taken to combining direct marketing efforts with their regular advertising efforts, in an effort to not only sharpen their ability to win new customers (by mailing more targeted offers to prospects) but also to retain the loyalty of existing customers, to cross-sell new products and services to these existing customers, and to increase the amount or frequency of usage. As some examples of such databases, consider these: Pizza Hut now has a database of 10 million pizza eaters in the country; Kraft General Foods has one on 25 million of its customers; Seagram knows the names and addresses of over 10 million liquor buyers, and Marriott Hotels and Resorts has one on 4 million of its regular guests.

Uses and Examples

As an example of the first goal mentioned above that an advertiser may have—customer acquisition—a magazine advertisement for a new General Motors car may feature a coupon inviting the reader to write in for a free copy of a book that will help him make a better automobile-buying decision. The coupon collects not just the reader's name, address, and telephone number, but also information on his present car and how soon he expects to buy his next car. The coupon-sending customer is then sent further collateral materials (such as brochures and catalogs) on the car, with an invitation to test-drive the car at a local dealership. The dealership will also be sent that coupon information on the reader so that the dealers can follow up with a telephone sales call (called outbound telemarketing). Other ways of building up databases might involve inducing customers who use a grocery coupon to also write in their name and address, as part of a sweepstakes entry. (The easiest way, of course, is simply to rent a mailing list, which is discussed below.)

Obviously, this marketing effort may or may not result in a sale. Whatever the response or lack of it, all the information now

known about the consumer and his response is entered into a computer database, and this database is subsequently utilized to target certain individuals for further mailings or telemarketing efforts. For example, if the car in the example above is a luxury Cadillac model, a mailing for it may be sent to those known to own a competing model of luxury car such as BMW or Lexus (using a mailing list obtained from automobile registration data). Every subsequent response (or non response) that can be directly tracked and attributed to a specific mailing piece or phone call is entered into this database, and the cycle of targeting and measuring response continues.

As an example of the second goal—customer retention, or loyalty building—a

company such as DuPont Automotive might send all its present customers a regular newsletter on its new research and new products to build up its relationship with these customers. In many businesses, a key 20 percent or so of customers account for 80 percent or so of volume, so building relationships with these key customers is obviously vital. To enhance customer satisfaction, a company might offer a toll-free telephone number for service questions, customer enquiries, or product complaints. (Such a telephone service is an example of inbound telemarketing.) An airline might send all its frequent-flyer program members a newsletter with special loyalty-building offers. A credit card might use an envelope-stuffer mailing to induce its present customers to charge even more. Many of these loyalty programs offer free gifts or incentives to a company's best customers: American Express offers the top 5 percent of its card members special restaurant and travel offers that vary by the zip code in which the card member lives.

Such mailings can be used not only to strengthen relationships and build loyalty, but also to accomplish the third and fourth goals—cross-selling products or increasing the usage rate. Thus, a large financial services company such as American Express might attempt to sell new insurance or financial planning services to its charge card membership base, or a large foods company like Kraft General Foods might try to get a customer of one low-fat product to try its other low-fat products (by mailing them coupons or samples). As an example of direct marketing to increase the usage rate, or amount of repeat consumption, an automobile dealership or repair facility (such as Goodyear Auto Service) may track the mileage of the cars brought in for service and send mailed reminders to these customers to bring their cars in for service at regularly scheduled intervals. Because of the high cost of personal sales calls, companies also often use direct marketing in after market sales (e.g., selling copier supplies to people who bought copiers and whose names and addresses and phone numbers are now in a database), and in generating sales inquiries that can then be followed up by telephone and personal sales calls. The use of databases also allows companies to use direct marketing to target mailings of coupons and samples to only high opportunity individuals and households. The traditional users of direct marketing have always been magazines and newspapers (who use it to sell subscriptions), the marketers of insurance-by-mail, the record and book clubs (in what are called the negative

option continuity programs, through which customers are sent some thing every few weeks till they say no), and, of course, the catalog retailers (such as Spiegel's, Lands' End, etc.).

Targeting

The targeting ability of direct marketing can be greatly enhanced by a systematic development of the direct marketer's database. Someone who knows your address and, thus, your postal zip code or census block group, can obtain information from database companies about various characteristics (such as the median income, average age, etc.), of the zip code in which you live, based on the average for the geodemographic cluster in which you live. This information is then used to assess whether you are a likely prospect for a particular product, on the assumption that your individual profile is similar to the average data available for your -zip code. The average profile of people living in some of Donnelley's "Clusterplus" forty-seven clusters are provided in Figure 3-1; every household can be classified into one of these clusters based on its zip code.

In addition, data are also available that apply to consumers as individuals: lifestyle (hobby and activity) information supplied on product warranty registration cards can be purchased, as can driving license and automobile registration data (in most states). Any other source to whom consumers reveal their incomes or age or anything else may also sell this information to the large database companies (such as Donnelley, Metromail, Polk, etc.) that maintain household databases on almost every household in the United States. Databases on business establishments are maintained by companies like Dun & Bradstreet, containing information on the businesses' sales, number of employees, and nature of business (using the Standard Industrial Classification, or SIC, code).

Companies can also acquire names from their databases in other creative ways: a company making diapers, like Kimberly-Clark, may acquire the names of all those expectant mothers who take a childbirth class before delivery-or from newspaper birth announcements after the delivery. Many packaged goods companies attempt to "capture" the names and addresses of users by obtaining them from sweepstakes entries, from those sending in mail-in offers for promotional premiums and gifts, from those who cash in rebates or writing in response to free sample offers, or from those who include a sweepstakes entry form as part of a regular grocery coupon that is redeemed in a store. The consumer who writes in a name and address on the redeemed coupon thus not only receives the coupon's promised cents-off but also enters a sweepstakes. Retailers build up lists of customers by obtaining names and addresses as part of the regular sales process. Obviously, the availability of such information on consumers raises all kinds of concerns about privacy.

Measuring and Improving Response

Typically, the direct marketing companies compute response on a response-rate-per-thousand-mailings basis, abbreviated as OPM (orders per thousand). They can tell which mailing to which a customer responded by using code numbers (called key codes) on the response coupons that uniquely identify a mailing package. Companies continually test different mailing packages to see which ones "pull" best. Thus, different mailing pieces

may be sent to random samples of 10,000 to 25,000 individuals, with the mailing pieces varying systematically in the size and color scheme of the envelope, the copy in the sales letter, the size and illustrations in the brochure, and the price and payment terms. The objective in such tests is to see which of these many new test packages yields a response rate or order rate greater than the mailing piece being used currently, called the control package.

Response rates-which can be very low, often just 1 to 2 percent of the packages mailed-are a function of many factors. First, of course, there is the product being offered, at a certain price and payment term, and with or without a premium, or free gift. These are collectively called the offer. Response rates are higher if the product is unique and not available in regular retail channels, if the price is credibly low, and if the payment terms are easy, and so on. Second, there are the quality and responsiveness of the names in the mailing lists that the direct marketer is renting, through a list broker or list compiler (perhaps paying \$100 for every thousand names mailed). Are the people on the list really interested in this product or service? Third, of course, is the quality of the creative message: the letter, the brochure, the envelope, and so on. Even with such low response rates, and even with production and mailing costs of 50 to 60 cents per mailing piece, a mailing can still be profitable if the gross profit per response is high. Conversely, if the gross profit per sale is low, and/or if the target market is reached more efficiently by mass media than through targeted direct marketing, mass marketing and advertising may make more economic sense than a direct marketing program.

Direct marketers also spend large sums of money building analytical models of the responses to their mailings. For example, a log it or logistic regression model might be estimated on a previous mailing, which can be used to forecast which of the prospects for an upcoming mailing are most likely to respond to it, and the

mailing can be limited to only the most likely responders. Such models to a company's existing customers often model the likelihood of response as a function of how long it has been since that customer's last order (called recency), how many times that customer has purchased in the past (called frequency), and how much money that customer has spent with the company in the past (called monetary value). Such RFM models (for the first letters of these three concepts) are very often used by traditional catalog direct marketers, but newer and more sophisticated modeling methods-some even using artificial intelligence techniques called neural nets-are often superior to such RFM models.

In building a direct marketing business, a direct marketer is concerned not just with maximizing the response rates to a mailing (called the front-end of the business), but also the (back-end) profitability of the customers acquired. For example, a book club can very easily boost response rates to a mailing by giving away more books free of charge, and requiring no commitment from the new member to buy any more books ever. Such a soft offer would obviously boost response rates! However, the members acquired through such a mailing may well not end up buying many books over the lifetimes of their memberships with the book club and may thus be relatively

unprofitable to acquire. In contrast, a hard offer that offers fewer free books and requires bigger and longer commitments to buy a certain number of books may well result in a lower overall response, but more profitable members long-term. A direct marketer is concerned not just with immediate payoff but with the lifetime value of its customers.

Mailing List Rental and processing

Mailings or telemarketing campaigns can obviously be made to a company's list of existing or past customers, called its house list. For mailings to prospects, however, outside lists usually have to be rented. Mailing lists are usually rented on a per-use basis, rather than bought and sold. Compliance with rental conditions is monitored by inserting dummy or decoy names into the list to which the renting mailer will unknowingly send mailings, which can be tracked for frequency of use.

Such outside lists are of two primary kinds. A response list is a list of the customers of another business. Such a list will obviously contain a name and complete

address, but may also contain information on the recency, frequency, and monetary value of the name on the list (these terms were defined above). If these are customers who ordered from that business very recently, the list may be called a hotline list (and command a higher price). In contrast, a compiled list is a list put together from directories and other sources, and is usually cheaper to rent, since it is unknown how likely the people on the list will be to respond to the mailing.

Such outside lists are usually rented through a list broker, who represents the people who own or compile the lists (for a commission, of course). List brokers offer access to a huge number of lists—over 40,000 by one count, including every conceivable occupation and profession. Lists are rented on a per-thousand-names basis, with the charge varying on the desirability of the list (it may cost \$100 per thousand names, for instance). Since a renter may end up renting several hundred small lists, the multiple lists used are first merged and purged of duplicate names, and payment is usually made on a net basis, after deleting duplicate names. This merge/purge is done by computer bureaus. The actual mailing of the mailing pieces, using the mailing labels or names supplied by the list broker, is done through lettershops.

Creative Guidelines

Good direct mail pieces are built on an intuitive understanding of the psychology of inducing action. Think about the state of mind of a consumer opening a directmail solicitation. He or she has doubts about the quality of the product, since it cannot be physically inspected. There is no salesperson to answer questions and overcome objections. And, there is the very human tendency to postpone things: even if the consumer feels vaguely interested, there will typically be a reaction of "I'll get around to this later, not now."

What good direct marketing copywriters have discovered—and this is wisdom that even non-direct marketers can benefit from—is that direct-mail copy that gets action tries hard (1) to use testimonials and guarantees to develop confidence; (2) to use as much information as is necessary in the letter to clarify doubts, overcome objections, and increase the reader's level of desire for

the product; (3) to make it easy for the consumer to take action, by having easy-to-use response cards or toll-free telephone numbers; (4) to "involve" the reader, through devices such as peel-off stamps and scratch-off numbers; and (5) to express urgency about the need for immediate response, by saying that the offer or free premium is good "for a limited time," expires by a certain date, and so on. In direct marketing, as in all marketing, the key barrier to getting consumers to act is sheer inertia, and ads that target such inertia directly are most likely to obtain action.

Direct marketing advertising has long been recognized as being perhaps the only area in advertising in which immediate sales are a reliable indication of advertising performance. As a result, advertising professionals look to the experience of mail-order advertisers to learn what works and what doesn't.

Sales Promotions.

Sales promotions are of two broad types: consumer promotions, such as coupons, sampling, premiums, sweepstakes, low-cost financing deals, and rebates; and trade promotions, such as slotting allowances, allowances for featuring the product in retail advertising, display and merchandising allowances, and the like. They are used to get consumers to try or to repurchase the brand and to get the retail trade to carry and to "push" the brand.

Additionally, promotions are also used by manufacturers to "discriminate" between different segments of consumers—for example, only those consumers who have the time to clip coupons will clip and use them and obtain a lower price for themselves, while those consumers who are time-pressed won't use coupons (and will end up paying a higher price). Finally, retailers use promotions to clear their inventory of slow-moving, out-of-season, or shelf-unstable products (those products, such as fresh produce, that will spoil if they are not sold quickly). Retailers thus run their own promotions aimed at consumers, such as price cuts, displays, frequent shopper programs, and so on.

While this is a book about advertising management, and while sales promotion is a distinct area of research and management—with its own textbooks⁹—it is necessary for us to spend some time discussing sales promotions. There are three reasons for doing so.

First, sales promotions are a key element in inducing trial or repurchase in many communications programs in which advertising creates awareness and favorable attitudes but fails to spur action. One of the reasons they spur action compared to simple price cuts—is that they are typically run for a limited duration, which means that the consumer must act quickly, before the promotion ends. Other reasons they spur action is simply that many consumers feel they get value for their money if they buy "a good deal" (they are "smart shoppers"). In fact, many consumers automatically assume that if a brand is being promoted it must be a good deal (which is not always true!). By one estimate, 80 percent of U.S. households use coupons, 75 percent of the appliances bought in the U.S. are bought on deal, and 70 percent of the packaged goods sold to retailers are sold with a trade promotion. Thus, it is important to understand the complementary roles of advertising and sales promotion in

order to conduct situation analyses properly and to set communications, advertising, and sales promotion goals.

Second, according to a 1993 survey of promotional practices in seventy leading companies, sales promotions constitute about 73 percent of marketing expenditures (about 27 percent is spent on consumer promotions, 46 percent on trade promotions), whereas advertising constitutes about 27 percent. The share of the marketing dollar spent on trade promotions has risen rapidly in recent years, in large part due to the growing power of ever-larger retail chains. For instance, America's largest retail chain, Walmart, now accounts for 10 to 15 percent of the sales of many of America's largest packaged goods companies! Some of the power of retail chains also comes from their access to accurate checkout scanner data, which reveals which brands are moving fast off the retail shelves (and which are not) and to their ownership of the precious retail shelf-space "real estate" that the manufacturing companies covet (and are willing to pay for). Other reasons for the growth in promotional spending are the trend to more local and regional marketing programs and the greater price competition posed to national brands by store label (private label) brands.

Clearly, since advertising expenditures take place in this total promotional context and not in isolation, it is essential that the advertising manager have a good understanding of sales promotions as well. While the implementation details of sales promotions and advertising are handled by different individuals in most marketing organizations, brand managers usually are responsible for both areas. In order to be able to offer "integrated" sales promotion services, many of the major advertising agency groups own one or more sales promotion companies (such as Alcone Sims O'Brien, owned by Omnicom, or Lintas: Marketing Communications, owned by Interpublic), although many of the leading firms in this area are still independent.

Finally, advertising and sales promotions operate together in their impact on the consumer. When designed and run in tandem, they yield powerful synergies that magnify their individual effects. For example, a coupon offer in a Sunday newspaper free-standing insert (FSI) can have a higher redemption rate if theme ads for that brand are run concurrently. On the other hand, if advertising and sales promotion efforts are designed and run in isolation, they can lead to effects that hurt each other—poorly designed promotions, in particular, can quickly erode the long-term image of the brand that advertising has worked hard to build up over several years. This longer-term brand equity dilution effect of promotions is probably greater for brands in highly involving image and "feeling" product areas, because promotions might "cheapen" a brand's image. Brands in product categories in which choices are based on "economic," price-minimizing criteria are not as vulnerable to brand equity dilution.¹² Even if the brand's image is not hurt, most promotions end up only drawing volume from existing users who would have bought anyway, so that the promotion may end up costing the company more money than it brings in.

It is therefore essential that the advertising manager understand the need for this interaction between advertising and sales

promotions. The thrust of this section thus will be to explore this interaction. Before we do that, however, we will briefly describe several different types of sales promotions, stressing those aspects that relate in some way to the advertising program.

Consumer Promotions.

Consumer promotions are designed to offer consumers an incentive (such as a lower price or a free or low-cost premium or gift) to try a brand for the first time, to switch back to it, or to repurchase it. The different types of consumer promotions vary in their trial versus repurchase orientation, as will be pointed out below. A few consumer promotions, such as sweepstakes and premiums, can be designed with a view to enhancing the key imagery equities of the brand.

Coupons

Coupons are perhaps the most frequently used consumer promotion—over 300 billion coupons were distributed in the United States through print media in the early 1990s, but only about 3 percent were redeemed. Although over 75 percent of all coupons are currently distributed through newspaper FSIs, coupons distributed through direct mail are more targeted than are those distributed through print media (newspapers and magazines) and thus have much higher redemption rates (about 9 to 10 percent in direct mail versus about 2 to 3 percent in newspapers). Whereas coupons that are in or on the pack are specifically designed to build repeat purchase and loyalty, those that are carried in other products consumed by a similar target market (such as coupons for a baby shampoo carried in a diaper product) are designed to attract new customers. These latter coupons are called cross-ruff coupons. Coupons (or cash checks) are often offered as straight price rebates for durable products, such as cars or appliances, and are sometimes offered as refunds, mailed to consumers who send in proof of purchase. (Manufacturers of, ten hope that many consumers who buy products because of a mail-in rebate never in fact mail in the rebate, and this is often the case!)

From an advertising perspective, it is important in couponing to design the coupon ad in such a way that it builds on, and reinforces the positioning and key benefits developed in theme advertising, rather than having a different theme (or no theme at all, other than the price incentive). Similarly, a rebate offer might be creatively designed to highlight a brand strength—for instance, an offer to pay for a car's gas consumption or maintenance expenses in its first year might better highlight the car's gas economy or repair record than a simple rebate check. In addition, of course, the coupon must be designed so it is easy to clip, shows the package prominently, has the appropriate legal copy, and so on.

From a media standpoint, another key objective in couponing is to make suit really gets new users instead of merely going to existing users who would have bought it anyway. The easiest way to deliver coupons, to gain mass reach, is to use newspapers. However, it has been estimated that only one-third of coupon usage from such mass-distributed coupons (such as those in Sunday newspaper FSIs) comes from new users. As a result, many more companies are either mailing coupons via direct mail to those known to be nonusers, or using new in-store ser. vices

(such as Catalina Marketing's Checkout Coupon service) which prints a coupon for a brand at the point-of-sale to someone who has just bought a competing brand. The coupon is "triggered" by the scanned purchase of the competing product.

This synergy can work the other way as well: coupons or other promotional

offers can be used to increase the effectiveness of an ad by increasing readership. Apple Computer supported the introduction of its Macintosh with a "Test Drive a Macintosh" promotion, which allowed customers to leave computer showrooms with \$2,400 worth of equipment. The budget was \$10 million, of which \$8 million went to advertising and the rest supported such activities as in-store displays and carrying the inventory costs. Around 200,000 Macintoshes were test driven, at a cost of only \$5 each.

Sampling

Giving people free samples or trial packs (door to door, at street corners, in stores or shopping malls, or through the mail) is another promotional technique and is an excellent (but expensive) way to get consumers to try a product. Chesebrough Pond's, for instance, distributed 80,000 full-size samples of its new products, plus coupons and literature, in five shopping malls. A new product launch could include a small sample mass-mailed to possibly half of the nation's households. Alternatively, for an existing product, small trial packs could be mailed to households known-as part of a databased marketing effort-to be current users of a competitive product. New and creative avenues for in-store sampling include sampling children's products in toys stores such as Toys R Us, sampling products aimed at teenagers in college bookstores, and so on. In such sampling programs, care must be taken to provide enough product quantity to convince the trier that this is indeed a better product, while simultaneously minimizing product, packaging, and mailing expenses.

It may often be more cost effective to do such sampling than to run additional advertising for such new brands, after that introductory advertising. When feasible, the advertising could feature an in-store coupon for a free trial pack or a toll-free phone number to call for one.

Price Packs

Price packs (packs that offer a lower than usual price, or greater than usual quantity) are another kind of consumer promotion that can both attract switching and reinforce loyalty. Here again, it may be more supportive of the brand's advertised image to offer "extra" product volume than to simply lower price. For some products (such as tea, coffee, detergents, etc.), it may be possible to offer the "extra" volume in a special container (such as a glass carafe or plastic dispensing unit) that reinforces some aspect of the brand's image.

Premiums and Gifts

The same kind of thinking can be used to select premiums that are offered to consumers (these are "free" products that are provided in the pack or mailed if multiple proofs of purchase are sent in, either at no cost or at below-retail prices. If the latter, they are called self-liquidating premiums because the company recovers its out-of-pocket costs). An intelligently

selected premium can be used to reinforce a brand image: Mueslix cereal from Kellogg, for instance, which built its initial advertising campaign around a European heritage, offered consumers a packet of European currency notes if they sent in the required number of proofs of purchase. In-pack premiums (such as toy characters in children's cereals) can also be designed to build a brand's image. The cigarette brand Marlboro offers loyal consumers-those who collect enough boxtops-merchandise with an outdoorsy, Western, cowboy theme that reinforces the brand's classic imagery. Since such premiums typically require multiple proofs of purchase, they are designed most often to build repeat purchase and customer loyalty.

Sweepstakes

Sweepstakes are another kind of consumer promotion, and these offer the greatest potential to reinforce a brand's advertising platform. McDonald's, for instance, ran a sweepstakes promotion at the same time that its ads were featuring a "McDonald's menu song" in which consumers had to play a plastic record to find out if they had won-with the record featuring the same menu song. Benson & Hedges cigarettes, around the time it launched a 1000mm-length version, ran a sweepstakes in which consumers had to pick which one of a hundred mini contests. They wanted to enter, in which each of these mini contests had as their prize 100 units of something (such as 100 pints of ice cream).

Subsidized Financing

This incentive is frequently used in the promotional programs for many durable products, including automobiles. Since these products are often purchased by consumers on monthly installment plans, the consumer is more concerned with the monthly payment amount, including the monthly interest payment, than the total amount paid. Companies therefore attempt to lower this monthly amount by offering a subsidized interest rate, often through a captive financing subsidiary (such as General Motors Acceptance Corporation, in the case of General Motors).

The key thought in the foregoing discussion on consumer promotions is that promotions are needed to move the consumer along to making the needed "action" step, or needed to build loyalty and promote repurchase, after advertising has done its job in creating awareness and preference. However, promotions can sometimes hurt a brand's image by cheapening it, but this is not necessary if the promotion is designed with a view to working with and strengthening the brand's advertised image.

Trade Promotions.

Trade promotions are financial incentives given to the trade to stock the product, to buy in larger quantities, to move merchandise from the warehouse onto the retail shelf, to display the brand in end-aisle displays, or to feature the brand in local retailer advertising (such as on "best food days"-Wednesdays or Thursdays), including offering retailer coupons, and so on. Another purpose served by trade promotions is that they give the manufacturer some degree of control over the final price charged to the end-consumer: if the price to the retailer is cut, it should lead to (at least slightly) lower prices for the consumer. Cooperative advertising is discussed later in this chapter, but

many of the other types of trade allowances are discussed briefly below.

These Trade Promotions often Have the Objective of “Buying” Retail Shelf

space and getting additional retailer “push” by loading the retailer with extra inventory or of giving the retailer a temporarily lower price in the hope that some of the price cut is passed on to the consumer. Unfortunately, retailers have begun to keep back for themselves much of the price incentive they are expected to pass on to the consumer (the pass-through percentage is often only about 50 percent). In addition, many retailers often forward buy more deal-promoted product volume than they can sell at that time, either using the extra volume for non promoted future time periods, or “diverting” that volume to other dealers at a slight mark-up. As a consequence of these practices, trade promotions have begun to account for a very large percentage (20 to 30 percent) of retailers’ total profits.

Because of these problems, manufacturers have recently begun to cut back on these promotions, often by substituting a lower everyday low price (EDLP) for a sometimes high, sometimes-low (high-low) price and promotion policy. Since cutting back on trade promotions will obviously hurt retailers’ profits, manufacturers have begun to compensate for these cuts by also trying to hold down the costs that retailers incur in warehousing, transporting, and stocking that manufacturer’s products through processes called efficient consumer response. The hope is that the retailers’ direct product profitability (DPP) on these manufacturers’ brands does not suffer.

In addition, many companies have begun to offer advice to retailers on how to maximize their dollar return from each section of the store, by showing them how to allocate their retail shelf space optimally among the different brands, using planograms. This approach is called category management, and has led to many manufacturers developing closer relationships with each retail chain so that they can understand the retailers’ needs better, often on a store-by-store or market-by-market basis.

Some of the types of trade promotions frequently used by manufacturers are described briefly below.

Off-Invoice or Buying Allowances

These incentives are the simplest form of trade promotion and are nothing more than a price cut of a certain percentage applied to the volume bought by a retailer during the promotional period (e.g., 5 percent may be taken off the invoice, hence the name). No retailer performance (such as displays, feature ads in retail store circulars, etc.) is required. As mentioned, retailers often purchase more than they can sell during such promotional periods to have enough stock to last them to the next promotional period, a practice called bridge buying or forward buying. A variant of such promotions is the offer of free goods, such as one unit free per dozen purchased. This has the advantage of requiring the retailer to actually sell the free good before the gains from the promotion are financially realized, putting greater “push” pressure on the retailer.

Count-Recount Allowances

Under this type of trade promotion, the discount is applied not to the quantity the retailer buys from the manufacturer during the promotional period, but only to that quantity that is moved from the retailer’s warehouses into the retailer’s stores. As a consequence, the retailer is given a greater incentive to pass the price cut on to the consumer so that the product “moves” from the store into consumers’ hands.

Billback Allowances

These allowances are paid by the manufacturer to the retailer on a per-case basis only if certain performance criteria are met. While they have the advantage of “pay-far-performance,” they have the disadvantage of requiring sales force and administrative time to monitor compliance. The kinds of “performance” expected from the retailer could include in-store displays, feature ads in the retailer’s circulars, and so on.

Display Allowances

These allowances are incentives to the trade to display the product prominently, in an end-of-aisle or store-window display. These have been found to be very effective, because many time-pressed consumers simply pick up those brands that are made salient by such displays, assuming they are on sale (which is not always the case). Stores like such allowances because they are a good source of revenue (a grocery chain might charge \$200 per week per store for a display). For durable goods, such displays are often a very valuable tool to educate both the consumer and the retail salespeople about the special features of the product.

In-Ad Grocer Coupon

This type of payment by the manufacturer is made to the retailer in return for which the retailer features a coupon for that brand in the retailer’s weekly advertising circulars. The coupon is redeemable only in that retailer’s store. The manufacturer pays the coupon face value, plus handling costs.

Slotting or Facing Allowances

These allowances are one-time fees paid by the manufacturer to the retailer to get a new brand on the retailer’s shelf, paid to compensate the retailer for the brand removed to make space for this new brand and for associated inventory and administrative costs—and the risk involved with the new brand. These fees may cost manufacturers anywhere from \$10,000 to \$100,000 per item per chain.¹⁷

Trade Inventory Financing or Delayed Billing

These financial incentives are used most often in durable goods industries’, such as appliances or automobiles. The manufacturer lowers the cost to the retailer to purchase products to stock on the retail floor or in inventory, either by offering a reduced-rate financing facility, by delaying billing, or both.

Sweepstakes, Contests, and Spiffs.

These are incentives used to reward retail salespeople who meet their sales quotas for the manufacturer’s goods, usually for durable goods, paid for by the manufacturers of those products. Ideally, these are timed to run concurrently with consumer promotions.

There is emerging consensus that, in addition to the several negative consequences already discussed earlier, these trade promotions also have the potential to erode a brand's franchise and image. They do this by reducing the amount spent on advertising and in increasing the extent to which the consumers buy the brand in the supermarket because it is "on deal" that week, rather than because of its advertised image. This leads to an increase in the perception that the brand is a commodity, or parity product, rather than something with unique added values. Here, again, the smart advertiser must strive to focus these trade deals on advertising-enhancing activities (such as thematically linked displays or thematically consistent retailer advertising).

In the longer run, of course, only an advertiser with a strong brand consumer franchise-built up through consistent advertising-will have the market clout to withstand retailer pressure to provide higher and higher trade allowances. Strong brands with demonstrated "sell-through" (advertising-induced consumer demand) will not have to give as much to the retailer (although the trade will often "push" stronger brands of their own accord) and will thus end up as more profitable brands.

Thus far we have discussed the interaction between advertising and promotions mainly in terms of the content of both. Another form of interaction pertains to their timing: consumers are more likely to notice the advertising for a brand and the promotions for it if both are run concurrently rather than in separate time periods. Such a coordinated campaign is more likely to break through the clutter. This is likely to enhance the effectiveness of both the advertising campaign (through higher readership or viewership) and of the promotional program (through greater coupon redemption or in-store sales from special displays).

Other Action-oriented Communications.

Retail Advertising

Another example of advertising that has direct, action objectives is the advertising of retailers, or retail advertising. What are the advertising practices of successful retailers? The best retail advertisements are those that provide the consumer with a lot of specific information, so that the consumer can see immediately that he or she must indeed visit the store. It is not enough, therefore, to say (for example) that the shirts on sale are available in various colors and sizes; it is much more action-inducing to list the exact colors, sizes, and prices. Any piece of missing information could hinder action. It is also important to create a sense of immediate availability and urgency, by stressing that this availability (and these prices) are "for a limited time only."

While there is probably little carryover effect of advertising of a specific storewide sale, retail advertisers are very particular that every retail ad fit and enhance the specific long-term image of the store. Every ad from Bloomingdale's, Lord & Taylor, and so on is carefully tuned to the particular character-the "look and feel"-that the store has carefully developed over the years.

For durable products, such as large appliances and automobiles, an appropriate behavioral objective for advertising might be to entice customers to visit a dealer's showroom. For large-ticket

consumer items, the final phases of the selling process are usually best handled by a person-to-person sales effort, with advertising used appropriately to draw people to the showroom. In such situations, "traffic-building" advertising becomes key, and (once again) the advertising must try to create a strong sense of desire, curiosity, and urgency to get the reader or viewer to make that store visit.

Cooperative Advertising.

A situation closely related to retail advertising is that of cooperative advertising, in which a manufacturer offers retailers an advertising program for the latter to run.¹⁸ The program may include suggested advertising formats, materials to be used to create actual advertisements, and money to pay a portion (often, half) of the cost. It also often includes requests or requirements that the retailer stock certain merchandise quantities and perhaps use certain displays. By some estimates, almost one-half of retail advertising is some form of co-op advertising.

There are three types of co-op advertising: (1) vertical (when an upstream manufacturer or service provider, such as Royal Cruise Lines, pays for a downstream retailer's ads, such as a travel agent's ads); (2) horizontal (when local dealers in a geographical area pool money, as in automobiles or fast-food chains); and (3) ingredient producer co-op (when the producer of an ingredient, such as Nutrasweet, pays part of an ad run by the user product, such as Diet Coke). Recent estimates have put the amount of co-op advertising in the U.S. at about \$10 billion per year, of which about two-thirds are spent through newspapers. Co-op ads thus constitute a large portion of newspaper advertising revenue, and newspapers have set up organizations (such as the Newspaper Co-op network, and the Newspaper Advertising Cooperative Network) to alert local retailers to manufacturer co-op programs they may not be fully utilizing.

The intent of cooperative advertising, in part, is often to stimulate short-term sales. The advertising is well suited to this task because it is usually specific as to the product, the place at which it can be purchased, and the price. However, co-op advertising also has other longer-term objectives: namely, to reinforce the brand image of the original manufacturer or service provider and to maintain the manufacturing company's leverage with the retail trade. The former is especially important because retail store buyers and salespeople often favor products that come with large allowances, to the extent that a product not having the expected co-op amount can find itself losing distribution.

The latter implies that the manufacturer needs to monitor and control co-op advertising content carefully, to ensure that it is consistent with the national ad campaign. Weak control over the creative content and media placement of co-op ads run by small retailers can contribute to a lack of consistency in the image of the brand and even the creation of negative associations with the brand, potentially hurting the brand's equity. Such creative control can be obtained by providing the local retailer with advertising slicks created by the manufacturer's agency, which can then be customized by the local retailer while still being consistent with the national campaign for the brand.

Given the pressures from the retail trade (and from one's own sales force) to maintain and even increase co-op advertising allowances, a marketer is often tempted to allocate more money into co-op advertising at the expense of national advertising. In deciding how much money to allocate to co-op advertising, the marketer needs to determine if the product will really benefit from being associated with a store's image. Such benefits are typically higher for the case of fashion goods, hi-fi stereo equipment, and so on, which are expensive and image-driven products about which consumers seek retail information and endorsements; these benefits are lower for inexpensive, frequently purchased products (such as toothpaste or shampoo) about which the consumer does not seek retail advice. The key question is: What are the relative roles of national advertising and store advertising in influencing consumer brand choice processes?

In addition to looking at consumer decision processes, the advertising planner must also be concerned with the need to acquire or expand distribution; a high need typically compels higher co-op allowances. Further, legal and administrative requirements must be met. For example, co-op allowances have to be offered on an "equally available to all" basis unless it can be demonstrated that certain stores (to whom proportionately higher allowances are being offered) will lead to a greater gain in new customers to the manufacturer. A co-op program is likely to yield greater benefits to the manufacturing company if the program is tightly monitored (e.g., limited to certain slow-moving sizes of products rather than all sizes).

The administrative burdens of a co-op program also need to be remembered: claims need to be documented and compliance checked before payments are made, and this can be a tremendous headache if hundreds of retail accounts are involved. Software packages exist to streamline this process.

Reminder, Point-of-purchase, and Specialty Advertising.

Sometimes the primary role of advertising is to act as a reminder to buy and use the brand. The brand may be established and have a relatively solid, stable image. Reminder advertising then serves to stimulate immediate purchase and/or use to counter the inroads of competition. A good example is the Budweiser advertisement shown in Figure 3-5. Other examples of reminder advertising are the "shelf talkers" or other point-of-purchase (P-O-P) materials placed in stores at or near the place where the brand is on display. Such P-O-P materials often feature the package, price, and a key selling idea.

Reminder advertising can work in several ways. First, it can enhance the top-of-mind awareness of the brand, thus increasing the probability that the brand gets included on the shopping list or gets purchased as an impulse item. A media plan that aims to enhance or maintain top-of-mind awareness through reminder ads might utilize shorter ads (such as fifteen-second commercials) with a high level of frequency or use media such as outdoor billboards or transit that are suited to such reminder advertising. Second, it can reinforce the key elements of the national campaign at the point-of-purchase. Kevin Keller that if there is a match between the type of information used in the P-O-P material and in an ad for the brand seen previously, the consumer is more likely to recall the information in the ad

successfully, and this leads to more favorable judgments about the brand involved has showed it in research.

In addition, it is often useful in such situations to use items of specialty advertising, useful products given free to consumers that have the manufacturer's name and related information on them. Specialty advertising items go beyond the usual calendars, ball-point pens, coasters, and Rolodex cards to all kinds of creative, high-quality products (such as a refrigerator magnet for Domino's Pizza that reminds a hungry but time-starved consumer which phone number to call for quick, home-delivered pizza). Manufactured by supplier companies, such specialty advertising items are not usually handled by traditional advertising agencies but by organizations called specialty distributors or specialty advertising agencies.

In addition to maintaining top-of-mind awareness for a particular brand, reminder advertising can also increase the motivation for the use of the product class as a whole. In this context, the advertising may tend to simply increase the purchase and use of the product class and thus work to the advantage of the leading brand. Thus, reminder advertising for Royal Crown Cola may tend to increase purchases of other colas, to the advantage of Coke and Pepsi. Similarly, Campbell's Soup is the soup brand that is in the best position to conduct reminder advertising.



A reminder advertisement. Courtesy of Anheuser-Busch, Inc.

In-store Advertising and Merchandising.

In-store advertising is a rapidly growing area of advertising, in large part because of the increasing realization among marketers that most consumer decisions about which brand to buy are made after the consumer enters the store and scans the brands on the aisles. As a result, a variety of new in-store media have become available to the advertiser, such as electronically scrolling ads in the aisles, ads on TVs near the checkout lanes, ads in radio programs played in-store while the consumer shops, on-aisle coupon dispensers, even ads on shopping carts equipped with special video screens. While some of these new services

have shown rapid sales growth, others have had to shut down after an experimental run, in part because of the difficulty in measuring results. Actmedia, Catalina, Advanced Promotion Technologies, and Videocart are some of the companies that are very visible in this rapidly growing area.

Another frequently neglected type of in-store communication is the merchandising environment, by which we mean the displays, signs, and positioning of the brand in that particular store. Creative and attention-getting displays in the store serve to do much more than stock the product: they can greatly add to a sense of excitement about the product and lead to much greater involvement by the consumer in that product. An example would be the in-store “computers” used by cosmetics companies such as Noxell that lets consumers make their own color matches. Service establishments, such as banks like Citibank or fast-food restaurants like McDonald’s, are constantly experimenting with better branch displays and signage to increase cross-selling opportunities as well as to create the particular kind of image and ambience that are so vital to creating a service company’s brand image and equity.

Industrial Marketing: Sales Leads.

Industrial (business-to-business) marketing is similar to the marketing of durables in that advertising can rarely be expected to make the sales. Rather, a salesperson is usually required to supply information and to handle the details of the transaction. Advertising, in this case, can provide the engineer or buyers with the opportunity to express interest in the product by returning a card which is a request for additional information. These inquiries or leads are then typically qualified by a telemarketing callback to determine if an in-person sales call is necessary and cost effective. Often this telemarketing call can itself lead to a sale. Once qualified, the salesperson then follows up these leads by calling on the prospect, discussing his or her requirements, and trying to “close” the sale. Thus, for industrial advertising, a useful objective is to generate such inquiries or leads.

Public Relations.

Because consumers are exposed to so much advertising these days, they often try hard to avoid it and are very skeptical of it when they do get exposed to it. To reach these hard-to-reach consumers and to convey messages to them in a manner that is more credible partly because it is more subtly delivered, more and more companies today are devoting a portion of their communication budgets to the use of public relations (PR) for marketing purposes. Some of the different ways in which this is done are reviewed below, but what most of them have in common is the delivery of a message about the brand not through paid, explicit advertising, but rather through an implied or explicit endorsement of a credible third-party media source, such as the editorial content of a newspaper or magazine, or by associating themselves with a sports or cultural event, or a charitable organization.

Public relations is usually regarded of as a way to build a corporation’s public image before stakeholders such as government, shareholders, employees, and so on, and as a way to counteract negative publicity (such as the scare about Tylenol after it was involved in cyanide murders in 1982). While these

corporate reputation and crisis communications uses of public relations are still very important, it is being used more and more in the form of marketing public relations. Budgets for such uses of public relations are rising—one estimate puts the total annual amount of PR spending in the U.S. at about \$8 billion. Most leading PR agency groups today own one or more PR firms, including two of the biggest: the WPP Group owns Hill & Knowlton, and Young & Rubicam owns Burson-Marsteller. The following are examples of public relations used as an essential element in marketing.

News Stories and Media Editorial Coverage.

Cabbage Patch Dolls became a toy craze in 1985 after being featured in a Newsweek cover story, appearing in network and local TV and radio broadcasts, and after first lady Nancy Reagan was shown worldwide giving them to two Korean children hospitalized for heart treatment. New products of various kinds—from Ford cars like the Taurus, to fat substitutes like Simplesse—achieved very high levels of brand awareness even before advertising for them broke because of favorable news coverage. To convey an image of industry leadership, many industrial marketers try hard to have trade magazines carry articles by-lined by their top executives.

Event and Sports Marketing.

Ed Bernays, considered the father of modern public relations, pulled off a huge publicity coup for General Electric by orchestrating the celebrations for the fiftieth anniversary of Edison’s invention of the light bulb, in which then-President Herbert Hoover and millions of others switched on their electric lights after an NBC announcer gave the signal. Budweiser sponsored the concert tour of the Rolling Stones, Pepsi that of Michael Jackson, both gaining tremendous visibility. Fast food (and other) companies often run tie-in promotions with movies. Cigarette companies sponsor sports events, like Virginia Slims Tennis and Winston Cup NASCAR racing. Most athletes at most major sports events today are paid to wear the logos of sponsoring companies.

The sponsorship of big events and sports competitions—such as the Statue of Liberty Centennial, or the L’eggs IOK Mini Marathon for women—is a multibillion-dollar business involving its own specialist firms. Obviously, the key issue here is the “fit” between the events being sponsored and the desired positioning and image of the sponsoring brand or company.

Cause-Related Marketing.

Pampers diapers are distributed free at mobile baby care centers at state and county fairs across the country, gaining not only trial but much goodwill for the brand. American Express asks card members to “charge against hunger,” donating a few cents from every card use to hunger-fighting organizations. Hall’s cough suppressant tablets are distributed free in many concert halls. Phillip Morris, IBM, and AT&T have sponsored major art exhibitions at the Metropolitan Museum of Art in New York and at other museums. Local McDonald’s restaurants take the lead in raising funds for Ronald McDonald children’s charities and Houses. Campbell Soup gives elementary schools free equipment in return for collected labels for its products.

Product Placement.

Sales of Reese's Pieces candy soared after they were shown in the hit movie *E. T.* When Ray-Ban provided actor Tom Cruise sunglasses to wear in the movie *Top Gun*, sales reportedly rose 30 to 40 percent. Automakers provide cars for free for use in Hollywood TV shows. Almost 75 percent of local TV stations are reported to make use of video news releases, including those on the making of commercials.²⁷ A study by Advertising Age found 1,035 instances of "product plugs" in a single day of programming on the four major networks.²⁸ Again, specialist companies exist that, for the necessary fee, will "place" your product in movies and TV shows.

Contests.

Pillsbury's bake-off recipe contests lead to big sales increases after they are held annually and have made Pillsbury synonymous with baking. Pepto-Bismol sponsors a chili-cooking contest. Combat roach killer sponsors a contest for the World's Largest Roach.

In all of these cases of marketing public relations, the benefit to the brand is not only that the message is delivered through (or in the context of) a perceived neutral, objective, and trustworthy organization or institution, but also that it is relatively cheap. Unlike ad budgets, which can run into the hundreds of millions of dollars, most public relations programs cost well under \$1 million. The downside of this cheapness and credibility, of course, is the lack of control: you can hope the media will present your story the way you want, but you have no way of ensuring that is what will happen. Public relations payoffs are also hard to quantify. Most companies simply attempt to add up the seconds or minutes of free media exposure for their brand names or logos and then value that exposure at advertising rate equivalents. A few companies actually test for increases in brand awareness, attitudes, or sales in markets with versus without the PR campaign.²⁹

Obviously, the standard way to try to get PR coverage is to send out news releases to the media or to hold a news conference. These are more likely to be used by the media if they contain something that is genuinely newsworthy in the context of the publications that are targeted. Ask Yourself: If I were the journalist receiving this news release, would I consider it news that my readers should see? Following this logic, Quaker Oats sponsored and publicized research about the health benefits of eating oats, which was picked up by most media because they thought most readers would in fact benefit from that information. Other ways include the creation of events such as McDonald's sale of its 50 billionth hamburger or the opening of its restaurants in Moscow and Beijing, or the contests described above.

Integrating the different elements.

Thus far in this chapter, we have discussed some of the other communication elements that a communications manager can and should use in addition to advertising. It should be clear that a huge variety of these communication elements exist, and the purpose of this chapter was merely to introduce you to what they were and to refer you to sources for further information. Obviously, the best communication programs manage to use many of these elements in ways that reinforce each other.

The Southwest Airlines case noted at the beginning of this chapter illustrates such mutual reinforcement of these elements and is an example of what is today being called integrated marketing communications (IMC).

What Is Integrated Marketing Communications?

Despite the increasing use of the term "integrated marketing communications" by both practitioners and academics in recent years, there is little agreement on what the term actually means. According to one recent review, at least two related ideas are involved:

One -Voice Marketing Communications

As consumers increasingly begin to be addressed by the same marketer in a variety of different ways—through image-building advertising, public relations, direct marketing, sales promotions, point-of-sale material, collateral material (e.g., brochures and catalogs), and sales force calls—there is the obvious need to ensure a consistency of positioning, message, and tone across these different media. Such consistency is a vital element of brand building. Ideally, these different communications would all begin from the same vision of what the consumer was supposed to be hearing from the marketer so that they all operate seamlessly, reaching the consumer with one voice. At the very least, this implies that the different marketing communications elements—mass media advertising, direct marketing, sales promotions, package graphics, point-of-sale material, events, trade shows, employee communications, and public relations—need to be created in a tightly coordinated manner by the many different agencies and organizations (the PR firm, direct response agency, sales promotion firm, ad agency, client company) that work on the different elements.

Integrated Communications

A marketer's consumer communications need to not only raise brand awareness, or create or change brand preference and image, or to get sales trial or repurchase, but to do all of the above at the same time. Increasing image without getting a sales result is not good enough and getting short-term sales (e.g. via sales promotion) at the expense of a brand's long-term image is also courting disaster. Thus, it is argued that all marketing communication materials, particularly ads, should attempt to simultaneously achieve targeted communication goals (e.g., raising attitudes or building image) and lead to some behavioral action (e.g. trial or repurchase).

Why IMC Has Grown

As should be apparent from the two conceptualizations of IMC above, the need for IMC has grown in parallel with the trend to allocate marketing communication budgets away from their mainstay of mass media advertising. Both consumer goods and industrial goods marketers have moved increasingly large proportions of marketing resources into direct marketing and sales promotions. The amount of money being spent in direct marketing and in sales promotions has thus grown dramatically. These trends in spending patterns have occurred for various reasons, including the increased segmentation of consumer media, the increasing segmentation of consumer tastes and preferences, the easier access to consumer databases and computational resources, the increased pressure on

marketers to maintain the momentum of short-term sales, the increased power of the retail trade, the recognition of the importance of reinforcing consumer loyalty and repurchase via relationship marketing, and so on. At the same time, marketers have also been forced to recognize the vital importance of building and increasing a brand's image-based equity.

Thus, marketers now must accommodate more complex and multiple communication objectives simultaneously, must spread their marketing communications resources over a much wider array of techniques and media, and usually must implement these multiple communications programs through a larger number of vendors or agencies. The multiplicity of markets and media and objectives and organizations can very easily lead to a fragmentation and dilution of message consistency and impact, unless steps are taken to integrate these various communications efforts.

Impact of IMC on Advertising practice

Two major studies of the attitudes toward, and use of IMC were conducted in 1991 in the United States, by researchers from Northwestern University and the University of Colorado. In both, almost 80 percent of the respondents surveyed (marketing and advertising managers from client firms) said the concept of IMC was valuable to them by potentially providing greater consistency to their communications, reducing media waste. Their expectation was that the use of IMC would increase, provided that the key barrier to its use—turf battles and egos within their companies and in outside agencies—could be overcome. There was disagreement, however, on who should do the integrating. While marketing managers from larger, higher-expertise companies (surveyed in the Northwestern study) felt that the companies themselves should do the integrating, managers from smaller companies (in the Colorado survey) felt that such integration was the responsibility of the outside agencies. Clearly, how best to organize for IMC is a key issue in implementing it, and we will return to it below. Meanwhile, both clients and agencies have clearly become conscious of the need for IMC, and many companies and agencies have begun programs to train their managers to take a more integrated approach to marketing communications.

IMC Strategies and Tactics

According to Thomas Duncan, a company that thinks it is doing IMC should begin by conducting an audit: check to see the real degree to which it is coordinating its various communications activities and the real degree to which it is sending out messages that are integrated and consistent. Most companies that do this find they are actually doing less IMC than they first thought.³⁴ There are many barriers to doing real IMC, among them a lack of appreciation for its value (especially among top management), a lack of skills and training, and organizational structures and systems that create territorialism. We will discuss organizational issues further below, and providing skills and training (and an appreciation of its value) are obvious prerequisites to implementing IMC. But is there anything more to IMC than the commonsensical idea that all communications to the consumer about a particular brand should be “synergized,” which is hardly a novel or earthshaking idea?

There is no clear answer to this last question, and only a few interesting implementation-oriented ideas have emerged. Most of these borrow heavily from the concepts of database or direct marketing, discussed earlier in this chapter. Don Schultz and colleagues, for instance, have suggested that marketers should build a comprehensive database of customers and prospects and then think through what different time and place opportunities exist for the company to contact each segment of customers (such as loyals, switchers, new prospects, etc.), what medium or communications mode, with what message and tonality, and for what overall marketing objectives. An overall communications strategy must then be developed that guides the integration of the different communications tactics. Each communications contact with the target must then not only deliver the intended message, but also solicit a response, which is then added to the database for further analysis.

For example, the following sequence of questions should help develop an integrated marketing communications program:

1. What is the target customer's information gathering, decision, and shopping process?
2. Who or what are all the media, institutions (e.g., retailers), and people or influencers (e.g., pharmacists) with which the target customer comes in contact? In what sequence do these contacts occur? What communications opportunities do these contacts create for us?
3. For all these people, what attitudes and/or behaviors do we want to affect?
4. Therefore, for each communication opportunity, what are our communications needs? what quantitative goals?
5. For each communications opportunity, given what we need to accomplish, what is the best program(s) to accomplish it? advertising, direct mail, public relations, sales promotion, or other?
6. Given this choice and sequence of programs, how should the budget be allocated?
7. Who is to be responsible for implementing which part?
8. How will we measure the degree of success of each part?

The key to ensuring the desired integration and consistency in these various contacts is having organizational arrangements that facilitate rather than impede such integration, and we now turn to discussing these.

Organizing for IMC

Obviously, the easiest way to organize for IMC is to have just one outside communications supplier, such as an ad agency, and to have centralized responsibility for all brand communications within the client company, at either a brand/product manager or marketing vice president level. In terms of outside suppliers, ad agencies are more likely to have the expertise to perform multiple communication tasks (advertising, direct marketing, sales promotions, public relations) than standalone single-function suppliers (such as public relations, direct marketing, or sales promotion firms). Indeed, large ad agencies have for long claimed an ability to orchestrate all of a client's communications efforts if they were all done by that agency and its affiliates and have used this claim to solicit all of a client's communications

budget, not just the ad budget. Such orchestration should obviously be better for the consistency of message and tone necessary for brand building. Agencies also claim that if they handled all of a client's communication needs the client would have greater control, because overall responsibility for all those efforts would lie with one account supervisor at the agency rather than being dispersed. The agency would also supposedly be more responsive to the client's needs if it handled all these communications because the client's total billings with that agency would now be a larger percentage of the agency's revenue.

However, many clients have balked from giving their lead ad agency these multiple responsibilities because of a perception that a single ad agency might not have the best sets of skills in all these different areas, so that the client might get better expertise by mixing and matching skills from several specialized communications suppliers, instead of relying on "one-stop" shopping, while relying on the client organization staff itself to perform the necessary integration (especially among larger client firms).³⁶ Some even argue that an ad agency will never get the best talent in the nonadvertising communications areas simply because such people will always be "second-class citizens" in ad agencies. Consolidating all of a client's business at one agency also potentially reduces the motivating effect of having several suppliers compete with each other to come up with the best communications ideas for that client. In addition, most ad agencies themselves have had trouble integrating the different functions, especially if the functions are organized as affiliate companies or departments instead of being organized as people with different resources and skills working as part of one integrated account team. Many clients are thus skeptical that the different functions will be better integrated if they are combined under a single agency umbrella, instead of being at multiple unaffiliated suppliers, although they do believe the potential for miscommunication would be reduced.

It is not entirely clear, however, that the many people involved in communications programs at the client organization themselves perform the integration of which they believe they are capable. The sales force, trade account management, public relations, sales promotion, direct marketing and other staffs within client companies sometimes run programs that are not adequately coordinated with the mass media programs typically managed by brand or advertising managers and with each other. Many organizations such as IBM are experimenting with cross functional teams as a solution. At McDonald's, the various departments involved in a marketing project are all represented on a strategy review board led by a project manager, so they have input into the decisions and know what actions are to be taken by whom. It is obviously important to train everyone involved in the concept of integrated marketing, in the skills necessary to make it work, and to create a shared vision in them about what is to be communicated, with what tonality and with what effect.

Ad agencies too often have problems in properly incentivizing the use of a truly integrated approach by their account staff: if PR, direct mail, sales promotions, and mass media advertising are structured as separate profit centers, the managers of these divisions battle for budgets instead of doing what is best for

the client. Again, cross functional account teams led by one "communications director" who could be a direct marketing specialist, not necessarily the ad agency account manager-appear to be a superior organizational arrangement when combined with a financial structure that measures total account billings, not billings by function. It thus appears that the key needs in organizing for better IMC are (1) better communication and common goal-sharing among the various client personnel themselves and (2) better integration of the various functions within the major ad agencies that offer all or most of these different communications functions.

Summary

Advertising has many strengths (reaching mass audiences, creating awareness, building preference, etc.), but it also has major weaknesses (targeting individual consumers, making them believe a message, and pushing them to action). Thus, its use has to be combined with that of other communications elements (such as direct marketing, sales promotions, and public relations). And, this usage of all these elements has to be integrated in terms of its message, tone, and effect. Direct marketing is one communications approach that aims to evoke action. Its distinctive features are the ability to target small segments of consumers, to measure response to different offers, and to build customer databases. Direct marketing ads try to get consumers to respond immediately by building confidence, providing information, making it easy to order, involving consumers in the order process, and creating a sense of urgency that can overcome the natural tendency to inertia. - Sales promotions can be designed to create trial purchases, to stimulate short-term sales" to enhance purchase volume or brand loyalty, or to affect the brand image. Consumer promotional devices include coupons, samples, price packs, premiums, and sweepstakes. Trade promotions attempt to obtain or maintain shelf space, build retail inventory, get retail "push," and lower retail prices. More money is spent on sales promotions than on advertising, and it is essential that sales promotion efforts be coordinated with advertising efforts, to maximize the effectiveness of each and to ensure that the sales promotions do not dilute the long-term image of the brand. - Retail ads aim both to build the store's image and to create immediate sales, through building store traffic. Co-op ads, paid for by both the retailer and the manufacturer, are another important form of retail advertising. Reminder advertising seeks to maintain high top-of-mind awareness, through high frequency and other visibility-enhancing means. In-store ads try to increase brand salience at the point-of-purchase. Industrial ads seek to generate leads and inquiries that can then be followed up through sales calls. Public relations as a part of marketing tries to increase the credibility of a marketer's communications by appearing subtly in a third-party editorial vehicle. Techniques include news and editorial mentions, event and sponsorships, product placement, contests, and cause-related marketing. Genuine newsworthiness makes for easier placement. Such PR events are relatively cheap to create but harder to control. The emerging discipline and philosophy of integrated marketing communications tries to make all these elements work with one voice and in mutually reinforcing ways. A detailed IMC plan for every brand and situation need to be

thought through. The key problems issues in implementing it are those of training and organization, both internal and external.

Assignments

1. Take one example of a particular brand and discuss how integrated marketing communications have been used. Discuss in detail how the integration has been achieved.

LESSON 12: ADVERTISING AND MARKETING.

Topics Covered

The Marketing Mix, the product, placement, packaging, price, promotions, Marketing and advertising, Marketing Plan, Advertising Plan.

Objectives

1. To make the student aware of the place and role of advertising in the marketing mix.
2. What are the factors that make up the marketing mix?
3. What are the implications of a marketing plan.
4. The important aspects of an advertising plan.

Tools of Marketing: Marketing Mix.

Introduction

Once a marketers identify an unfulfilled need (like Titan identified the need for watches that were fashionable and Rasna identified the need for an inexpensive drink that could be easily prepared at home) or a partially fulfilled need (Cola drink that could be carried with you: Cola in a paper/plastic glass, or Diet Coke, a drink that would offer the taste but without the worry of fat) decide to exploit the opportunity. For exploiting this, the marketer must determine a marketing mix. According to Stanton's, "Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system: the product, the price structure, the promotional activities and the placement (distribution) system."

Variables affecting the performance of an organisation may broadly be divided into two categories: controllable and non-controllable. For example, during World Cup (in fact, immediately before it), the number of TV purchasers always rises in India. This is a non-controllable (favourable) factor affecting TV marketers. But, during the World Cup fever, which TV brands will sell more than the others will depend upon product features, pricing and advertising. These are all controllable variables affecting the company's performance. Marketing mix is concerned only with the controllable variables, i.e., the decisions with respect to these four p's (product, price, promotion and placement) and is taken by the management of the organisation. Thus, for example, recently, Ford has developed a car model (Ikon), exclusively for the Indian market, to compete with Maruti, an existing model, of the Japanese Suzuki. Nirma decided to offer its detergent at one-third the price of Surf. Likewise, Santro had decided to use Shahrukh Khan in its advertising campaign. Finally, Oriflame, a brand of ladies and gents cosmetics, is never sold through retail outlets. These are all decisions relating to the four P's that have been taken consciously by their firms.

A firm has to take decisions relating to the various elements of marketing mix, so that its marketing objectives are achieved in the most effective manner. For example, a firm may be inter-

ested in achieving a volume of sales at a price which permits a decided level of profits. But how to go about it? Should it keep prices high and sell low volume? Or, should it reduce the price and sell larger volumes? For example, recently, Palmolive soap has reduced its prices to achieve greater sales.

In other words, there exist many alternative possibilities of combining various elements of marketing mix. The problem is to find an optional way of combining these elements to get the best results.

The previous management of Colgate was very conservative and profit oriented. It did not believe in introducing new products. But, the new management has a different philosophy. Because of earlier conservatism, Colgate was slow in entering the gel segment which is the fastest growing segment in toothpastes nowadays. Close-up is now the leader of this segment. A faulty decision has cost Colgate dear.

The following is a brief list of marketing mix variables:

Product variables

Basic product and its variations Design, quality, features, models, style, appearance, size of product packaging and labelling of the product Branding and trade mark Service: pre, during and after sale of the product

Price variable

Basic price, discounts and rebates Payment terms, credit terms, installment facilities etc. Price fixation: through market forces (supply and demand) or by the government.

Promotion variable

Personal selling, sales force characteristics, etc. Advertising, media choice to send advertising message Sales promotional efforts, display, contests, trade promotions Publicity and public relations

Placement variables

Channels of distribution, types of intermediaries Physical distribution: transportation, warehousing, inventory keeping, etc. The marketer has to take decisions relating to all of the above. We will now spend some time in understanding these elements of marketing mix.

Product

Product is the reason for marketing and the object of advertising. Customers view products as 'bundles of satisfaction' and not merely as physical objects. For example, both Mercedes and Maruti 800 are cars, but Mercedes gives status. For a Maruti 800 owner, the status is lacking but initial low price and economical driving are the deemed advantages. Likewise, a coat of lipstick may be used by a girl only because it makes her look beautiful.

Activities relating to products include its general features, quality, brand name, packaging services, warranties, etc. Product planning also ensures greater choice to the customer. For instance, each producer can make a product with some distinct

features to suit the requirements of specific customers. Thus, more than 100 brands of shampoo are available Indian Market today. Hindustan Lever alone makes Lifebuoy, Lux, Rexona, Pears, Dove and many other bathing soaps. Videocon has more than 20 models of TV. To the producer, product planning helps in effectively facing the competition by virtue of its distinct product features (thus, only Sony TV has Trinitron picture tubes; only Dove claims to have moisturizer in the soap, etc.) which his competitors may not have.

Another important question in respect of 'product' is the determination of the 'product mix', i.e., what are the products that the company wants to produce and sell in the market? For example, broadly speaking, Britannia manufactures products that we can eat (Remember its slogan: "Eat Healthy, Think Better"). Likewise, the Cadbury people are known for their chocolates.

Branding

Each producer must give a distinctive identity to its product so that the customer can identify it. By branding a product, we attempt to create such an identity for a product using a name, symbol, or something else. Thus, in Delhi, Airtel and Essar are the two brands of mobile communication service providers, whereas Nokia, Motorola, Ericsson, Siemens, etc., are the brands of mobile telephone instruments. A brand name is a very important communication device. It develops brand equity, i.e., the reputation. Losing brand equity will mean losing sales. For example, before Titan came on the scene, HMT had a brand equity which it has now lost. Likewise, Modern Bread is hardly seen nowadays. Nobody mentions Campa-Cola while asking for a soft drink. The right image for the brand is very important. There is this world famous brand of Marlboros cigarettes. When it was introduced in America, it was meant for ladies. Somehow, the image did not click. The marketers changed the image of the brand (and the potential users of the brand) to a masculine one. It has become a big hit! Market research in India pointed out that Kinetic Honda had the image of being a women's scooter since it had an electronic ignition and no kick start!

Packaging

Packaging is again a communication device which is much more than a protective container. 'Package is the message'. So, when packaging works in synchronisation with other tools of marketing communication (such as advertising), it catches the attention of the customer, presents a familiar brand image and even communicates critical information about the brand. It facilitates brand identification and at times, even motivates a customer to buy the product. It serves as a critical reminder at that critical moment when the customer is to choose from among several competing brands. To test it yourself, think about Pepsi or Coke this moment. You will visualize the distinctive shape of the bottle in each case.

Placement

Another important activity in respect of marketing, relates to the physical distribution of the products. No customer would be able to buy a product unless it is made available at a place that is convenient to reach. Thus, Raymond suiting is manufactured in Maharashtra but we can buy it in Delhi. JK Tyres are

made in Rajasthan but can be fitted Delhi cars. Omega watches come from outside India. The goods should be made available at the right place and at the right time. To ensure this, the marketers have to take decisions in respect of two important aspects:

- What will be the channels of distribution?
- How will the goods be actually distributed physically?

Physical distribution activities are related to the movement of products from the place of production to the place of purchase. Naturally, the distribution has to be done in such a way that the product reaches the customer in right time and yet, is done at the minimum cost to the sender. Because garments are bought according to the season in which they are worn, Indian exporters send them by air freight to destinations like France, UK, USA, etc. But other things like towels, bedspreads, etc., are exported through sea freight since it is cheaper and these things are not used according to any specific season. Nowadays, even computer companies use courier services, instead of conventional road/railway transport, critical components to their customers.

If the marketers sell directly to the customer (like Eureka Forbes selling its vacuum cleaners, or Oriflame selling its cosmetics) it is called direct marketing. But in most of the cases, the marketer takes the help of intermediaries or middlemen. Channels of distribution (i.e., the middlemen) are the routes through which ownership of the products is transferred from the producer to the buyer. A typical channel of distribution could be from manufacturer to wholesaler to retailer to consumer. This is how, for example, cigarettes or pan masala, favourite dress materials, or shampoos reach us.

While selling, two alternative approaches are possible, the pull and the push strategy. For example, a producer may attempt to pull the customer in a retail outlet through advertising. In such a case, a retailer acts more or less as a stockist, selling the customer what is demanded under the influence of advertising. This is how Pepsi and Coke or bathing soaps are sold. In contrast, a push strategy involves great effort on the part of the retailer to market the product. In this case, advertising, when undertaken, is called business-to-business advertising, whereby, first the manufacturer influences the middleman to stock the brand. Subsequently, the producer offers incentives to the retailer to push the product towards ultimate buyers. That is how consumer durables like TVs, fridges, etc., are sold. Retailers tend to recommend that brand to the customer in the shop which gives them better commission and not necessarily the ones that are the best. For instance, through a clever combination of the pull and push strategies, but mostly push, LG has left many previously established brands behind.

Price

Price refers to the amount of money that consumers pay in exchange for the product. Price has to be fixed at such a level that the product remains affordable. Some of the important factors dictating price are manufacturing and post-manufacturing (e.g., transportation, warehousing, advertising) expenses, the targeted level of profit, functional features of the product and image factor.

Value

The term value means the utility of the product to the customer. Customers purchase a product to satisfy their wants. The capacity of a product to satisfy human wants is its utility. Greater the utility of a product, more will be its value to the customer and therefore, more will be the price they would be willing to pay. For example, if you are a fashion model, then the value of the latest high-fashion garments would be very high to you. You would not mind paying a high price for them. Someone else may not buy them since, at that price, they are not so valuable to him. During an emergency, value of a railway berth may be so high that you may be willing to pay twice or thrice the normal railway fare. Last year, on account of supply shortage, the value of onions went up so much that people were even willing to pay Rs. 50 per kg! In contrast, initially, when Levi's kept the prices of its jeans at a level higher than that in America, there were few buyers.

Costs

Cost refers to the amount of money spent in the production and distribution of a product. A manufacturer generally does not sell a product below its cost. Thus, cost denotes the minimum level at which a product can be sold. 'Value' and 'Cost' are thus two extremes of the pricing decision. Value denotes maximum payable price, while cost indicates minimum acceptable price. Actual price falls somewhere in between.

Promotional Expenses

These get added to the cost of production and distribution and must be recovered from the price. Likewise, after-sale service and middlemen trade policy (relating to commission payable, etc.), also affect the price of a product.

Competition

The degree of competition existing in the market is a very important factor affecting the price. For example, Dettol soaps (75 gm) is available at Rs. 13.50 per piece. To compete with it, Savlon soaps are being introduced by Hindustan Lever in the market at the same price. On the other hand, Palmolive wanted to compete against Lux. Its price was the same. Since it could not succeed, it decided to reduce price to outsmart Lux. Nearly all computer brands have reduced their prices by nearly 30-50% because of intense competition.

Government Regulations

In India, the government places numerous restrictions on fixation of prices on some commodities. Every manufacturer has to keep such regulations in mind. For example, drug prices usually are regulated in India. The price of petrol is again fixed by the government.

How important the price factor is, can be seen from the following example. During 1999, Pepsi and Coke decided to hike the prices of their 300 ml bottles by Re. 1/-. Their sales declined. It is estimated that price elasticity in their market is - 1.76, i.e., if there is a one percent increase in price, there is likely to be a 1.76% decline in demand in India.

Promotion

Promotion is also called marketing communication. This element of marketing mix aims at informing and persuading the customers to buy whatever the marketer is offering. In fact,

the more appropriate term would be promotion mix, since a combination of personal selling, advertising, sales promotion and public relations produces a co-ordinated and, of course, more effective message. To take one example, nowadays, microwave oven sellers advertise their brand, highlighting their special features (for example, Samsung says that its microwave has ceramic walls, not steel ones, to lower the electricity consumption), offer their product at introductory price (IFB offers at as low as Rs. 6990) which is sales promotion, plus invite potential buyers for free demonstration of what their product can do (personal selling) and finally, invite writers/experts to write articles about healthy microwave cooking (an example of publicity), say, in a magazine like Femina. Together, a fine example of wing promotion mix. Of course, depending on the objective that a marketer wishes to achieve, the relative emphasis on individual tools may vary for example, advertising can achieve (contact with millions of customers with the help of a single message) benefits that personal selling may not. (Of course, personal selling can answer all the questions arising in the customer's mind; this, advertising cannot do.) We will come back to these issues later.

Role of Advertising in Marketing

Introduction

Ford Motors has introduced a new model, Ikon, in India on Nov. 22, 1999. For this, it advertised in two phases. In the first phase (in June 1999), the effort was to give the brand a human face. The marketing strategy was designed to enhance the interest levels of potential cars customers before the actual launch of the car. Then, the headline used was, "Faces behind the Ikon. Ikon behind the Faces". Meanwhile, it appointed 22 dealer showrooms throughout the country. The 3 box car (1st box: bonnet; 2nd box: passenger compartment; 3rd box: dicky) has been on display at these showrooms since then. Besides, the car will also be displayed at other strategic locations in major cities across the nation. On October 22, 1999, it started with the 2nd phase of advertising, with the strap line: "The Josh machine". This phase initially have a teaser campaign (a teaser campaign is one which does not reveal the brand name immediately, but in phases. If you recall, we talked about the Surf Excel campaign in the previous lesson. That is an example of a teaser campaign) and then, the 'theme campaign' (a theme is a basic idea around which advertising is undertaken). The objective would be to inform the customers about the innovative features of the new model. It will be an informative campaign, with an emotional appeal.

The car is being positioned as an aspirational, stylish and contemporary car. The second campaign is targeted at people who are young at heart. The new model is positioned between the mid-size category (i.e., in competition with Esteem, Accent, Gelo, etc.) and the luxury car segment (i.e., Opel Astra, Lancer, Ford Escort, etc.) Now, before proceeding further, please answer the following questions:

- Which product is being advertised? Is it an established or new product? . Who are the potential buyers?
- Why would they buy this car?
- How will the company present its message to these buyers?

- Where are you likely to see the advertising of this product? In print? In TV? Both?
- What will be the advertising cost? High? Low?

Read Further

Recently, Hyundai has launched a new model called Accent in the mid-sized car segment. Simultaneously, it is beginning a Rs. 6 crore Ad campaign to communicate its strengths in technology, styling and class.

The tag line (Tag line is the last line in the Ad in the form of a slogan with which the Ad ends) is : 'Power to Excite'. The chosen media for advertising are both TV and print. In the first TV commercial (TVC), car is shown moving under a silk covered road with a line "open your eyes to the \$1.2 billion car - Hold your breath". Here, \$1.2 billion refers to the investment in R&D (research and development) the model. In the second TVC, the veil of silk is removed and the Accent is revealed in all its splendour.

By March 2000, the company will spend around Rs. 9 crore in advertising and promotion out of a total budget of Rs. 16 crore. This is because, according to the company, in the car market, advertising only informs and creates awareness. From there, it is personal selling effort. For that, Hyundai has appointed 72 dealers. These dealers will undertake various public relations and publicity activities to promote the car.

Accent is being targeted at corporate executives and individuals with high nett worth who are looking for contemporary technology and nett value. Now, stop again and answer the questions that we had asked earlier.

Marketing And Advertising Relationship

Through these two examples, we wanted to tell you that advertising is not an end in itself. It is a means to an end. In business, advertising is used as a means of maximizing profit. This of course happens in the long run. In the short run, advertising may aim at selling a particular quantity of a product or gaining an acceptable image for the product, etc.

Once something has been produced, it has to be sold. However, marketing starts before and not after, the act of production. Marketing is done in terms of the four Ps that we talked about earlier. We will repeat them here for quick recall. Product activity includes developing the right product or product line, packaging and branding. Placement determines the selection of the right channels for moving the product to the customer, including transportation, storage, wholesaling and retailing. Promotion is concerned with communication and persuasion, making use of advertising, sales promotion and personal selling. Lastly, price deals with setting the optimum selling price, so as to maximize the profit of the firm.

All these marketing decisions cannot be taken effectively unless, the external forces which affect them, are taken into consideration. Even though marketing management cannot control these external forces, it cannot afford to ignore them either. These forces include the competitor's action, economic conditions, political climate, legislative action, technology, etc. For example, Ford has decided to sell Ikon at Rs. 4.99 lakh, whereas Accent was priced at more than Rs. 5.2 lakh. Likewise, in India,

currently, a foreign car company (say Honda) cannot import its cars and sell it in the market.

Thus, in order to be successful, a marketing plan needs to be prepared. And from this marketing plan, flows the advertising plan.

Marketing Plan

A marketing plan (a) examines the major acts in a marketing situation of a product; (b) identifies the 'problems and opportunities in the situation; (c) proposes long range strategy to meet these problems and opportunities; and (d) recommends tactics of selling and advertising for the coming year, to carry out this strategy.

Thus, a marketing plan will have four focus areas:

Situation

This involves studying the relevant facts about the market, the manufacturers, the distribution channels, the consumers and the product. Thus, for example, the following questions need to be asked:

- Questions about the size of the market.
- Questions about the industry: Who are our competitors? What are their strengths? What are our competitors' marketing activities?
- Questions about our product: Salient features and their comparison with competing products.
- Questions about customers: Their profile: Age group, likes, dislikes, etc. We will illustrate all these points with the help of a case study.

Problems & Opportunities

The above analysis itself tells us about the problems that need to be overcome (too people accept the product concept? Have they liked our pricing?) At the same time, the section also tells us about opportunities (What is the unfulfilled need that our product can meet? And meet better than our competitor's product?). For example, a recent survey showed that B&W TV still is demanded in rural areas and by 2006-7, this demand will be much higher.

Demand/Purchase for B&W TV

	1994-5	2001-2	2006-07
Urban Areas(million)	453.5	497.4	426
Rural Areas(million)	132.9	322.0	393.3

As you can see above, the demand is likely to fall in urban areas. Naturally, therefore, a TV company has to assess problems of reaching rural areas against the opportunities that this market presents.

Marketing Objectives

While marketing objectives can be set in various ways, one way could be the total sales volume targeted. For example, Hyundai Accent plans to sell 20% (out of a total size of 60,000 mid-size cars) Accents in the first year of its launch itself. Thus, it is targeting a figure of 12,000 sale units. Ford is even more ambitious: It wishes to sell 20,000 (i.e., 33%) cars in the first

year itself. Similarly, every company has to decide on its marketing objective.

Marketing Strategy

In marketing terms, objectives are what the company wishes to accomplish and marketing strategy determines the methods to achieve these objectives. To take an example, Operation Flood sells milk under the Mother Dairy brand. It conducted a research and found out four things: (a) the consumption of milk can go up if milk is for children only, (b) children and adults alike, think that milk is a very 'boring' drink, (c) Mother dairy milk was considered superior to other brands.

Objectives set were: First, develop Mother Dairy milk as a brand which offers for achieving relevant and unique consumer benefits. Second, increase usage rate of milk (say, by suggesting that milk can be taken on any occasion and in any form). Third, it was realized that the best way of promoting the idea would be through advertising.

The strategy adopted was: Focus on delicious and appetizing visuals showing milk drinking. In general, while deciding on the strategy, the company keeps in mind:

- The target market
- The appropriate marketing mix
- The positioning of the product.

You must be familiar with the Himani Gold brand (since Raveena Tandon, the heart throb of many young persons, appears in the Ad). It has the positioning of a turmeric based cream and is targeted at the traditional Indian practice of using Haldi as a purifying medium. Earlier, this product was marketed primarily as a face cream; now, the company has decided to relaunch it with new packaging and advertising, as a face to body complete skin treatment solution. The objective is to expand the applications of the product.

Marketing Tactics (Action Programs)

Once the marketing objectives and marketing strategy have been set, the company may determine what specific actions should be undertaken, by whom, when, etc. i.e.:

- Objectives indicate where the company wants to go.
- Strategy indicates the intended route that you need to follow.
- Tactics determine the short-term details of how to implement your route.

(As an exercise, examine your objectives, strategies and tactical moves, behind your getting enrolled in an advertising course.)

For example, if you are a shirt manufacturer, you might decide to develop a brand that caters to the latest fashion, will sell at minimum Rs. 795, will be available in Delhi at only upmarket stores (like Heritage, Old Street, Study by Janak, etc.) and will have an advertising budget of Rs. 1 crore in the first three months of its launch in the market.

Advertising Plan

From marketing plan flows the advertising plan. By reviewing the marketing plan, an advertising manager understands where the company is going, how it intends to go there and the role that advertising will play in the marketing mix. For setting the advertising plan, six questions need to be considered.

Merchandise

What products/service is the firm planning to advertise? Is it a newly established product? What are its benefits and unique selling proposition?

Markets

Who are the current buyers/potential buyers? How can they be segmented from non-buyers?

Motives

Why are these people interested in buying?

Message

How can the advertising story be most effectively presented? What kind of appeal will be appropriate (rational or emotional: For example, while using a fridge what will determine your decision: its beneficial features or the looks? Why should a girl use a moisturizer - because it makes her face more beautiful or because it saves her from the problems of dry skin?). How can this message be communicated through words and pictures?

Media

Where should the advertisement be placed? If newspapers are to be used and if advertising has to be done in Mumbai, Calcutta, Delhi and Chennai, then which newspaper will be used at what cities (Incidentally, the name of the particular newspaper is called 'Media Vehicle'. For example, if you advertise in India Today, then India Today is the vehicle of your advertising). Should we use a combination of print and TV media?

When should the advertisement be released? On weekdays or on weekends?

In January or June? (This is called scheduling of advertising).

Money

What will be the advertising costs? How will the funds for advertising be allocated?

A Case Study

We present below, an actual marketing-cum-advertising plan suggested by Madhyam Advertising to 'Speed Post' (i.e., the courier service of Deptt. of Post and Telegraph) some years ago. Some elements are missing (like advertising budget) because we are not permitted to reveal that.

Stage A

1. Review the performance of Speed Post in the recent past
2. Decide on a desirable image for Speed Post:
 - Build the image of professional service, not just another govt. organization
 - Make speed post synonymous with reliability, accountability and efficiency
 - Tell potential users that speed post has introduced new facilities and covers more and more destinations
 - Tell them that speed post provides the cost advantages that no one else does.

Stage B

3. Current industry scenario analysis:
 - Increased number of players
 - Shift taking place from generic selling to brand selling

- Concept of courier business changing from documents to other things also.

4. Competition

- DHL (Turnover Rs. 50 crore), Skypak (Rs. 30 crore), Blue Dart (Rs. 26 crore),
- Elbee (Rs. 24 crore), Overnite (Rs. 25 crore) plus around 4500 more.

5. DHL: 20 years old, covers 183 international destinations, worldwide organization, emphasizes technology, automation, speed and international coverage.

SKYPAK: 10 years old, 180 international destinations, all-India network, offers certain specialized services (like Nightbird: Late night deliveries).

BLUE DART: 8 year old, 125 international destinations, international partnership with Fedex, offers value added services like 'Just in Time' service and 'Reliability'.

ELBEE: 10 year old, linked with 180 countries worldwide, international partnership with UPS, focus on bulky products and emotional appeal used in promotional messages.

VERNITE: 5 year old, all India network, emphasis on punctuality, fast service and bulky goods, special service for banks and financial institutions.

Stage C : Market

The Table Below Shows the Business for Speed Post.

Speed of Delivery	Type of Document	Very precious/confidential		Important		General	
		Document	Non-document	Document	N/Document	Document	N/Document
Immediate	Less than 1 day or 1 day	Big Pvt. Courier (BPC)	BPC	SP	SP	SP	SP
Urgent Faster than post	1-2 days	BPC	BPC	SP	SP	SP	SP
	3-4 days	Speed post (SP)	SP	SP	SP	Unorganised	Unorganised sector
Not much hurry.	More than 4 days	Regd. Post	Regd. Post	Regd. Post	Regd. Post/ Organised post	Ordinary Post	Ordinary Post

Stage D : Swot Analysis Swot Analysis for Industry

S (Strengths)	W (Weaknesses)
Annual growth: 50%	Erratic airline schedules
Greater acceptance of courier services as a concept	When airline rates increase, courier profitability is affected
0 (Opportunities)	T (Threats)
Growing market	Increased competition
Speed post can create a distinct image	Presence of unorganised sector
Can meet the demands of specific target groups	Demanding clientele

Stage E : Marketing Strategy

Mainly target growth in key areas using price as the USP.

Stage F : Advertising Plan

Advertising Objectives

Reinforce/maintain/improve attitude of target groups

Bring speed post into preferred choice of customer options, create sense of pride and belongingness among employees

Advertising Strategy:

Stress cost advantage

Prove reliability, efficiency

Advertising Media:

Press campaign for

(i) product (existing and new) news

(ii) building corporate image.

Direct mailers to companies

Hoardings

Use of inland letters/ aerograms, etc. for speed post Advertising.

Stage G : Promotion Plan

Promotions like discounts, etc. for bulk/regular users, specialized product promotion.

Another Case Study

Recently, Braun has launched an electric toothbrush under the name Oral-B in India. Price: Hold your breath, it ranges between Rs. 1995 - Rs. 2995. Naturally, this product is not for everyone. In fact, even in USA and other developed countries, the electric toothbrushes hardly had any sales till the 1980s. People saw no reason to pay such a huge sum just to save themselves from manual brushing. So, later on, the company decided to position the brand as plaque run over (plaque causes 80% of dental troubles).

The product available in India is totally imported. It has a cup shaped brush head which oscillates to remove plaque. The built in timer signals after 2 minutes that it is sufficient. Though expensive, the product can be used by the entire family since each member of the family can fit his/her own brush

head on the same body of toothbrush. But note that the brush head itself costs Rs. 145. Because the product is really for a very small segment (the so called niche market) the company has introduced it only in six metro cities.

Not only this, the product will be routed through dentists who are likely

to recommend it to those who have major teeth/gum problems. Since Oral-B manual toothbrushes are already in the market, this brand has awareness. But note that at this stage, the brand is not being advertised.

Summary

Thus, now we can show the complete decision sequence analysis of advertising strategy. This analysis provides an illustration of the stages in the promotional planning framework discussed in the previous chapter and the current one:

Step 1: Situation Analysis

Demand, target markets, segmentation and positioning, competition, legal considerations, etc.

Step 2: Objective Establishment

Market objectives, communication objectives, sales objectives.

Step 3: Determination of Money

Money needed to achieve objective; money available.

Step 4: Determination of Marketing Mix Elements

Product, price, placement, and promotion.

Promotion through: Advertising, sales promotion, personal selling and/ or public relations.

Step 5: Advertising Planning

- Message strategy: What to say
 How to say it effectively
- Media strategy: Which media to use
 Which vehicle to use
 When to advertise?
- Money strategy: How much money to spend
 How to spend that money
- Production and execution of the message in chosen media
- Measurement of effectiveness of our advertising.

Case Study

De Beers consolidated Mines manages consumer demand for its gems, diamonds and diamond jewellery in 34 countries using Ads, publicity and promotion among intermediaries (wholesalers, retailers, etc., also called as channel members or trade members). In the post-liberalisation phase (1992) in India, De Beers decided to exploit the mega potential market through Ads, publicity and trade programs.

The first step was naturally market research. The company spent the first two years in understanding the consumer and in quantitative market research. Without going into details, as a result of this research, the total market was divided into 3 segments: Singles, married (or about to get married) and post marital elites.

Through research, it was also found that consumer attitude toward diamond jewellery was not as strong because in India, gold commanded a higher desirability. Gold was seen as traditional, common, old fashioned and as an investment, diamonds were seen as modern, special, young and eternal. This gave an idea to the company on how to position diamonds. Well, diamonds were projected as more modern and aspirational as compared to gold.

While the target audience felt positive that a diamond is beautiful and has eternal appeal, the negative attitude was due to (perceived) high price and low knowledge about real and fake diamonds.

Thus, in early 1995, the De Beers marketing strategy was to persuade consumers to include diamonds in their good jewellery as add-ons rather than as gold substitutes. Besides, it wanted to persuade the trade to increase its stock of diamonds.

As regards, the occasions to buy research indicated that pre-wedding was one such opportunity. Post-marital acquisition was considered another occasion. But post marriage, the purchase was very low.

The communication options were two: A woman buying a diamond for herself with the husband's approval on without his approval. Or, a husband surprising his wife by gifting a diamond to keep the spirit of romance alive. Well, most women researched said that they would prefer the second situation.

It was also "decided to position diamonds as 'international symbols of love'. In India, it was found that this was also treated as a gift, reflecting one's status. So in 1995, two TVC (TV commercials) were produced: In one (to keep modernity in focus) a girl was shown working, confident and capable. She was gifted a diamond by her parents (symbol of parental love). In the second, a couple (modern looking) is shown, where the husband is presenting a diamond ring to his wife (as a symbol of continuing post-marital romance). Two barriers still remained. One, belief about their expensiveness and two, lack of knowledge about genuineness and hence the unease to purchase. For this, advertisements in print were created which (a) focussed on creating identity of diamonds with women; (b) directly compared the cost of diamonds with other familiar objects; (c) gave information about diamond testing to make the target audience more knowledgeable.

Was the advertising campaign successful? Well, the recall was 25% for the first Ad" and 38% for the second one. And while the general change of attitude towards diamonds was almost non-existent, the change was 64% from among those who had seen these TV Ads (incidentally, a TV Ad is also called a 'spot').

More people now saw diamonds as a good way to invest and worthy of the expense. And while 72% of the researched audience had felt uneasy about purchasing diamonds in 1996, due to lack of knowledge, this figure dropped to 60% in 1997. Likewise, 50% did consider diamonds to be a more personal gift. Yet, the findings revealed that diamonds still scored over gold only on beauty and status factors.

In 1997, the major changes were in the use of media for advertising. Doordarshan was used since mid-May. However, while brand recall increased considerably, attitude toward diamonds did not improve any more.

In 1997, the De Beers market grew at a stupendous 19.4% in India, one of the highest rates of growth for diamonds in the world. With an Ad expenditure of Rs. 6.5 crore, sales touched Rs. 534 crore. The ratio between advertising and additional sales was 1.2 : 100. The acquisition of diamond in the population rose from 0.7% (1995) to 2.6% Another 12% were considering whether to buy or not.

Summary

In this we cover - The Marketing Mix and its specific components such as Product, Placement, Packaging, Price,

Promotions, Marketing and advertising, Marketing Plan, Advertising Plan.

Assignments

1. What is the role of advertising in marketing management?
2. Under what condition might advertising be the dominant element of marketing mix?
3. What is the role of advertising in the marketing mix?
Discuss
4. Discuss the concept of marketing mix and discuss the factors that determine it.

LESSON 13: HOW ADVERTISING WORKS

Topics Covered

- The effectiveness of advertising.
- How Communication works
- Message reception and response
- How brands work

Objectives

When you have completed this lesson, you should be able to

1. Explain how a basic communication model differs from interactive communication.
2. Explain how the advertising communication model works.
3. Outline the message reception and response process.
4. Summarize the key factors in brand communication

Have you ever felt guilty about digging into a bowl of rich, creamy ice cream? If so, an EFFIE award-winning campaign for super premium HCiagen-Dazs may make you feel better. Created by New York's Wolf Group, the campaign was designed to help the brand face the most competitive selling *season* ever in the summer of 2000 when Godiva, Starbucks, and Dryer's/Edy's "Dreamery" were all entering HCiagen-Dazs's premium market with new offerings. The Wolf creative *team* knew from research that even though the brand's image was seen as aloof, cold, and corporate, the eating experience was much richer. The language for the new campaign idea came from the brand's most devoted users, who said, 'Haagen-Dazs is a joy, a spiritual thing. It's a wonderful downfall. And, if it wasn't so bad, it wouldn't be so good. Eaten as it is, straight from the pint, places you in a blissful world all your own.' As another consumer said, "When I enjoy, I experience such passion, I surrender to it body and soul." The core essence of this brand is not just the premium brand image or the variety of flavours, but rather the experience of eating it, an experience captured in the campaign's slogan, "Too Much Pleasure?" Who else but HCiagen-Dazs could offer such complete surrender to an eating experience? Who else could so convincingly promise 'passion on a spoon'? The idea behind the pleasure theme is that it's *okay* for you to take some-time out to indulge yourself in this little pleasure. In one ad, a man longingly opens a pint of ice cream, with the headlines, "Thank god she's late." Mike Rogers, Wolf agency president and creative director, explained that "with pleasure, there's a little bit of guilt or sinfulness" and these perfectly normal feelings are something we all share. By unleashing the power of the experience, the campaign not only won an EFFIE award; it also proved to be highly effective in increasing brand awareness and positive product perception, as well as increasing the volume of the brand sales in highly competitive category. In the end, it helped HCiagen-Dazs's position as the leader in the super premium ice cream category.

The Effectiveness of Advertising

USA Today conducts an annual poll on which TV commercials are the most popular among its readers. For years, those clever Energizer bunny commercials topped the field in the poll. They started off like commercials for other products-but then the Energizer bunny crossed the screen, catching viewers by surprise. The campaign slogan was "It keeps going and going and going. . . ." The commercials won a number of advertising awards, but which company made the Energizer battery?

Most people weren't quite sure. So when they got to the store, they bought the brand leader -Gillette's Duracell, instead of the Eveready Energizer. In other words, the Energizer bunny commercials did little to influence the actual sales of Eveready batteries, even though they had high levels of awareness and were well liked. Energizer has taken steps to correct this. Newer commercials have more brand tie-ins to Energizer and Eveready, and more importantly, you see the bunny on the battery's packaging and on store displays.

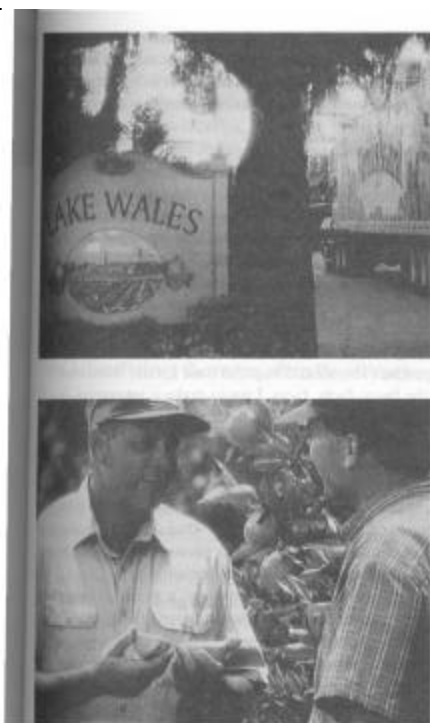
So are these creative commercials effective if they fail to sell the product? It might have been because people didn't quite understand that the commercials were advertising the Energizer battery rather than the Duracell. Most people are paying only a limited amount of attention to a TV commercial or print ad, so the ad may create little impact if the message is complicated or the brand links are unclear, even though it's well remembered and well liked.

That's the point of this chapter. How do we decide if an advertisement-or other marketing communication message-is effective? What are these messages designed to accomplish and how do they work to create impact?

When we say that advertisements (or other promotional messages) are designed to accomplish something, we are referring to their objectives. Setting objectives is an important part of an advertisement's strategy and meeting those objectives is the primary way effectiveness is determined. But before we can discuss objectives, we need to first understand how advertising works-all the various kinds of effects it can have on an audience and all the different results it can achieve. This is what is called the "impact" of a message.

How much **impact** can advertising actually have on its audience? Consider a survey reported in the industry magazine *Adweek*: The survey found that when consumers were asked what prompts them to try new food products, coupons were the most effective and advertising was eighth. This suggests that price promotions are more effective, at least for trial, than advertising. Although only 13 percent of the respondents confessed that advertising is "very influential" to their own food purchases, nearly half (48 percent) believed it is very persuasive in motivating other people. In other words, people

think it has impact, but they feel that they themselves are immune to the impact.



The Florida's Natural advertising campaign was effective because it has a strong visual appeal.

In addition to such effects as motivation and persuasion leading to trial, another objective of advertising is to provide

information about a product. However, Regis McKenna, author of *Relationship Marketing*, believes that advertising's effectiveness is limited in this area because it doesn't provide an opportunity for questions and feedback. McKenna's viewpoint, to be effective, ads should open up a dialogue with the consumer. That's not a common view of the role of advertising, however. Most advertisers and their agency partners are more concerned with whether ads have an impact on immediate sales rather than whether they create long-term "soft" effects, such as brand awareness and receptions of a brand's image.

To answer the sales question, for example, Syracuse University Professor John Philip Jones analyzed hundreds of ads using single-source data (information about media use and products purchased by a single household). In his book on this research, *When Ads Work*, Jones concludes that the strongest ad campaigns can triple sales, whereas the weakest can contribute to sales falling by more than 50 percent. According to Jones, effective ads have three qualities: "One, the ad itself has to be attractive enough for consumers to look at, it has to have likability; two, all effective advertising is totally visual in its communication impact; and three, you must have more than warm, fuzzy images." Results like Jones's suggest that ads can be effective, but if they are not correctly designed they may just as easily fail. The Florida's Natural campaign, in fact, met all three of Jones's requirements—it's likable, it's visual, and the visuals have strong emotional appeal.

In this introduction to advertising and its impact, we've talked about advertising's role in creating such effects—the impact of the message on the audience—as influencing, informing, motivating, and persuading, as well as creating trial, sales, brand awareness and a likable brand image in consumers' minds. That's not a complete list of all things an advertisement can accomplish, but it gives you an idea of why it is important to understand the logic behind how advertising works, so you know what is achievable with an advertising message.

How Communication Works.

Advertising is, first of all, a form of communication. In a sense, it is a conversation with a consumer about a product. It gets attention, provides information and a little bit of entertainment, and tries to create some kind of response, such as a sale. The legendary David Ogilvy, founder of the advertising agency that bears his name, explained his views of an advertisement:

"I always pretend that I'm sitting beside a woman at a dinner party, and she asks me for advice about which product she should buy. So then, I write down what I would say to her. I give her the facts, facts, facts. I try to make it interesting, fascinating, if possible, and personal—I don't write to the crowd. I try to write from one human being to another. . . . And I try not to bore the poor woman to death, and I try to make it as real and personal as possible."

Most advertising, however, is not as personal as a conversation because it relies on mass communication, which is more indirect—and complex—than a simple conversation (Note that other forms of marketing communication, such as personal selling and telemarketing, for example, do deliver the personal contact of a conversation.)

Mass communication is usually thought of as a process; a process depicted in a communication model that outlines the important players and steps, begins with a source (S), a sender who encodes a message (M)-puts it in words and in words and pictures. The model explains how communication works: The message is presented through channels of communication (C), such as a newspaper, radio, or TV. The message is decoded, or interpreted, by the receiver (R), who in advertising is a member of the target audience. Feedback is obtained by monitoring the response of the receiver to the message. This process is sometimes referred to as the SMCR model of communication.

Mass communication is a one-way process with the message depicted as moving from the source to the receiver. However, interactive communication-the personal conversation Ogilvy wanted to emulate-is a form of two-way communication. Figure 6.1 b illustrates the difference between one-way and two-way communication, in which the source and receiver change positions as the message bounces back and forth between them. This is a model of how a conversation works. It suggests that if advertisers want to address the limitations noted by McKenna, they need to learn to listen to, as well as send, messages to customers. That's done partly by using more interactive forms of marketing communication (personal selling, telemarketing, online marketing). Advertising can also achieve more interactivity, by providing such response devices as toll-free numbers and e-mail addresses to open opportunities for dialogue.

How Advertising Communication Works

This basic SMCR communication process is the foundation for a model of the advertising process. It begins with the source, or advertiser and its agency, and what they hope to accomplish with the message-the objectives. In a campaign from Iceland, for example, the government's objective was to increase the participation of women in Icelandic politics. The message, which was encoded by the HER & NO agency of Reykjavik, Iceland, was a series of humorous photos that used political leaders in gender-reversed situations.

Advertisers usually deliver their messages through a variety of tools, which we call a **media mix**. Surrounding and affecting the message and media mix is noise, which comes from both internal and external factors-internal meaning internal to the consumer and external meaning in the environment. Next is message reception and response, where the message is decoded. This step is so complicated that it needs its own model. This section on reception will close with a discussion of the feedback step.

Source: The Advertiser

The source in advertising is the advertiser and its agency. Together they determine the objectives for the advertisement in terms of the effects they want the message to have on the consumer. The source's objectives in advertising are focused on the receiver's response. It is that response that is measured to determine if the message met its objective and was effective. That's also the logic of customer-focused marketing where all communication is evaluated in terms of consumer response.

Objectives So how do advertisers and their agencies evaluate the impact of advertising? Management guru Peter Drucker put it best. He said, "Performance is everything. It's the way you look at your grades. Ultimately, it doesn't matter how creative the ad is; it's not how beautiful it looks; or how funny; or whether or not it wins an award. It is simply results. Does the communication deliver the desired results? Does it meet its objectives? If not, it has failed."

More often than not, the objective of advertising is to increase sales. However, a big debate in advertising management is the question of just how much advertising contributes sales. Increasing sales is an important behavioral objective-getting consumers to buy the product-but many other marketing factors affect sales, so it is sometimes difficult to prove that advertising was the cause of a sales increase. However, other marketing communication tools, such as direct marketing, do have a connection between the message and the sales, which means it is considered to be the most accountable form of marketing communication.

There are other communication effects that may also be important and may lead directly or indirectly to sales. These other effects are drivers of sales and may be a better indicator of the effectiveness of the message than sales (remember there are other marketing factors besides advertising that impact on sales). These categories of effects-perception, learning, persuasion, and behavior-are sometimes more directly traceable to an advertising message than sales.

And even if the objective is action, it may not always be sales. In the case of the Haagen-Dazs ads, the objective was to get people to eat more ice cream, which, of course would eventually lead to more sales. In the women in politics campaign, the objectives were to get more women to become candidates and then to get more votes for their candidacies.

The objectives represent what the advertiser hopes to accomplish, but they are stated in terms of effects on the consumer. In other words, objectives represent a set of dual processes-what the source wants to accomplish with a message and how the receivers respond to message. This source-receiver relationship is illustrated in figure below, which shows how various source objectives are evaluated in terms of different types of consumer responses.

Perceptona Model Of Key Effectsthese Key Effects May Lead To Sales.

Source Credibility Another source-related factor that affects effectiveness is source credibility. This is an important principle in persuasion-you believe messages you hear from some people more than from others because they are simply more credible. That's why doctors and authority figures are used in ads. However, people perceive an advertisement as biased because it is produced and paid for by a company. A news report, however, is trustworthy because people presume it has been through an objective editorial review. So a public relations news release that becomes a mass-media story has more credibility than an ad. But further, you're more likely to believe a story from someone you know than from an article in the press. That's why word of mouth is such a powerfully persuasive

form of communication—even more persuasive than a mass-media story.

It's all about trust, and that can affect the channel as well as the source. For example, newsmagazines are generally thought by the public to have more credibility than TV. The Internet, however, has a serious problem with trust as users generally do not know the source of the information they receive online and whether it is accurate and reliable. A story in *pr* reporter found that 70 percent of the people interviewed in a survey did not trust the information they got online.⁷

Noise: External and Internal

Surrounding the SMCR process is noise, which can hinder the communication of the message. Any factor that interferes with or distorts the delivery of the advertising message to the target audience is called noise. For example, if the sender of the message is tired and garbles the message, that's noise. Likewise, if the receiver can't clearly hear or see the message because of a distraction, that's also noise.

External Environment Essentially, the external factors affecting the advertising process are the marketing strategy and other marketing communication by competitors, as well as general patterns of consumer use and public opinion.

General consumer trends, such as an interest in healthy foods and exercise, affect marketing strategies. And external events, such as the World Trade Center terrorist attacks, can have massive impact on consumers and industries. The airline and travel industries were devastated after September 11, 2001. Even in the area of social marketing, there are considerations that affect advertising plans, such as the government's desire to increase the number of politically active women in Iceland. Undoubtedly, this affected the campaigns of men who were running for office.

Recall that marketing elements such as the product, price, and distribution have a direct bearing on whether advertising is able to achieve its objectives. For example, if there is a distribution failure and the product isn't in the store, then advertising can't help the product sell. Likewise, if there is a product design problem or if the pricing strategy is unrealistic, then the advertising will be ineffective. Competitors are also manipulating their own marketing mix of product design, pricing, distribution, and marketing communication, which further complicates an advertiser's planning.

How do such external factors affect advertising? In the aftermath of 9/11, for example, movies and advertising that had anything to do with bombings, airplane crashes, or terrorist threats were immediately shelved. The auto industry responded with campaigns promoting zero percent financing in an attempt to link up with President Bush's drive to keep the economy going. GM used the campaign slogan "Keep America Rolling" to tie in with President Bush's effort to encourage people to buy. United Airlines, one of the airlines whose planes were used in the attack, responded quickly with a series of TV ads that featured interviews of United employees renewing their commitment to service. On the one hand, these companies were praised for returning to business as usual; on the other

hand, some people criticized both United and the carmakers' efforts as taking advantage of a national tragedy.

There are different types of noise in advertising's external environment. The interference can be technical, such as an unreadable newspaper ad. Noise can also occur in the consumer's environment, as when he or she sees a TV ad in a noisy room. The most common and serious type of external noise in advertising is **clutter**, which means the audience sees an excessive number of commercial messages. Our environment is full of promotional messages that get in the way of an advertiser's intended message. The average American sees an estimated 3000 advertisements a day. And they are seeing them in increasingly odd places—on stickers on apples and bananas, on sidewalks and rooftops, in the sand at the beach, in full-color, full-sound videos at the ATM, and PC commercials that transfer onto screensavers for computer and personal digital assistants, like Palm Pilot.

Clutter is frustrating for advertisers and agencies (not to mention consumers). The greater the number of ads, the less people pay attention to them. As Jonathan Weber, editor of *The Industry Standard*, explains: "More media choices are making audiences more fragmented, and more advertising is making people numb. When ad industry people use the term breakthrough advertising, they mean advertising that is so visible that it breaks through the clutter."

Carfax, an online service that provides histories of used cars, has its own clutter-busting

technique. The company places a small ad right in or near the used car classified ads in newspapers. In other words, the idea is to make the ad a part of the consumer's search by placing it in a spot with minimal clutter where the consumer is already focused on the search.

Internal Factors The internal environment includes those personal factors that affect (the reception of an advertisement, such as the target audience's needs, purchase history, information-processing abilities, and level of avoidance of advertising in general.

Perceived Needs. Consumers are willing to act to satisfy needs that they recognize. Advertisers use three strategies to stimulate these perceived needs: Create an unknown or unrecognized need (difficult to do), reawaken a need, or offer a solution to a known need (most common approach). The "Women in Politics" campaign attempted to create a need for female candidates, as well as voters' support for them.

The Customer's History and Attitudes. We know that customers who already use a product tend to note and respond more favorably to ads for that product. In contrast, consumers who are loyal to another brand are less likely to pay attention to advertising for a different brand. Advertisers use reminder ads to maintain consumers awareness of the brand and comparative ads to encourage others to switch.

Information Processing. Short attention spans and low levels of concentration affect the way we process advertising information. The approach we take to make sense of information is not always predictable or thorough. Consider that most people reading~ newspaper browse, scan, jump back and forth, and

find snippets of useful information) in both editorial material and advertisements. When they lose interest, they move on to their own thoughts or some other distraction. Much depends on how relevant the advertising makes the information to the consumer.

Avoidance. Advertisers face an increasingly cynical generation of new consumers who are skeptical of sales messages from big corporations. Advertisers compete fiercely for the attention of people who are disinterested, distrustful, and distracted. Research also suggests that some consumers hold a negative attitude toward advertising in general and are unlikely to consider it a viable source of information or entertainment. For example, disabled consumers distrust advertising and are far more likely to use personal information sources, such as friends. ¹¹ This is because few ads speak to the particular needs and wants of the disabled. Advertisers try to deliver their messages through people and sources that have credibility with these audiences.

Message and Media-Mix Factors

Briefly, then, the process of creating an advertising message begins with an analysis of the marketing and advertising strategy and the target audience to craft a message strategy. To execute the strategy, the creative team designs the actual ads and produces them.

In terms of the media mix, the ability of a particular advertising message to reach a target audience depends on the effectiveness of the media plan. The media plan outlines the media choices (the media mix) that have the best chance of delivering the advertising message to the right target audience at the right time and place. Advertisers may require a different media mix to reach different target audiences. For example, HBO might use a prime-time commercial about its service when it wants to attract new users. However, when HBO wants to prompt these potential new customers to subscribe to its service, it often uses a direct-mail campaign. Although, a television commercial is good at delivering information to a large number of viewers, direct-mail advertising to a smaller number serious prospects is better at stimulating a response.

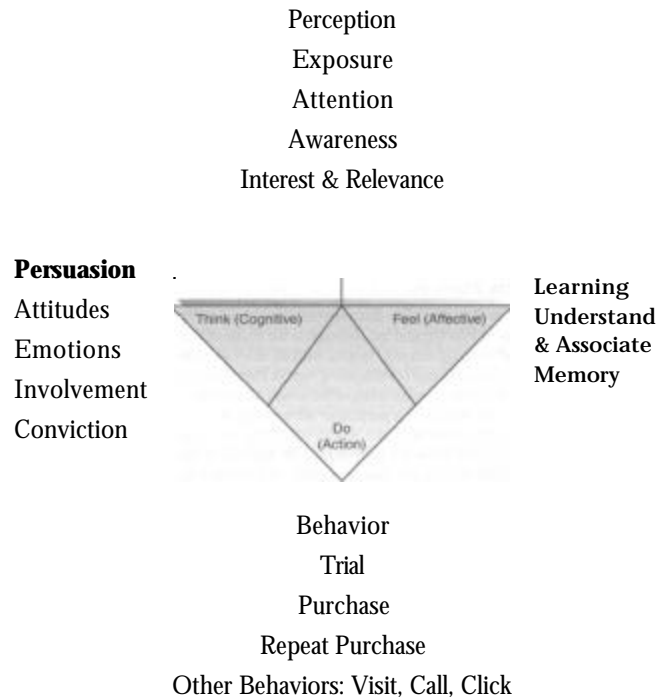
Message Reception and Response.

The last two steps in the advertising communication model presented in figure below the receiver's message reception and response, and feedback. The success of an advertisement depends on the target audience receiving and processing it as accurately completely as the advertiser intended. figure below is a model of how this recipient process works.

So how does advertising work to create a response? This question doesn't have a sin pie answer, mostly because no two people respond to an advertisement in exactly the san way. Advertising may, however, communicate messages in a number of ways and cause different types of simultaneous responses. For example, at the moment you understand; ad's copy (the learning effect), you may also form an opinion of the advertised product(the persuasion effect).

We will first discuss how advertising meets the challenge of perception. Then, we will look at the two responses that typically happen simultaneously: the learning, or, cognitive,

response and the persuasion (emotion and feeling) response. Finally, we will consider the behavior, or action, response. These three effects are commonly referred to "Think/Feel/Do" and reflect some pioneering work on planning advertising objectives a the Foot, Cone and Belding (FCB) advertising agency in the 1970s and 1980s.As you can see in the figure below , the think, feel, do model inside the triangle represents how an audience responds to an advertising message once it has been perceived.



Message Reception And Response

Even though no two people respond to an advertisement in exactly the same way. there are three general responses ads elicit once perceived.

Perception: Breaking Through

Perception is when a person notices something, the message has registered; it has broke! through the consumer's disinterest and made an impression. As we've said, one of the bigger challenges for advertisers is to get consumers to notice their messages. This is harder than it seems. How many ads did you notice in today's newspaper? On the way to school? On the way to work? Not only do consumers miss most of the messages directed at them, but other messages continuously compete for their attention. The outdoor ad for the Los Angeles Fire

Department has stopping power because it is unexpected. Ads have a better chance of being perceived if they're intrusive and original. To understand how this perceptual process works we look at the steps of exposure, attention, awareness, and interest. These are the communication drivers that we measure in order to track how well the perception process is working.

Exposure: Making Contact The first step in perception is exposure. For the advertiser, exposure is mainly a media-buying task. First, the advertiser has to place the message in a medium that the target audience listens to, sees, reads, or watches.

Educated, older consumers watch the History Channel, so if those consumers are your target, that's a sound medium for your ad. Exposure is the first and minimum requirement of perception. If your target never sees or hears the advertisement, or if your target skips the page or changes the channel, then no matter how great the message is, it will not be effective.

Attention: Creating Stopping Power Once the audience has been exposed to the message, the next step is to get and keep their attention, which leads to a state of awareness. Attention means that the mind is engaged; it is focusing on something. A trigger, something that catches the target's interest, arouses attention. It can be something in the message or something within the readers or viewers that makes them lock onto a particular message. In print it may be a sale price in large type, a startling illustration, or a strong headline. On television the trigger may be sound effects, music, an action-oriented or visually interesting scene, or a captivating idea. Snickers gets young male sports enthusiasts' attention through humor and celebrity athletes.

Special promotions such as events and all the hoopla surrounding them offer great opportunities for attention-getting impact. Inflatable characters, such as the huge lobster on top of a truck for Red Lobster, are used, because they have such high stopping power.

4 Th of July.



This billboard for the Los Angeles Fire Department is likely to be perceived and get the attention of most people passing it because of its powerful visual pun.

A new battleground for attention is the desktop-computer desktop that is number. A number of e-companies, such as Real Networks and EntryPoint, have developed desktop assistants-toolbars or little windows that sit on the computer screen-that offer one-click pays access to personal files or favorite Web sites. On these desktop assistants, the advertisers pays for the space on the toolbars. So while computer users are surfing the Web or composing notes, advertisers hope to divert their attention to an ad on the toolbar.

The advertising message can and must compete with other messages in the same medium. Within a news medium, the advertising has to be able to compete with their basically interesting nature of the news. In an entertainment medium such as television advertising has to compete with the entertainment values of movies and shows. Ra almost always a background medium, so advertisers compete for the attention of listeners who are driving, mowing the lawn, cleaning the house, or doing some other activity. Outdoor advertising is directed toward an audience whose attention, by definition

directed elsewhere. Not only does outdoor advertising have to compete for attention also has to be able to win out over distractions such as other signs along the road, the car radio, and conversation among passengers.

If the objective is simply a brand or product reminder, then the attention level doesn't need to be as high as it does when the objective calls for the understanding of a coy point. A poor return on attention, or ROA (similar to ROI or return on investment), is what some

Internet marketers criticize when viewers click on a Web site and find nothing there that gets their attention. This could be because of poor design but it could also be because the information that is there is boring. In such a situation, attention is obtained by providing relevance, interesting information, and personal involvement.

Awareness: Making an Impression Once a message has been perceived and has caught the attention of consumers, their perceptual process moves to the next step, which is awareness of the brand message. Awareness means that the message has made an impression on the consumer, and the consumer can identify the advertiser. When you ask someone what comes to mind when he thinks of soap, and he responds "Ivory," then that brand has top-of-mind awareness for that person.

Although awareness of the advertising comes first, that is not the ultimate objective. As far as the advertiser is concerned, the ultimate objective is awareness of the brand, not me advertisement. Being aware means that the receiver of the message has an impression of something. Sometimes we refer to this as a perception. For example, the "Women in Politics" ads were trying to overcome the perception that politics in Iceland is mostly for men. Perceptions can be negative and overturning those negative perceptions also can be an objective of an advertising campaign.

Awareness can evolve through public opinion, just as consumer trends catch the attention of the public. One product that has had a huge launch into the market is the push scooter, which achieved a high level of awareness without doing much advertising. Awareness of the Razor scooter soared, for example, because popular teenagers who influenced other teens' buying patterns used it. This trendiness sold the product Later entries, like Huffy, have had to use carefully developed marketing and advertising plans to build awareness in this market. Huffy launched its Micro plush scooter in 200) with a \$3 million print campaign that paired its scooters with its extreme sport bicycles.

Interest and Relevance: Creating Pulling Power After awareness, the next step in the perception process is interest. Interest provides the pulling power of an advertisement; it keeps people tuned in to the message. One of the most important drivers of interest is personal relevance.

People are interested in many things. You might be interested in the product advertised or in some element in the ad itself-the model or the star, the promise made in the headline or by the announcer, or an unusual graphic. Different topics, product categories, and specific products have varying levels of built-in interest. Some products are just inherently more interesting

than others. Food and vacations are more interesting to most people than are toilet brushes.

People will pay attention to advertising only if it's relevant to them. They make a deal with the advertiser: "Make it worth my time and I'll pay attention to your message as long as it doesn't bore me." Say you are planning a trip. A message that applies to travel has personal relevance to you. Most people also resonate to general human-interest topics that strike some universal chord, such as babies, kittens, puppies, tragedies, and success stories.

One goal of public relations or publicity campaigns is to create buzz, which, means people are interested enough in something—a celebrity,¹ new product like the Razor—to talk about it among themselves. That was one of the primary objectives of the "Women in Politics" campaign. The message designers knew they had to get opinion leaders talking about the campaign for its message to have impact.

Interest is a momentary thing; it dies easily as attention shifts. A major advertising challenge is to maintain interest until the point of the message is reached. In Web advertising, designers work to create "stickiness" for their sites, which means people will stay on the site and navigate through its pages. For Web marketers, attracting people to a site is one thing but keeping them is a different type of problem. Table 6.1 is a list of the "stickiest" sites from Brandweek.

Learning: Making It Clear

The second major category of effects is learning, which we introduced in Chapter 4 as a factor in consumer behavior. We discuss it here because it is also an important factor in how people receive advertising messages. There are two types of learning that are particularly important to advertising: cognitive learning, which refers to understanding, and classical conditioning, which explains how association works.

Cognitive Learning: Creating Understanding When we say cognitive learning, we mean that most advertisers want people to know something new after they have read, watched, or heard the message. Some campaigns' objectives are to specifically increase understanding. For example, city leaders and educators in Santa Ana, California, wanted to encourage reading and promote literacy among their diverse residents, which included a number of immigrants who lack fluency in English. The objective of the educational campaign was for residents to understand that reading is the basis of all learning and, further, that learning leads to academic success and greater earning power.

In the case of new products, advertisers try to get consumers to understand how to recognize and use the product. For an existing product, learning about new features or benefits may be the goal for the consumer, as well as the advertiser. The Carfax campaign, for example, told why its service was necessary ("One in 10 cars has a costly, hidden problem") and how to use it ("Ask your dealer for a Carfax Vehicle History Report").

Understanding is a conscious mental effort to make sense of information. Although perception can be a passive process, understanding demands an active response from consumers. First, we find ourselves interested, then we learn something

about the subject of our interest, and then we file it away in our memories. That series of steps is also called cognition, or a cognitive response to information. Even though the "Women in Politics" campaign was designed to get attention with unexpected and funny visuals, the ads still told a story that demanded understanding. They wanted people to understand that using 100 percent of Iceland's talent would profit the country as a whole, more than using 50 percent.

Understanding is particularly important for ads that present a lot of information (brand, price, size, how the product works, when and where to use it). When product differences exist between competitive products, the features and how they translate into selling points are also important pieces of information. Informational advertising, advertising that contains a large amount of product information, requires clear and relevant explanation. Consumers have little patience for ads that are confusing, vague, or unfocused. The reader or viewer must be able to follow the logic, make choices, compare points of view, comprehend reasons and arguments, synthesize and organize facts, and, in general, make "cognitive" sense of things.

Conditioned Learning: Creating Associations Another way to learn something is to make a connection in your mind. The process of making connections and linking ideas, called association, is particularly important to how advertising works. When you associate two concepts (fall and football, or Coca-Cola and refreshment, for example) you have learned something.

Advertisements use association to try to get consumers to link the product with something they aspire to, respect, value, or appreciate, such as a personality or type of person, a pleasant experience or situation, or a specific lifestyle. A Polo/Ralph Lauren ad uses a photo of the company president himself in a heavy knit sweater with an American flag design to associate his upscale clothing and home products with patriotism, following the World Trade Center attacks. The hope is that consumers who value this patriotic response will buy Ralph Lauren's products.

Association is at the heart of conditional learning. In classical conditioning, repeated exposure to a stimulus leads to a reward until people learn to connect that stimulus with the reward. The famous Pavlovian example is the dog that learns to salivate at the sound of a bell, after a researcher has repeatedly paired the sight of the food with the sound of the bell. The dog has learned, through conditioning, that the bell is associated with food. By repeating certain visuals as cues, teenagers having fun is associated with Mountain Dew and protecting a baby is associated with Michelin tires. Mountain Dew then offers a fun time as its reward and Michelin offers a reward of protection for a precious cargo.

Memorability: Locking Power Ads that work effectively, such as the funny Icelandic politics commercials, are not only engaging, they also have locking power—that is, they lock their messages into the mind once they have been learned. If consumers can't remember seeing the ad, or if they can remember the ad but not the brand, as in the Energizer bunny example, then as far as the advertiser is concerned, they might as

well not have seen it. So advertisers study how our memories work, to understand how better to anchor their messages in the minds of their target audiences.

Our memories are like filing cabinets. We watch a commercial, retain the parts that interest us, and then find a category in our mental filing cabinet where we can store that fragment of information. Suppose we see a commercial for a soft drink and unconsciously "extract certain information from it. We may then file it away as a fragment that contains a brand label and a situation with people drinking a soft drink. The fragment, incidentally, may not look much like the original information we saw or heard because our minds will change it to fit our own concerns, preoccupations, and preconceptions.

A week later you may not remember where or even if you have a fragment labeled "soft drink" filed away because most of us have messy mental filing systems. However, the information may resurface when a cue triggers the memory. Maybe you remember a party planned for the weekend and that reminds you about the soft drink. A cue pulls fragments out of the file so that they become topmost in our minds.

Advertising focuses on two types of memory: recognition and recall. Recognition, means that a person can remember having seen something before. In the period before the dot-com crash in 2000 and 2001, one of the main objectives of new startup Web companies was to build name, or brand, recognition. All these companies were new so they spent a tremendous amount of money, including expensive Super Bowl ads, to create some minimal brand name recognition. Some experts say these extravagant expenditures, which could have been as high as \$7 to \$10 billion in 2000, may have contributed to the crash.

It is more difficult for an advertiser to get consumers to recall something in an ad than it is to get consumers to recognize something they have seen in an ad. With recall you not only remember having seen something before, but you also can remember the information in the message. You can either remember it all by yourself, called **unaided recall**, or you can remember it after seeing a cue, which is called **aided recall**. Unaided recall is harder to achieve than aided recall and both are harder to produce than recognition.

Persuasion: Changing Attitudes

In addition to providing information and creating associations, advertisements can use persuasion to encourage people to believe or feel something—the next category of message responses. A persuasive message tries to establish, reinforce, or change an attitude, touch an emotion, or anchor a conviction firmly in the potential customer's belief structure.

Arguments, the reasons behind a statement or claim, are particularly important in persuasive communication. Argument in this sense is not disagreement, but a line of reasoning in which one point follows from another, leading to a logical conclusion. Ads often focus on logic and proof when trying to persuade us to buy a product. Other motivations, such as saving money or getting a good deal, are addressed by sales promotion and advertising that focuses on sale prices. The Haagen-Dazs ads gave consumers permission to indulge, thus arguing against the guilt people might feel about eating the rich ice cream and, in this case, not sharing it.

Attitudes and Opinions: Affecting Beliefs Every person has unique attitudes and opinions based on individual experiences. Attitudes are underlying beliefs; opinions are the expression of these attitudes. Advertising that seeks to persuade us by addressing our attitudes usually attempts to accomplish one of three things:

- Establish a new opinion where none has existed before
- Reinforce an existing opinion
- Change an existing opinion

Advertisers know that consumers establish opinions of new products. Consumers modify or confirm their opinions about the product as they use it. No matter how strong the advertising, a bad experience with a product negates all the positive attitudes the advertising message implanted. To win back customers, advertisers have to work harder to change their attitudes toward the product. They do this by offering samples that persuade people to try again and by using celebrities and experts whose opinions people trust to convince them to give the product another try.

Preference for a brand, which advertisers evaluate through "intend-to-buy" responses, is an attitude that advertisers try to elicit from consumers because preference leads to loyalty. Preference means that someone who has received a promotional message wants to try or buy the product. To encourage consumers to prefer its products, Waldenbooks launched a Web site for "preferred readers" (www.preferredreader.com). One of the longest-running retail reward or loyalty programs with a membership in the millions, the site allows users to sign up for e-mail so they can receive advance notice of special in-store promotions and book releases.

One technique that advertisers use to intensify preference is to associate a product with aspirations using campaign ideas that resonate with people's self-identity, which is particularly important for campaigns directed at ethnic groups. For example, Coca-Cola has reached African American audiences by featuring yet-undiscovered black musical artists such as Tyrese and Ja Rule before they hit the big time. Marketing consultant Chris Rooney explains that by leveraging aspiration marketing with an ethnic twist, companies can create strong brand preferences.

Emotions: Affecting Feelings Influencing attitudes and opinions is not the only means of persuasion. Emotions persuade, too. How someone feels about the product, service, brand, or company, whether they like it, may be just as important as what that person know about it. These feelings may be buried deep beneath the logical reasons people give for making a purchase. The Haagen-Dazs campaign played on our emotions by telling us it's okay to enjoy pleasure and indulge in ice cream.

Advertisers that touch people's emotions with their messages have greater success in getting consumers to remember that message. Telephone and greeting-card companies have succeeded with emotional campaigns because they are selling sentiment-warm feelings, love, missing someone, nostalgia. Insurance companies sell their products using fear or pride in careful planning. Sex is used to sell perfume and cosmetics and,

something, inappropriately to sell unrelated products such as auto parts. Even drug manufacturers are moving away from narrow, scientific product claims. Viagra, for example, broke the mold for prescription drugs by making its ads emotionally engaging.

Involvement: Creating Engagement People can become emotionally involved in a message, which is a common persuasion device. Involvement is the intensity of the consumer's engagement with a message, the brand (you may be more engaged in buying certain brands, such as clothes, than others), or the medium (television is thought to be more engaging than newspapers).

Getting people involved in completing a message or participating in its development is another way advertisers engage consumers. Advertisers do this by asking questions, sparking curiosity, or using ambiguity to tease people into filling in the blanks in an interestin1 message with their own personal interpretations. Compelling readers or viewers to get involved in developing the message creates more personal impact through a psychological principle called closure. For example, the "Bud" . . . "Weis" . . . "Er" frog croaks demanded that the audience put the sounds together to get closure by creating the familiar brand name,

Sometimes the involvement is physical, as in a taste test in a grocery store or sampling as part of event marketing. Such promotional tools are particularly good at intensifying feelings of engagement through participation. Both techniques were used in the Haagen-Dazs campaign to involve people with the brand and create buzz. For example, samples of the ice cream were offered at several events hosted by epicurean magazines.

The concept of involvement is the foundation for a common theory of persuasion that says people process information differently for products and messages that involve (or don't involve) them. IS You may have heard the phrases low involvement and high involvement used to refer to products, purchasing situations, and advertisements. High involvement means that a product (or information about it) is important and personally relevant. Low involvement means that the product or information is perceived as unimportant. The level of involvement determines how much or whether a consumer needs to learn and understand something about a product.

Typically, people in a high-involvement situation-such as purchasing a new car, home, or vacation-will be searching for information and evaluating it critically, a state of mind referred to as central processing. Advertising for high-involvement products usually provides a lot of information about the product. In contrast, we make low-involvement purchases, such as chewing gum, toothpaste, and paper towels, without much searching and with little effort to think critically about the decision. Advertising for this type of product often focuses on catchy slogans, brand reminder cues, celebrities, or distinctive graphic

imagery. In contrast to central processing, this is referred to as peripheral processing because the decision factors are not particularly related to the product or its selling points it's like buying wine because you like the label design.

Conviction: Creating Certainty The result of persuasion, particularly persuasion through central processing, is conviction. A conviction is a particularly strong belief, such as that which drives national allegiance and religious fervor. Attitudes, reasons, logic, and emotion are all pan of the persuasive package that leads to belief. We believe something about every product we purchase; if we didn't, we wouldn't buy it. We believe it is good for us, will make us look better or live better, will make us healthier-or simply that it will satisfy our needs and desires. Even low-involvement products such as chewing gum entail some beliefs on our part, perhaps that

this gum will taste better, freshen breath, or do less damage to teeth than other brands. When you believe such an idea strongly enough, then you tend to buy the same brand of gum over and over.

The award-winning Carfax campaign, for example, tried to change consumers' negative beliefs about buying used cars and convince consumers that there is a way to get reliable information about the history of a used car. If the message worked, then consumers would become convinced that, with the help of Carfax, they can make a sound decision in a risky area.

For many people, seeing is believing, so a product demonstration tends to remove doubt and increase consumer belief and conviction in the sales message. For example, in order to convince consumers of the water-saving innovations of its Neptune washer and dryer, May tag replaced all the washers in a Boston apartment building with the Neptune model. The company then monitored the building's water savings in this metro area, which is recognized as having the highest water costs in the nation. The results of the demonstration proved its advertising claim that the new Neptune design saved water, which led to a convincing competitive advantage.

Believability is an extremely important concept in advertising and other forms of marketing communication. Do consumers believe the advertising claims? Do spokespeople, particularly authority figures, have credibility? Because consumers say they do not believe advertising claims, another tool used in an IMC campaign to build conviction is public relations. Because of the credibility of news stories, publicity can provide important support to an advertising message, so a news story about the Neptune water-saving demonstration would have more believability than an ad by the company.

Action: Motivating Behavior

The fourth category of response to advertising depicted in Figure 6.5 is action. Advertisers hope that their advertising will lead to some behavior, such as trying, sampling, or buying a product, which could lead to increased sales. The first step is trial, which permits a consumer to experience the brand and decide if it's worth a purchase or repurchase. Although it is often difficult to prove that the advertising led to an increase in sales (because there are other marketing and situational factors that might have contributed to the increase), most advertisers still hope to see that result.

One strategy for increasing sales is to increase the usage level by giving people reasons for buying more than they normally would. The outcome of the Haagen-Dazs campaign was just

that-an increase in sales because more people found more reasons to buy, and eat, the ice cream. In addition to purchase, an advertisement may also focus on increasing usage, such as the Campbell's Soup recipe ads in women's magazines that show homemakers new ways to use soup, thereby increasing the amount of soup they use.

There are other behaviors that might be the subject of advertising objectives. For example, ads may try to get people to send back cards, redeem coupons, enter contests, visit showrooms, take a test ride, phone the company, or visit the company's Web site. These are all behaviors that indicate a response to an advertising message, a response that may lead to purchase. In some cases, such as the "Drug-free America" campaign and anti teen smoking campaigns, the ads may be designed to stop or prevent a behavior.

Ultimately, most marketers strive to get customers to repurchase their products regularly. The goal is to build strong brand loyalty, which is best measured by repeat behavior. Customers become loyal to companies and brands that are known for their product quality, innovative initiatives, and market leadership. But hard-won loyalty can disappear in a blink when disaster strikes. For example, in 1997, UPS employees went on strike. The strike caused an almost immediate drop in customer loyalty. Both UPS's reputation within the financial community and its credit rating suffered. Some experts believe the company lost 5 to 20 percent of its business that it will never recover. Its campaign to restore its brand and reputation has cost millions of dollars.

Web-based promotion is another tool that advertisers believe can nurture brand loyalty, particularly with high-involvement products such as cosmetics or music. The trick, they say, is to entertain customers on their web site while informing them about the brand or product. For example, to promote a new line of Physique hair care products, Procter & Gamble's Physique advertisements sent consumers to Physique.com to learn about the product, get free samples, and locate retailers who carry it. But the important loyalty factor was moving more than 600,000 of the 5 million visitors to the site during the product launch to spend nine minutes on the site per visit, an indication that they were highly involved with the brand.

Feedback

In addition to the various types of responses to a message, there are other forms of feedback that are used to determine if the advertising is effective. Feedback to an advertisement, because it ~ primarily one-way communication, is often delayed or incomplete. This is the problem Regis McKenna referred to when he said that ads should open a dialogue with consumers.

Consequently, there is a need for more structured research efforts to determine if the message truly achieved its objectives. Objectives are meaningless if they are not measurable as stated.

How brands work.

Brand personalities and brand images create a feeling of familiarity with a known product. Because the brand is familiar, consumers feel comfortable or even pleased to buy it again.

Branding, the process of creating a unique identity for a product, is the secret behind the phenomenal success of Levi's

and Coke over the years. The jeans maker and soft-drink producer have familiar and comfortable images, and consumers know from experience that they offer dependable quality at a reasonable price. Branding creates memorability, but it also establishes preferences, habits, and loyalties. In short, it encourages a relationship between a brand and its user.

The secret ingredient in branding is trust. A brand promises that the product will deliver the same satisfactory performance as it has in the past. In that sense, as Jacques Chevron, a brand consultant, explains, "the brand is a covenant with the consumer, a promise that the brand and the products it names will conform to the expectations that have been created over time."

Branding is particularly important for parity products, those for which there are few if any major differences in features. Salt is an example of a parity product. The products are undifferentiated in the marketplace, but through the development of a brand image, they are differentiated in the minds of their users. What image comes to mind when you think of Morton Salt? What enhances the difference between one type of salt and another is advertising. Advertising can establish a personality for the product. Personality is important both in positioning a brand and in developing a brand image.



Salt is a product that requires a brand image to add perceived value and develop a relationship with the consumer.

Brand Image

Northwestern University Professor Sid Levy coined the term "brand image" for a Harvard Business Review article in 1955. The article defined it as "the sets of ideas, feelings and attitudes that consumers have about brands." It is an image in customers' minds that reflects what they think and feel about a product-how they value it. Brand personality-the idea that a product takes on familiar human characteristics, such as friendliness, trustworthiness, or snobbery-is an important part of an image. Levy and his colleagues at the SRI research center in Chicago found that a product's personality could be just as important as performance or price.

A brand, then, has both physical and psychological dimensions. The physical dimensions consists of the attributes, ingredients, and design of the product itself, as well as the design~ the package or logo: the letters, shapes, art, and colors that advertisers use to define the graphics of the image. In contrast, the psychological side includes the emotions, beliefs, values, and

personalities that people ascribe to the product. For example, when we talk about the brand image of Hershey's, we are talking about the chocolate itself (the physical side), and also about the distinctive brown package, the lettering of the name, as well as the multitude of impressions and values (the psychological side) conveyed by its slogan "the all-American candy bar."

The tools used to transform products and lock brands into memory include distinctly names, slogans, graphics, and characters (such as the May tag repairman or the Pillsbury Doughboy). All these tools, which are elements in brand advertising, convey subtle yet convey meanings about the products' values and benefits, in addition to serving as identity cue.

Brand Relationships.

Advertisers also try to establish their brands as having special relationships with customer and other key stakeholders. McKenna asks, "What is a brand but a special relationship? People have unique relationships with the brands they buy and use regularly and this is what makes them brand loyal. The richness of the brand image determines the quality the relationship and the emotional connections that link a customer to a brand. An example of a brand relationship is the bond that Apple (computers) has established with its customers. The slogan, "The computer for the rest of us," contributes to an extreme level of loyalty on the part of Macintosh users. The company's advertising focuses on the computer's creative applications as well as its colorful design. The image of this brand-not to mention the quality of the product-has created strong emotional bonds in a high-tech category that seldom comes across as such in computer advertising.

A brand is also a promise. Because it seeks to establish a familiar image, a brand creates an expectation level based on familiarity, consistency, and predictability. Green Giant for example, built its franchise on the personality of the friendly giant who watches over his valley and makes sure that Green Giant vegetables are fresh, tasty, and nutritious. The name "Green Giant" on the package means there are no unexpected and unwanted surprises when you buy a Green Giant product. This accumulated reservoir of goodwill and good impressions is called brand equity, which we talk about next.

Brand Equity.

Branding can transform a product and make it more valuable because of the respect that has been created for the brand name. In that sense, branding has a financial impact that can show up on a company's balance sheet. Successful brands can be bought and sold based on the value of their brand equity.

In 1988, when U.K.-based GrandMet acquired Pillsbury, it was estimated that 88 per. cent of the \$1 billion it paid consisted of "goodwill," which is how accountants assess the intangible value of brands, most of which is built up through the brand's advertising. More recently, Volkswagen paid \$780 million for the assets of Rolls Royce, but BMW bought the Rolls Royce trademark for \$65 million. Many analysts believe BMW got the better deal.

Researchers can now decipher not only how much a brand's image is worth, but also how much the value of the brand

affects other marketing considerations such as pricing. If the brand's appeal goes up, the company can raise the price. Harley-Davidson, which has one of the world's strongest brand images, prices its motorcycles at around \$18,000. Its Japanese competitors run about \$6,000, which gives Harley a triple-the-price bonus because of the power of its brand.

Summary

This lesson answers the following the following questions :

1. What are the components of a basic communication model and how does it differ from an interactive model of communication? A basic communication model identifies the primary roles in a communication situation-source, message, channel, noise, receiver, and feedback or response. The interactive communication situation identifies similar roles; however, the process of communication goes back and forth with the source and receiver changing roles. The source may send a message to a receiver who then becomes a source when that person sends a message back to the original source, who is now the receiver.
2. Explain how the advertising communication model works. Similar to a basic communication model-source, message, channel, noise, receiver, and feedback or response-the advertising communication model begins with an advertiser (the source) who, with the agency, sets the objectives. Then there are the message and media factors whose planning is surrounded by external and internal factors. The message reception step is a complex process based on the kinds of effects that advertising creates in the receiver or target audience. The last step in the message reception process is the response step, which can take a variety of different forms.
3. Outline the Message Reception and Response process. The message reception process begins with perception and then moves through the think, feel, do categories of effects. Each of these four main categories of effects has specific types of responses associated with it. The responses that lead to perception include exposure, attention, interest, and memory. There are two types of learning effects: understanding, or cognitive learning, and images and associations, or conditioned learning. Persuasion is concerned with attitudes, emotions, involvement, and conviction. Finally, the behavioral response is driven by trial, purchase, repeat purchase, and other actions.
4. Summarize the key factors in brand communication. Brand communication focuses on brand image, which is a mental image in the minds of consumers that reflects what they think about a brand; brand relationships, which are the ways in which people connect emotionally with a brand; and brand equity, which is the value that a brand adds to a product.

Assignments

1. Discuss one brand, its personality and the communication built around it.
2. This lesson identifies four major categories of responses. Find an Ad that you think is affective and explain how it works, analyzing the way it cultivates responses in these four categories.

LESSON 14: NEW MEDIA AND TRENDS

New-media Trends.

For the past few years, leaping into new media has been an act of faith for executives at many television stations, radio stations and newspapers. They knew they had to, but they weren't quite sure why.

Some leaped into new media as a gut reaction. Others foresaw changes ahead and wanted to be ahead of the pack.

Only rarely has the leap been taken with immediate profits in mind.

Many media executives consider new media a financial black hole. Pour money in, then pour more. And sooner or later, perhaps we'll fill up the black hole and start taking money back out.

Not all media executives think that way, of course. But many do.

A remarkable thing is happening:

The black hole is filling up.

The Key Trends

Several key trends are emerging in new media, shrinking the "black hole" steadily. It's impossible to get absolute numbers, but more and more new-media news projects are climbing out of the red into the world of break-even or profit.

The trends, in rough order:

- Profitability. Many news sites are starting to report positive cash-flow.
- Development of "push" technology. (Some of us would call this "broadcasting" or "narrow casting.")
- Growth of "agents" and "intelligent agents."
- Use of "micropay" systems for small transactions on the Internet.
- Improvements in electronic transaction technology that are convincing users to make major purchases on-line.
- Increasing bandwidth and technology enhancements, giving content providers more efficient ways to present and transmit their material.
- Formation of news and content alliances.

Profitability—on The Horizon, or Here Already?

Perhaps the second-most amazing thing about new media is the fact that anyone would expect them to be profitable.

What's more amazing? Some are profitable already. Why should anyone developing a medium that's only been around a few years expect it to be profitable at all? Indeed, many media take years or even decades to reach profitability. USA Today reportedly took 10 years and more than \$1 billion in losses—again, some would say "investments"—to become profitable. A national weekly magazine launched by a company like Time Warner is expected to cost at least \$100 million and take five

years before reaching profitability. And in 1925, five years after commercial radio broadcasting began in the United States, Radio Broadcast magazine ran a contest that echoes even today in discussions about the Internet: "Who Is to Pay for Broadcasting and How?"

So no one's making money in new media, right?

Wrong.

"In general, the [companies] that are making money are the ones that aren't spending a lot," says Bob Ingle, president of Knight-Ridder New Media. "I don't know anybody that's in this with both feet that's making money."

Meet CNN Interactive.

One of the largest "megasites," with about 150 employees, CNN Interactive has been reporting profits and steady growth for a while.

Or how about Knight-Ridder's (and Ingle's) own Mercury Center, the veritable granddaddy of newspaper sites? It's one of the most respected and most broad-based news sites. Ingle talked about that one himself: "Mercury Center reached the point of profitability in 1996. But when we lost the revenue stream from AOL [because Knight-Ridder pulled Mercury Center off America Online] it was back in the red again. But it will reach profitability this year."

A Newspaper Association of America survey reported in early 1997 that more than one-third of the papers responding are either making money now with their on-line services or expect to be profitable this year. Another survey, by University of Nevada-Reno master's degree candidate Donica Mensing, reported two-thirds of the 82 daily newspapers responding expect their on-line sites to be profitable by their third year of operation.

"You can point to a few that are making money," says consultant Steve Outing, "but none are making very much money. This is still in its infancy, or maybe its 'toddlerhood.' Some of the smaller sites, if they don't put too many people in to it, too many resources, they are making a little money."

Maybe so. But small quantities of black ink beat large quantities of red ink.

Multiple Revenue Streams.

There's a proven, simple key to profitability: Develop multiple revenue streams. Almost every profitable interactive media organization follows this model. And most organizations with just one revenue stream, typically advertising, are still unprofitable.

What are some revenue options?

- Sell advertising. But it can't pay for everything yet, even at an organization with high traffic like CNN.

- Sell subscriptions. Some sites succeed with these, some fail. Others offer free content as a lure, with a richer second tier of paid content.
- Become an Internet service provider, or ISP.
- Offer related services, such as high-speed Internet access or pagers with news and information on them. The Arizona Star, for example, does both.
- Repackage your content and offer it to or through other organizations, which then pay you for it. CNN Interactive does this for PageNet and CityWeb, among others.
- Add surcharges to classified advertising, as some newspapers do, to place the ads on-line and help support the paper's Web site.
- Host and design Web sites.

Which Should You Try?

"The glib answer is all of the above," says Outing. "There's nothing that's proven itself as a real winner, so you have to hedge your bets and go with all of them."

Ingle says Knight-Ridder had long planning sessions leading to the launch of Mercury Center. "When we started thinking about revenue streams, we came to the conclusion that, 'We don't know what will work. So we'd better develop as many as we can.' Ingle thinks some revenue streams, like providing local Internet access as Mercury Center does, probably have a limited lifespan, but that all are necessary now for the business model to work. "What will change [over time] is the percentages. I see a much higher dependence on the marketing and transactions [in the future] than I see now," Ingle says.

Mercury Center gets revenue from advertising, from subscriptions to its NewsHound content agent, from sales of Knight-Ridder newspaper archive material, from serving as an ISP and more.

At Morris Communications, some on-line sites have become profitable within six months of launch, vice president Michael Rومانer says. The newspaper sites began with a forced 6 percent surcharge on classified ads, but other advertising dollars are starting to roll in fast, he says. And in some cases, "the tail is wagging the dog. On-line is making money for print." As one example, he cites a television station that pays \$25,000 annually to sponsor interactive television listings on the paper's Web site. In order to promote the listings site, the station required that \$7,000 of the total go for print advertising—money the paper would not have gotten without its Web site, Rومانer says.

Becoming an ISP works for many television stations and papers in relatively small towns where no one else provides the service. Three major media companies (Landmark, Knight-Ridder and Gannett) own InfiNet, which serves as an ISP for participating members.

Rومانer says one way to plan for profits is to "think about the news-hole discipline"—the need to pay for every page in the newspaper or every minute of airtime—before you start your on-line projects, and realize all of your content on the Internet will have to be supported somehow. "It's not selling space, it's selling marketing. It's selling market," he concludes.

Dave Morgan, president of the New York-based, Internet advertising software and services company, Real Media, says the marginal cost of distributing information on the Web for a broadcaster or newspaper is practically zero, but that should not mean jumping in without a plan for profitability. "The first step before you choose what to put on-line is to think about who's going to pay for it."

Selling Content.

Almost universally, news organizations that have tried to sell their content on the Internet have failed miserably.

The most notable exception is the Wall Street Journal Interactive Edition which now reaches nearly 100,000 customers who pay \$29 per year if they subscribe to the print edition or \$49 per year if they do not.

One problem with selling content, Morgan says, is "'the Netscape phenomenon:' There's always going to be someone who's giving away for free what you're trying to sell."

But Some Content Does Sell.

Many newspapers, and some television stations, either offer or plan to offer their archives on either a per-use or per-item basis. "We're starting to make real money with our archives," says Mike Bales, general manager of The Orlando Sentinel's on-line efforts. Subscriptions work in some cases, as shown by ESPN SportsZone and the Wall Street Journal Interactive Edition. And if micropay or other transaction services are successful, the ability to offer those and charge for them will grow.

"Push" Technology.

Until recently, as a news user, if you wanted something from an interactive service, you almost always had to go get it. Either you signed onto the Internet and went to one of your bookmarked sites, or you surfed for a new site. Or if you were using plain old audiotext, you picked up the phone and dialed a number and then punched in a code.

That's changing. Soon the content will come to you.

"Push" technology—the old form is called "pull"—is the hottest buzzword this year. It's been the cover story in a number of major magazines and is widely seen as the next step in developing computer-oriented interactive services.

Imagine in the audiotext world if you could program the local hotline to call you when the weather changed, or when your stock hit a certain price. That's "push."

Vin Crosbie, president of Digital Deliverance consultants in Brookline, Massachusetts, thinks "push" is the only practical long-term business model.

"If newspapers only delivered the paper to a customer's home if the customer called the circulation department each day to ask for it, would people call every day? Would any paper build and maintain circulation and attract advertisers?"

"This example may seem ridiculous, but it's exactly the 'circulation' model of on-line Web sites now," Crosbie says.

In a universe as small as that of on-line users, frequent use is the best way for sites (news and otherwise) to become profitable—a model that works, not so coincidentally, in traditional media as well. Ratings or circulation generally bring advertising, which leads to profit.

“Unfortunately, [in the on-line world], people don’t remember to come back consistently,” says Outing. While CNN Interactive reports 58 percent of its users visit at least twice a day and 80 percent visit at least once a day, many sites only get a couple of visits a week—or even just a couple of visits before they’re forgotten altogether.

The striking advantage of push technology is routine delivery, which saves users the time and effort of navigating to and manually downloading each page of Internet content. Of course, advertising is delivered routinely with the editorial and entertainment content, just as commercials come between and during the newscasts on TV.

Crosbie outlined five primary forms of push technology:

- proprietary broadcast channels,
- custom software tools,
- on-demand software,
- programmed retrieval and
- direct e-mail.

Proprietary broadcast channels: The best known is PointCast (, a free service released in 1996. PointCast reports more than one million users, with about 15,000 new users registering each day. Its 30 to 50 million “viewer hours” each month make it comparable to a midsize television network. Subscribers choose news categories like national, international, business, weather and sports. By entering key stock ticker symbols and their ZIP codes, users also can get stock updates and local news, sports and weather. Content appears on personal computers in a screensaver and scrolling ticker. PointCast “aggregates” content from CNN, Reuters, Sportsticker, AccuWeather, Time, People and Money magazines, and more. Local news alliances include the Los Angeles Times, New York Times, Boston Globe, San Jose Mercury News, Tampa Tribune and others. PointCast reports more than one million users, with about 15,000 new users registering each day.

The PointCast feed arrives every half hour, filtered by users’ choices. PointCast gets its revenue from animated advertising it sells and delivers with the content; currently it has some 50 national brand-name advertisers, whose ads run only when subscribers use PointCast as a screensaver. Since PointCast broadcasts its content regularly, most users are individuals continuously on-line at businesses, where they have full-time “free” Internet access. Unfortunately, PointCast tends to overload corporate networks, so many companies have banned its use. The Cupertino, California-based company is trying to overcome this problem, so far with limited success, by delivering a single feed of unfiltered content to a corporation, which then can filter it based on employees’ choices.

PointCast’s growth has drawn several competitors. Ifusion offered a similar service: Arrive Networks, but filed for bankruptcy protection. Berkeley Systems, the long-time screensaver developer, has launched a push service, notably delivering content from Sports Illustrated. America Online plans to offer a broadcast channel in late 1997, and Microsoft plans to incorporate one into its Internet Explorer version 4.0.

Custom software tools: Several companies sell software so content providers and corporations can build their own

PointCast-like services. Marimba (BackWeb and Wayfarer are three examples. With their software, you create a “private-label” push service, featuring only the content you choose and keeping advertising revenues (if any). These tools are becoming popular with companies that want to broadcast information directly to employees’ computers. For example, NationsBank plans to use Wayfarer to distribute corporate news, product information and the bank’s stock price to its 23,000 headquarters employees.

On-demand software: Another form of push is “on demand.” Only Headliner by Lanacom sells such technology directly to consumers. After downloading Headliner software, consumers choose Web sites worldwide from which to receive content in screensaver, scrolling ticker or full-screen formats. Headliner features no advertising and can access any publicly available Web site.

Headliner-a Newswire for The Masses

Programmed retrieval: Software applications can fetch specific Web pages. Freeloader, now owned by Individual, Inc., was the original programmed retrieval service. Users program Freeloader with specific URLs, or Web addresses, and Freeloader retrieves them each day. Lotus Weblicator and Digital Bindery offer software that adds this function to Netscape Navigator or Microsoft Internet Explorer browser.

E-Mail: Electronic mail, one of the original on-line applications, is the most basic push technology. The primary advantage of e-mail is that it is universal among on-line users. Until now e-mail has been limited to text delivery, but full graphical content by e-mail will become available in late 1997. Applications that can deliver graphical e-mail to any user, regardless of his software, most likely will dominate the e-mail market. Mercury Mail, owned partly by the Tribune Co., offers e-mail products on a variety of news and personal issues. For example, you can sign up for “SnowBytes” to receive news when you want it on skiing conditions, winter sports and snowboarding. If you forget special occasions, Mercury Mail’s “Consolidate” will notify you—for free—one week before any date you select, and again one day beforehand. (No excuses ever again for missing your wedding anniversary or your Mom’s birthday!) Stocks, news, entertainment and weather updates also are available on a push basis from Mercury Mail and similar services.

Agents.

Agents are software programs that filter and tailor news and information for your personal interests, based on your requests.

Simple agents gather stories from a variety of sources by looking for keywords you have chosen. Unfortunately, simple keyword agents are sometimes overwhelming. Imagine how many stories the keyword “Microsoft” would elicit from the wires each day. One of the best-known news agents is NewsHound from Mercury Center. For \$7.95 per month after a one-month free trial, you can establish up to five profiles and receive an unlimited number of articles matching your requests. Sources include the Knight-Ridder/Tribune news and business wires, the Associated Press, Reuters, PR Newswire and Kyodo news service.

Agents work well with classified ads. For example, you can be notified automatically by e-mail when a potential dating partner, car, house or job that might interest you is added to a database for which you have signed up.

"Intelligent agents" are a step ahead of keyword agents. They take your input and analyze it, trying to determine from your input what you would want if you knew about it.

Perhaps the most innovative intelligent agent available is Firefly, developed by students at Massachusetts Institute of Technology and currently delivering content about music and movies. (A news version is due out in late 1997.)

Firefly uses a concept called "collaborative filtering."

All of those who enjoy James Bond movies, raise your hands. Okay, all of you who have your hands up, keep them up if you like the Beatles. Now, if your hand is still up, put it down unless you enjoy baklava. Finally, of those left, if you're a canoeist, stand up. Out of the original group of 500, perhaps five people will stand up. That's "collaborative filtering." The five people who stand up have a lot in common. And if four of the five also like fine wines, "intelligent agents" are supposed to deduce that the fifth also might want information on fine wines.

"The consumer, in effect, becomes a magnet for the content [he or she] wants to see," says Joelle Grapper, director of news and community tools for Firefly Network Inc. Firefly uses an "increasing returns" philosophy and tries to reward users immediately for adding to their profiles: "The more they tell you, the more they get," Grapper says, in specificity if not in quantity.

Micropay.

If you could get unique news or information, you might be willing to spend small amounts of money—anywhere from a tenth of a cent to perhaps a quarter or even a dollar—to order that information à la carte, from a micropay news source.

Micropay has just become a reality. Both ESPN SportsZone and Playboy On-line are working with CyberCash, Incon micropay services. In March, ESPN started offering single-day access to premium on-line sports content for a dollar a day; before that, SportsZone, which gets an estimated three million visitors daily, offered premium content only by subscription.

"Thousands of consumers log onto Web content sites like SportsZone every day, but never take the plunge into paying for subscription-based content," says Bill Melton, CEO of CyberCash. "Being able to sample will enable consumers to explore premium content on impulse."

Other Potential Uses for Micropay?

Occasional researchers might be able to access information from Lexis-Nexis (on a once-off basis). Or you could decide just for today, for a few pennies, to download a specific story from Mercury Center or the Knight-Ridder Dialog database. And news services like Reuters or The Associated Press, which until now have "wholesaled" their news to middlemen (television and newspapers) for editing and distribution to end-users, could open consumer-direct channels.

NewsFlash, a 24-hour database search and retrieval service, recently launched an electronic service with pay-per-use pricing, charging a 25-cent search fee plus 20 cents to 75 cents for each report retrieved.

Both IBM and Digital Equipment Corp.(DEC) are offering test versions of micropay systems. IBM's test version supports transactions under a dollar with accounting applications, multi-currency support and other systems. Millicent, DEC's system, supports transactions from one-tenth of a cent to \$5.

Several mainstream news sources may become available through micropay by late 1997.

Pay-per-click, of course, raises many issues: How much is an article worth? Will this cannibalize the original print or broadcast product, or enhance it? Should long reports cost more than short ones? Are trade publications more valuable than consumer publications? Is archive material more or less valuable than current material?

For now, there are few answers—but the learning curve is beginning.

Transactions.

There are micro-transactions, and then there are "real" transactions. While the implications of "real" transactions, like ordering a computer or an airline ticket on-line, don't involve news content directly, electronic commerce has major implications for news organizations. Broadcast and print newsrooms are supported by advertising aimed at these consumer transactions. What happens to the old-media newsroom if these transactions can take place in new media?

Maybe we'll check the Refrigerators 'R' Us on-line site to comparison shop refrigerators, see who has the best buy, and then double-click to buy. If we do, will the local television station or newspaper be involved? Or not?

That's a critical long-term question facing traditional media. Will they play a role in the advertising of the future?

Instead of charging Refrigerators 'R' Us spot rates for advertising, in a few years your TV station may get a piece of the action from transactions on or through its on-line site—say, 2 percent or 5 percent of the transaction's value. Or there may be a server charge, an ad design charge, a click-through charge and a piece of the action.

Or there may be nothing, if everybody goes directly to Refrigerators 'R' Us with no traditional media advertising.

Of course, Refrigerators 'R' Us will have to find a way to let consumers know where its site is and how to get there.

Bringing those "eyeballs"—customers and potential customers—to the refrigerator store, or its thousands of local and national competitors and retail cousins, is one challenge of the new breed of media.

Many people are still uncomfortable buying on-line or through the Internet, especially if they have to give credit card numbers over an unsecured feed. But transaction technologies are improving and consumer confidence is growing.

America Online, which maintains a proprietary closed network, guarantees secure purchasing on its system. Visa and MasterCard have endorsed a Secure Electronic Transaction

(SET) protocol to allow electronic purchases over open networks; Concentric Network plans to allow such purchases later this year.

"For now, to the extent that they buy items on-line, consumers are comfortable using plastic," Scott Smith, director of the digital commerce group at interactive media researcher Jupiter Communications, was quoted by Cowles/Simba Media Daily. "But as new kinds of plastic emerge, like smart cards, and new types of pay-per-use services are created for the Internet, consumer behavior will change. If it's a higher-priced item, like a compact disc or even a personal computer, they are likely to pay with a credit card, but if the price is low, such as for a newspaper article or game play, they will likely turn to new kinds of e-money—smart cards or electronic coins."

Jupiter predicts a \$7.3 billion on-line market by the year 2000, with half the transactions using some form of electronic payment. CyberCash, one of several pioneers in the electronic commerce race, has developed a system it describes as "a major step toward the ATM in the home," letting users pay for transactions on the Internet with direct user-authorized withdrawals from the customer's bank account. Tests have started for utility bill payments by e-mail or on the Internet.

With all of these baby steps under way, full-blown transaction processing, linked to advertising, is a growing reality on-line.

Bandwidth.

Bandwidth refers to the amount of information that can be transmitted over a given distribution link—phone line, satellite, cable modem, or whatever—in a specific period of time. To non-technical types, it's best described as "the size of the pipe."

The wider the pipe, the more you can send through it—with either water or data. Fatter media pipes are coming, along with better ways to squeeze more data through skinny pipes.

Digital cable modems, which provide data over cable television lines (typically hybrid fiber-optic/coaxial cable systems) at rates up to 100 times the rate of standard telephone lines, have been touted for several years. Until this year they were always on the horizon, but they now are being offered by Tele-Communications Inc., Time Warner Cable, Continental Cablevision and others in more than a dozen cities. Availability is growing rapidly, making services like @Home and RoadRunner competitive.

ADSL, or Asymmetrical Digital Subscriber Line, is another technology now being implemented for high-speed data access. Bell Atlantic announced plans in May to make ADSL widely available in its region by 1998.

As data streams get fatter and the technology to send information down skinny streams improves, increased transmission of full-motion video, extensive graphics and animation sequences will make on-line services more like television and, presumably, more popular with consumers.

Alliances.

WBZ-TV, WHDH, WCVB and The Boston Globe are all competitors, right? Yes—and no.

They still slug it out every day on the streets of Boston for ratings and ad dollars. But if you look at Boston.com, the

innovative site established by Boston Globe Electronic Publishing Inc., they're partners. (More about Boston.com, Appendix)

How about telephone companies and newspapers? Adversaries for advertising dollars? Absolutely, if the telco publishes the Yellow Pages. Or—as happens more and more—the newspaper publishes a competitive directory. In Tucson, the competition has turned on its head. The Arizona Daily Star is allied with a local Competitive Access Provider (that's the new, second "local" phone company) to provide high-speed Internet access, and may offer phone service. And the Star works with a pager company to offer alphanumeric pagers—which in turn receive news headlines and "pager coupons" sold by the newspaper advertising department and transmitted via the paging network.

In dozens of markets around the country, like Boston, television stations and newspapers that once saw each other as competitors are working together in cooperative ventures in interactive media.

The Gazette, KCRG-TV 9 and KCRG News Radio in Cedar Rapids created and operate FYIowa, a Web site that competes with other regional media and potential new-media interlopers. In some alliances, like Cedar Rapids, the media are co-owned; in others, like Boston, they are not. And not all joint ventures work out, of course. Politics Now, the Web site operated by Newsweek, ABC-TV News and the National Journal, shut down in March, reportedly because the partners decided to focus on their separate interactive ventures.

Design of Advertisements tailored to New Media

As 1995 began, the new media were still marginal phenomena barely noticed by content providers and advertisers. This changed dramatically as the year progressed. Suddenly new media became all the rage. In Germany, multimedia became the catchword.

What is multimedia? Multimedia integrates, presents and communicates information supplied by text, graphics, audio, freeze frames and moving images. What makes the new media truly revolutionary, though, is its interactivity. Gone are the days when customers passively consumed what the media offered. Now these customers can dictate when, how and where they receive information. For the consumer, this offers totally new possibilities for using media. This change affects the whole marketing chain of value in advertising as well as advertising itself.

The new media need new forms of publication, and content providers such as publishing houses are already tackling this issue. At the same time, advertising agencies will need to rethink how communication takes place between advertisers and targeted market groups. Ultimately, the advent of new media will have consequences for the advertisers themselves.

Marketing and advertising concepts for the new media

The differences between advertising and marketing in the old media and the new must be examined more closely. Advertising in the new media presents new challenges.

Promotional communication in the classic media is based on linear concepts. A full-color advertisement in a magazine or a thirty second television spot vie for the consumer's attention

and seek to convey that the product speaks to the consumer's desires. The classic media are thus forced to focus on only a few aspects of a product, thereby reducing its multidimensionality (and its chances of reaching the widest possible target market) by forcing it to fit into textual, visual and acoustic formats intended for a massive onslaught towards the public.

The consumer simply cannot avoid the advertisement, except by switching the television channel or by turning the page of the magazine. Furthermore, he/she has to see all of the advertisement to get its message. Owing to the linear nature of the traditional media, the lead-in to a television spot, for example, has to occur right at the beginning. The traditional media are used as carriers of a specific advertising message; however, advertising in the classic media produces a high degree of wasted effort because an audience larger than the target group is reached. The traditional media therefore specialize in 'push marketing'.

Advertising in the new media is altogether different. Traditional advertising concepts are either ineffective or counterproductive in this area. The new media need 'pull marketing' concepts. Communication, information and service are the three basic elements that attract targeted market groups. Marketing in the new media communicates to its customers on a one-to-one basis and becomes more complex because the consumer engages the message actively. The limitations of space and time, which previously necessitated a compromised message, are removed. An online advertisement is available 24 hours a day, 365 days a year. Outbound concepts such as active telephone marketing or direct mail are rendered ineffective. The new media provide much more content. The brand itself becomes the medium which has to be conceptualized and designed accordingly. The ability of the customer to network and navigate this new medium is of utmost importance. Exposure frequency is not reached by repeatedly displaying advertisements: instead it results from the quality of the content offered.

This change affects all the areas of marketing. In the past, creative agencies direct marketing agencies, media agencies and publicity agencies concentrated on their areas of specialization. New media advertising, therefore, cannot be created and developed in agencies specializing in the traditional media. Rather, a new type of agency is called for: an agency that can cover a diverse range of communication components as well as technical know-how.

A survey of the new media for promotional communication

The new media offer a large variety of propositions on different platforms. Along with the PC, which is seen mainly as an end-user product, there exist today various interactive media which can be employed for promotional communication offers. These are:

Audiotex;

Teletext;

CD-ROM

Proprietary online services; and

The Internet

What follows is a brief description of the current situation.

Today there is a telephone in almost every household. For several years yet, until new telecommunication technologies, such as optical fibre cables, are implemented in every home, telephone lines will continue to serve households as the on-ramp to the information highway. Using audiotex (voice computers for interactive value-added services), large and predominantly young target groups can be reached with the currently available telephone lines. Audiotex can be used for the transmission of information, such as weather reports, as well as for promotions and tie-ins. In other words, it can replace the good old postcard.

Teletext is among the most widely used tools available in interactive media. Up to 10 million Germans use teletext on a daily basis to catch up on the latest in politics, economics, sports and various other topics. Private television stations also offer advertising platforms. Since teletext is broadcast 'piggy-back' on the television signal, an advertiser can improve or strengthen the after-effect of his television spot by including references to the spot in the teletext. The most recent advances allow an advertiser to conduct asynchronous or synchronous interactive games on television and thus approach broad target groups.

The high storage space of a CD-ROM, a classic off-line medium, allows one to save whole encyclopedias or even films on a single silver disc. Like all other off-line media, CD-ROMs are static as far as their information content is concerned; in other words, no updates or modifications are possible once a CD-ROM has been produced. Advertising campaigns which use the medium must have a long life. New technological developments try to overcome this disadvantage by providing an extra online component. These hybrid CD-ROMs contain extra communication software that lets the consumer download updated information via the telephone.

Traditional online services for personal computers are the proprietary services offered by the telephone companies, CompuServe and America Online (AOL) and the Internet. Besides presenting various possibilities and formats for layouts, these online service providers differ markedly in the functions they serve. THE Internet currently reigns as the most dynamic of these new media. The Internet is a global pool of over 6 million hosts generating a variety of forms of communication based on international standards. Hundreds of thousands of software engineers are constantly developing and integrating new functions into the Internet. Currently the World Wide Web (WWW or web) is "where it's at". Advertisers looking for new ways to experiment with the new media increasingly seek this form of communications out. Its wide range of possibilities and choices, as well as the offers it has already made available, are the factors that have made the WWW the driving force within the new media, therefore pushing the proprietary services into the background. In the latter half of 1995, multimedia capacities were integrated into the Web. Now all proprietary services offer access to the WWW, but only a few can be accessed via the Web. According to experts like Nicholas NegroPonte and Bill Gates, the Internet (particularly the WWW) is the forerunner of the interactive TV of tomorrow. The Web's dialogue capabilities result in real communication with target groups

without them having to adopt a hodge-podge of different technological platforms. Radio on demand in real time is already being produced on the WWW. The first steps to create video on demand have also been taken.

How to Advertise in the New Media

In the arena of communication - whether it is traditional, direct or journalistically orientated - there exists no standardized secret for success: this applies for the new media as well. Objectives and target groups require individual approaches, as do brand product positioning and brand equity. Still, some rules and procedures should be kept in mind when setting out to create advertising in the new media.

Strategy

Interactive offers must fit seamlessly into the overall strategy of an advertiser, complementing and, if necessary, adjusting this strategy. Communication via the new media offers problem solving for the consumer as well as on a business-to-business level, and offers internal company communication (Intranet). The policy of having separate communication systems for marketing, distribution and the company itself has to be supplanted by an integrated policy of communication, since all of these individual areas are intertwined. The new media can influence a company's entire marketing mix: communication strategies will benefit from this influence, as will products, distribution and price strategies. Owing to the complexity of the overall picture, agencies are faced with a whole new catalogue of demands and requirements. Which strategy to pursue, how to implement this strategy, and which interactive platforms to choose for this implementation must all be considered? A detailed analysis for marketing and communication is required as well as an analysis of the new media. These analyses should serve as starting points for the use of multimedia and interactive media and should influence concepts for the implementation of a pull-marketing strategy.

The new media offer a powerful tool for companies by allowing them to create more than traditional advertising concepts; they also supply communication, information and service. In addition, the direct consumer contact created by them entails a high degree of responsibility on the part of the companies.

New Media Research

The use of new media requires research in the areas of targeted market groups and their media consumption, even in the strategy phase. New media research has to encompass a protesting phase as well as the campaign itself (thus demanding continuous market research) in order to guarantee a meaningful evaluation of the feedback and to initiate any necessary modifications in concept and layout. The main aim of new media research is to generate a catalogue of lessons learned, thereby helping firms to avoid mistakes and inconsistencies before the final offer is submitted.

Concept Creation

The classic concept of advertising strategies with their traditional, static structure where linear thinking is implemented step by step, does not apply to new media. In the classic media, a single concept was booked for longer periods of time. Diverging from this procedure, the new media allow the integration of

elements such as hyperlinks, feedback and individualized content design to respond to the reactions of the consumer. The high speed at which the new media develop calls for a continuous analysis of what is new in available technologies, as well as how these developments can best serve and be used in advertising.

The concept of an interactive offer demands that one thinks in terms of network structures and how these links can be arranged in such a way that a user can easily navigate them. Interactive offers must be thought of as living organisms: they are developing constantly, never static. This is the prerequisite for high impact exposure and for the willingness of the consumer to interact with the advert. The success of the offer depends on the understanding that not just a message but also a medium is being produced.

The concept contains, among other things, basic services and added-value services. Basic services include all those services, which contain basic information concerning the brand and the company, and whose structure is long-term orientated, much like a company statement. However, basic services contain a large amount of information, but few educational or entertainment elements. Feedback elements are also integrated into this service. Basic services are essential for each promotional communication offer.

However, basic services by themselves are not enough for creating long-term consumer loyalty. In order for the site to become a useful tool for the customer, i.e. one that the customer will visit often and add to his/her list of 'www' bookmarks (saving a site for one's personal menu), added-value services must be created. These contain additional services and offers intended to motivate target groups to visit a site on a continual basis. They have to be fine-tuned to the requirements of the individual company.

Project Management

Project management accompanies a project through all stages of production. In tandem with strategic planning and concept creation, it will implement the planning of necessary resources such as technology, personnel and licensing with internal and external partners to safeguard the smooth conversion and implementation of the offer.

Multimedia Production

The production of multimedia offers demands particular care and deliberation in the areas of graphics and their technical conversion. A multimedia production must speak to a target group through its graphic design. While there is generally no lack of storage space on

CD-ROMs for elaborate graphics; transmission times are affected when these graphics are online. If a consumer has to wait too long for an offer to appear on the screen, the number of those leaving the site before all data is transmitted increases.

The Internet, which continues to develop at a dynamic speed, in particular faces the problem of integrating updated new features, which cannot be accessed by all consumers. This might mean that individual offers must be available in several versions.

Editorial Services

Offers made by advertisers in the new media must generate as much Internet traffic as possible. The emphasis in off-line media is in the area of pre production since, for example, few alterations and changes are possible after the conception and creative layout of a CD-ROM. However, and in contrast to television spots, the creative and concept-orientated input for new media continues even after a campaign has gone online. The campaign must continually be updated to maintain the 'bookmark effect'. Along with updates, concept improvements have to be added on a regular basis. It is precisely this aspect, which many agencies tend to underestimate.

Technical Support

The rapid increase of advances in the area of information technology compels a comprehensive understanding of the newest technological trends and how these can be integrated into the advertisement. As with editorial support" constant improvement and individualization are also called for on the technical side.

New Media Marketing Support

An advertiser's communication offer, and where it is located, must be made known to the public. Besides integrating it into traditional promotional communication, i.e. integrating it into a company's publicity services via press releases, printing it on calling cards and company stationery is advisable if the offer is to be available on a permanent basis. Additional communication procedures can be created via special events marketing. Announcing a special event, for instance, can produce additional incentives for interacting with the offer.

The new media provide an invaluable source for database marketing. By polling users and by employing permanent market research, new target groups can be discovered. Their loyalty to the offer is thus assured, once it is found to be useful and exciting. With the exception of outbound concepts such as direct mail, completely new forms of communication can be created for direct marketing. .

International Transfer

Online systems like the Internet are global in their reach. For companies operating on a global level, an online advertisement therefore lends itself to transfer into different languages and countries. Employing a transfer strategy in the initial planning phase creates a cost cutting potential because of the effects of synergy.

Other New Media.

The Internet is the new media reality and interactive television is the new media vision of the future. Those are the two major topics of discussion these days in the world of interactive media.

But there are other interactive media to consider. Some blissfully chug along turning out money for their operators, providing news updates, sports scores and stock quotes for an up-to-the-minute audience. Others, like interactive television, are merely a glint in someone's eye.

This chapter will review several other interactive media and technologies that may be used to deliver news:

- Audiotext, the forgotten medium,
- Screen phones and
- Flat panels.

In addition, we'll take a look at the wireless services that are developing to deliver interactive media, and "free-mail," a PC-based service for news and other e-mail that is showing explosive growth but meeting with mixed success.

Audiotext is widely deployed and profitable. Screen phones are used in France, where the service is called "Minitel," and have been the subject of one major trial in the United States, but are a long way from commercial deployment in the States. And flat panels, like interactive television, are another long-range platform that may or may not come to fruition.

Audiotext

What's the best thing about audiotext? You don't have to boot up your telephone, and you can find a phone almost anywhere. (It's difficult—and dangerous—to download and read a page from the Internet while you're driving.)

Audiotext was the first interactive electronic medium of the modern age. It's been around for decades. Years ago, the phone company had "time and temperature" lines. Then, in the 1970s, there were "Dial a Joke" and horoscope lines.

But audiotext became a much more complete and potentially lucrative business, with extensive news content, in the late 1980s. Its growth was driven by a combination of factors: TouchTone service, digital audio processing, low-cost audiotext servers (computers) and satellite audio distribution systems that allowed one announcer to serve multiple markets. Yellow Pages publishers seized on audiotext as a solution for one of their major problems—a once-a-year publishing cycle—and built audiotext into an extension of their core business. TV and radio stations and newspapers use it to deliver news updates, sports scores and community information. It's still a niche business, yet a much larger one than before. And although profit results are mixed, many players are finding new ways to expand and develop their businesses.

"There is no doubt in my mind that audiotext is a better tool [than the Internet] to reach the mass audience," says Sharon Smith, sales and marketing director of the New Horizons Team, the new-media subsidiary of The Pottsville Republican of Pottsville, Pennsylvania.

"You can reach more people by phone than by the computer. Until there are computers like the public phones, audiotext is a better tool," she says.

Smith, who is often described as "the audiotext queen," thinks audiotext creates great synergies for traditional media by driving sales back and forth from one medium to another. Like any advertising medium, she says, the sales staff has to consider the best interests of the advertiser and focus on content that will bring business to the customers. By selling it effectively, she concludes, you also can drive more business to the core product—in Smith's case, the newspaper; in other cases, the TV or radio station, or the Yellow Pages.

"It's not just selling a 'commercial' on a phone line," concurs Connie Lenz-Salinas, marketing director at Cox Newspapers'

Austin American-Statesman and chair of the Interactive Newspapers Network, an audiotext-oriented group. "You've got to further expand and integrate the technology and the services—whatever they are—into the overall strategic plan ... For an advertiser, [you have to be able to say], 'Here's your multimedia package.'

"There's a lot that can be done other than just putting a simple 15- or 20-second commercial on the line, and if people think that's the way the business runs, then there's very little hope it's going to be a financial success for them."

While audiotext has worked for some media companies, for others it has not.

"We just never could make it work," says Bob Ingle, president of Knight-Ridder New Media. "Even if you do it 100 percent right, you can't sell it to people. The medium is more limited than the Internet. Your universe [of prospective users] is near 100 percent, but there's less you can do."

There are two types of audiotext systems—free to the user and pay-per-call. Some pay-per-call systems use 976- numbers or other billing; most use n-1-1 lines offered by the telephone companies and their partners (2-1-1 or 5-1-1, for example).

One Advantage of Audiotext is Its Flexibility.

Advertisers can call in and change their commercial spots minute-by-minute; news and editorial content can be sponsored by topic-appropriate advertisers, who then can get direct telephone referrals through the touch of one button; users can adjust their stock portfolios or other choices relatively easily.



Courtesy Tribune Media Services, Inc.

One audiotext marketing company, Wolfe Communications of San Diego, works primarily with television stations to develop "loyalty marketing" programs, building a database of callers through special offers, contests and premiums. The database, in turn, is used for direct mail and other direct marketing to those callers. Many audiotext providers capture the phone numbers of their callers, then cross-reference those phone numbers against office and home phone numbers to develop marketing databases. For example, television stations can add users of the station's audiotext line to their promotional mailing lists; newspapers can check callers against the home-subscriber circulation list, and solicit non-subscribers.

Yellow Pages publishers are among the biggest players in audiotext. Because Yellow Pages are published only once a year, advertisers may not include "perishable" details like prices, interest rates or make and model numbers. Yellow Pages publishers overcome the problem of static content by promoting business-specific audiotext lines, along with hundreds or in some cases thousands of editorial information lines. IT Network of Dallas, the leading provider of audiotext to and

through telephone directory publishers, recently acquired the audiotext business of both GTE and R.H. Donnelly.

The number of television stations operating independent audiotext systems is very small but growing steadily, while the number of newspapers in the audiotext business is flat. Major information providers say call volumes have been flat the past few years, after a period of strong growth in the early 1990s. Most calls, as many as 80 percent on some systems, come during the business day. And of those, an estimated 80 percent come from the workplace. Like television ratings or newspaper circulation, there are notable spikes in usage during major news events, such as a hurricane or a stock market dive.

Carol Carpenter, general manager of Florida 511, says health-care and legal topic lines are particularly popular because people who need information about those subjects often like to call for background and advice, and then call the professionals they need.

Florida 511, an alliance of The Palm Beach Post, The Sun-Sentinel of Fort Lauderdale and BellSouth Advertising and Publishing Co., operates a pay-per-call service in south Florida. During the past few years, it has developed content in several areas for both local use and syndication, including a wide-ranging audiotext sports network and the only full-featured Spanish-language audiotext news and information network. Dan Shorter, Florida 511 chairman, says both the sports and the Spanish-language services were profitable from the day of launch, October 1, 1996.

Florida 511 has found a new way to marry interactive media—selling Internet site developers the rights to add its audio material on their Web sites. A jeans manufacturer might add rodeo reports initially developed for audiotext on its Web site, for example, or a motor oil refiner and race-car sponsor might offer audio NASCAR updates.

Audio personals was one of the first and is still one of the most lucrative categories of audiotext, particularly for newspaper publishers. It's a category Yellow Pages publishers won't touch, and it's described as "a gold mine" by Jim Cassella, marketing vice president of IT Network. Most newspapers outsource their voice personals, and some have shied away because of the potential for danger or abuse, but many are happily banking monthly checks from their voice personals providers.



Screen Phones

Screen phones marry telephones and computers without the computer. It's an idea that works—in France.

Minitel, the world's largest screen-based telephone system, offers more than 25,000 text-based services from the Teletel

network. Minitel incorporates a national white-pages phone directory and e-mail, along with news, government reports, banking, transportation, catalog sales, weather, leisure and tourism services, real estate and hundreds of others.

Minitel was launched in 1980. In early 1996, it averaged 95 million calls per month. It has an installed base of 6.5 million terminals—including personal computers, which now can be linked to the system through an “emulation” card.

Minitel content and service providers received 3.1 billion French francs in payment for their services in 1994, on total revenue of 6.6 billion French francs. Nearly two billion Minitel calls were placed that year, about 41 percent of them to the electronic white pages. (The directory is available in English, Spanish, German and Italian, as well as French.)

“[Minitel] has become a daily part of French life, and the primary source for business and commercial information in France,” reports Boursa France, a French consulting agency that assists Minitel users.

The Garden City Screen Phone Project

Despite their reach in France, in the United States screen phones are like Time Warner's Full Service Network—almost nowhere.

One semi-commercial test of screen phones is under way outside New York City in Garden City, Long Island. Some 6,500 screen phones have been given away in the small, tightly knit suburb by Philips Home Services, a division of the giant Dutch company Philips Electronics. (Philips is also a partner in Web TV.) Offering e-mail, banking with Citibank, local shopping and news and editorial content from the weekly Garden City News, Philips reached 98.8 percent household penetration in Garden City with the \$400 units.

Barry K. Schwartz, Philips vice president of planning and business development, describes the Garden City project as “a learning experience, a tuition payment for us.” He says residents became “wildly enthusiastic” about the phones after some initial skepticism, and use the phones in substantially different demographics than those of the Internet. According to Schwartz, 65 percent of the screen-phone users are female, versus 35 percent of Internet users, and more than 70 percent of users are over 40 years old. All services are either ad-supported or charge à la carte, with a 25-cent charge per e-mail message, for example. When the service offers limited Internet access in late 1997, it will cost a flat rate of 10 cents per minute.

Schwartz says participation by the Garden City News has been integral to the project, both because 82 percent of the community residents learned about it from the paper and also because of its news content. “The electronic channel does not stand alone,” he says. “It needs another channel. And the paper, the old-fashioned, dead-tree paper, is a very, very effective traditional medium.”

Results have been very positive, says Schwartz. The local Citibank branch gained \$1.5 million in new deposits attributable to the project. It also was “the single most effective advertising channel Nynex has used” to promote its enhanced services like Caller ID. Some 30 percent of screen-phone users inquired about the Nynex services, and of those who inquired, 30 percent actually signed up.

Erich G. Linker Jr., a Garden City resident who is also a new-media executive formerly with The New York Times Co., says “even though the personal computer is wonderful, even though the Web and the Internet are wonderful, even though we've got all this great stuff happening, the screen phone is a very, very potent consumer information appliance.”

News and Sports On Your Pager

Another wireless news delivery platform, the lowly pager, may play a pivotal role in expanding the legal definition of news.

Alpha-numeric pagers have been used to deliver news headlines, sports scores, stock quotes, news trivia and similar brief items since the early 1990s, when several paging companies began offering headlines and financial market updates to encourage their customers to upgrade from numeric-only pagers to pagers that could deliver text messages as well. By offering news headlines and sports scores for free or at a nominal cost, the theory went, users would pay the few extra dollars for a more expensive service. It worked. SkyNews, the first such national service, with news headlines twice daily from Reuters, was so successful that PageNet joined with CNN Interactive a few years later to offer a similar but more comprehensive service.

Then came real-time sports via pager, and a court battle that may reshape the news and financial markets. Motorola began offering SportsTrax, a pager carrying instantaneous scores of NBA basketball games while the games were still in progress. (America Online offered the same scores on-line.) The NBA sued, charging that STATS, Inc., of Skokie, Illinois, Motorola and AOL were all “misappropriating” the value of the game by offering the scores on pagers priced as low as \$99. But a federal appeals court ruled in favor of the three companies, saying the scores are in the public domain and may be broadcast. (Curiously, although The Associated Press, The New York Times and a number of other media organizations sided with AOL and Motorola, one major organization did not—NBC, which currently owns broadcast rights to NBA games.) The landmark ruling, which protected the right of news organizations to disseminate scores and other real-time information, still may be appealed to the U.S. Supreme Court.

Flat Panels

Flat panels are not, in and of themselves, a new medium. They're a delivery platform for media that are developed like any other. But because they could radically change, again, the way we receive information, they're worth considering here.

If Sharon Smith of Pottsville is the “queen of audiotext,” Roger Fidler is certainly the “king of flat panels.” Fidler, professional-in-residence at the School of Journalism and Mass Communication at Kent State University and coordinator of its Information Design Laboratory, has been actively involved in new-media development since 1979. Before that he was a newspaper reporter and designer.

In 1981, Fidler developed the concept of a “tablet newspaper,” which would be delivered on a screen and would include multiple tiers of information. You'd get a front page—probably customized to your interests—and by touching the screen in a particular spot, you'd get more information. Touch on the still photo of a sports play or player, for example, and

you'd see more about the game, and possibly full-motion video of that particular play. Touch again and you'd get expanded statistics, or player statistics. Your flat panel would customize information for you. If you wanted to buy something, you'd hit the "purchase" button and the transaction would occur, using credit information stored in the unit. It could be programmed with your size and color preferences. If you wanted to travel somewhere, you'd go to the airline section and look for discount tickets.

Back then, it was considered futuristic, even foolhardy by many. Now, in one sense, we have it. It's called hyperlinking, and it's available on the Internet.

Knight-Ridder funded research on the flat panel at its Information Design Laboratory in Boulder, Colorado, which it shut down in 1995. Fidler then joined forces with the Liquid Crystal Institute, an applied research department and lab at Kent State University. Liquid crystals are essential to Fidler's vision of the flat panel, because the panel has to be light, inexpensive and use little electricity. That, along with its portability, separates it from our current desktop and laptop computers.

The flat panel has a long way to go before it's commercially viable, but it isn't just a fantasy any more. In October 1996, the Imagineering group at The Walt Disney Company unveiled a prototype electronic magazine device that could download and store publications for reading without power cords or modems. Disney executives say the technology works now, but predict it will take five years before the devices will be feasible for the consumer market.

NewsPad, a "portable multimedia newspaper," is being developed in Europe by Acorn Computer Group plc. It was demonstrated at the iTV'96 conference in Edinburgh, Scotland, in mid-1996, and was tested with content from El Periodico de Catalunya, the largest newspaper in Barcelona, Spain. The NewsPad is based on the same chip that runs the Apple Newton personal digital assistant, or PDA. PDAs, in turn, are getting smaller, lighter and less expensive, and have been equipped with high-end wireless receivers in projects like Motorola's EMBARC (Electronic Mail Broadcast to a Roaming Computer). As early as 1993 Motorola was distributing Reuters news, market information, stock quotes and more to PDAs via wireless modems.

Wireless Technologies

So you're away from your phone and you want more information than you can get by dialing 511 or Hello Yellow. What can you do? Use a wireless network.

Although they use different technologies and reach different parts of the market, wireless devices deliver e-mail, news and other Internet information or, in one case, connect PDAs as telephones for the deaf and hard of hearing.

NewsCatcher: A sleek black pyramid that sits next to your PC, NewsCatcher from Global Village Communication eliminates the phone line or office Internet connection to deliver news alerts from Reuters, The Weather Channel, KRT news services, CBS SportsLine, QuoteComm and others. In a mixed review in February, PC Computing noted that "alerts" from NewsCatcher can be valuable, but are very limited in length (about 40 words)

and can't be saved into other applications or copied. Inside the futuristic package, NewsCatcher is essentially an alphanumeric pager tied to your computer, feeding news over paging frequencies. Software and coding let you sort the flow of "alerts" to minimally customize its service.

InterCast: A wireless technology developed by Intel, InterCast uses the Vertical Blanking Interval (VBI) of the television signal to deliver Internet data at speeds comparable to ISDN lines. This is not a true two-way system, but could be used to provide Web page data tied to a URL on a television viewer's screen. Among the programmers in the InterCast Industry Group: CNN, NBC, MTV and WGBH TV of Boston. The hardware, available as a PC card for less than \$200 or as a built-in module in some new PCs, displays InterCast pages in a window next to the live TV video window.

Ricochet: A wireless modem service designed primarily for laptop users, is available in San Francisco, Seattle and Washington, D.C., with 1997 expansion planned into Los Angeles and New York. It provides standard Internet services at data rates between 14.4 and 28.8 kilobits per second, using spread-spectrum packet radio technology, and garnered a very solid review from Walter S. Mossberg in The Wall Street Journal last December.

WaveTop: A push delivery system set for roll-out in the fall of 1997, WaveTop will distribute information by satellite to 264 Public Broadcasting System television stations around the United States, and use VBI and other wireless technologies to deliver the content from the stations to PCs with special WaveTop cards.

Literally dozens of other wireless services are developing, including various MMDS (Multichannel Multipoint Distribution System) providers, who offer mainly cable-TV-style services; DirecPC, a service from the DirecTV satellite folks that delivers 400 Kbps speed with per-megabyte charges and requires you to maintain a standard telephone modem connection for the "back channel" to the server; e-mail delivery to the PocketNet smart phone from AT&T wireless services; and a cell-phone/modem/palmtop computer combination marketed to the deaf by RadioMail that serves as a mobile TDD (telecommunications device for the deaf).

"Free-mail"

For PC owners who don't want to subscribe to an Internet service, but do want to receive e-mail, there's free-mail. Like broadcast television and radio, you don't pay for it directly; you pay for it by receiving ads.

The best-known services are Juno and Hotmail. Juno reached one million subscribers in January 1997, after slightly more than one year in operation, and said it was signing up 8,000 users each day, but then limited sign-ups for system capacity reasons. Hotmail announced in June 1997 that it had reached four million subscribers, showing exponential growth after hitting two million in February and one million in December. Hotmail offers content from Slate, the Microsoft e-zine, Mercury Mail, and GolfWeb. Both services use customer profiles to target ads demographically to users.

Like many other new-media efforts, free-mail has not been without its problems. Freemark, the first of the free-mail services, folded in December 1996 after only seven months in the marketplace.

Assignments

1. Write a note on the 'new' media that you can see around you and

Summary.

Advertising in the new media offers numerous and diverse new forms of communication to the consumer. A necessary prerequisite of an agency is know-how in all areas: creative, media, publicity and direct marketing. A recipe for guaranteed success does not yet exist: these media are still too young, and an abundance of experience with them is lacking. New approaches are constantly put to the test - and these either produces results or fail. At this stage, know-how in the area of new media marketing can be had at a relatively low cost and can be tied to a positive image of being innovative. As companies increasingly integrate their forms of communication in advertising, the price of not educating themselves about the new media will escalate - dramatically.

Topics Covered

New-media trends, Profitability—on the horizon, or here already?

CNN Interactive, Selling content. "Push" technology, Design of Advertisements tailored to New Media, a survey of the new media for promotional communication, How to advertise in the new media, Other new Media.

Objectives

1. To understand what are the new media and the trends.
2. To examine how advertisements can be tailored to the new media.

LESSON 15:

ADVERTISING IN THE MULTI-MEDIA AGE.

Topics Covered

Attitude towards advertising, behavior towards advertising, new age implications, market information, generational differences, historical experience, interactive advertising, current online advertising, media use, comparison between Europe vs US and Japan, socio-demographic considerations, Overview strategy for new media and advertising, Changes in modes of advertising, regulation strategies.

Objectives

1. To view advertising in the light of new age implications.
2. To examine the strategy for new media and advertising.
3. To compare Europe situation vis-à-vis US and Japan.

Introduction

Many views exist on advertising and its function in a free market. Explanations of the phenomenon of advertising, its drivers, its modes of measurement, its social appeal or rejection, will continue to be debated. What follows in this chapter is the information gained from the ADMEDIA project sponsored by the European Commission (EC). The authors wish to acknowledge the contribution and texts supplied by all the coworkers engaged in the ADMEDIA study. The individuals involved who have contributed much copy to this chapter are acknowledged at the end of this chapter.

The ADMEDIA project was implemented to follow up earlier investigations undertaken for the EC which sought to understand better the information market and the role for publishers in that market. It was recognized that many branches of publishing consumer magazines, business magazines, regional and national newspapers - depend for the success of their present business model on attracting significant advertising revenue. Furthermore, these publishing sectors are important as the demand side for other industries such as papermaking, printing ink manufacturing, and printing machinery manufacturing. Concurrent with the importance of advertising in the established business sectors, there is also the opportunity for job creation through growth in the use of information technology (IT) and multimedia. Finally, there is consistent recognition in the strategic policies of the EC that new technology can bring social benefit in addition to employment. Thus a study of advertising and new media is pertinent to the interests of politicians, policy-makers and the citizens of Europe.

The work undertaken in the AD MEDIA project led those concerned to conclude that there is evidence to suggest that advertising is an activity acceptable to society and one which plays a positive role in the promotion of consumer choice and the mechanisms of the free market. The approach taken was to seek to establish the present context for advertising and then to look at a number of change parameters which might influence a shift in the advertising revenue streams caused by the impact of multimedia. This first chapter encapsulates the salient issues

and synthesizes the relevant information gained from the AD MEDIA investigation.

Attitudes towards advertising: advertising not an issue

Considerable research has been carried out on the question of consumer attitudes towards advertising, perhaps because the ultimate worry that advertisers face is that their campaigns do not really work and that consumers are to some degree estranged from their messages. Much of the research gives conflicting views, and firm conclusions are difficult to make.

Perhaps the only conclusive statement that should be made is that, in general, people do not seem to have strong opinions about advertising per se. This explains why surveys and reports can paint such different pictures of their views. The more weakly an opinion is held, the more likely it is to be changed by a survey that is looking for a certain conclusion.

A British survey performed by the Advertising Association (AA) showed that 8 % of respondents felt that advertising was in need of fundamental change; 6% of the sample felt strongly about advertising in at least some respect; and only 10% even talked about it much. No significant differences were discerned between the various social groups and these findings concur with previous AA work. Thus, this relative indifference towards advertising seems to be endemic in Britain, and results elsewhere in Europe correlate with this experience.

The importance of this sort of analysis is that it suggests the need for caution in interpretation of studies on specific attitudes towards advertising: weakly held opinions are susceptible to change in line with the methods used in gathering them.

Despite the inconclusive nature of much advertising research, it does seem that the majority of Europeans do not disapprove of advertising and feel that it is a necessary part of society. Another study by GfK indicates a more positive approach to advertising. The differences in the results of these two surveys indicate the difficulties inherent in surveys of this kind.

One difference that is significant is age: the young seem to be considerably more tolerant of advertising than the elderly. We have no evidence as to whether this is a generational difference that will remain constant or whether these more positive attitudes will stay with the current younger generation as they grow older. If these more positive attitudes stay constant, it may mean that the young are more likely to access interactive advertising whereas many older people will try to avoid it.

Whether people are becoming more or less impressed by advertising is unclear. A Young & Rubicam survey of six European nations showed that over half of the respondents liked advertising more than they did before, and only 18% liked it less than before. A British study by the Advertising Association indicated the same trend. If we look at the reasons why consumers might like advertising, there are some clear possi-

ties: It is informative to the consumer about products, offers, services; It can be entertaining in itself; and Advertising revenue often 'pays' for or reduces what the consumer has to pay for the medium in question. Of these three factors it appears that advertising is most often judged on its informational and entertainment merits, with less concern or awareness generally expressed about advertising's role as a revenue generator for the media.

It is important to recognize that there may be limits to the crossover between those who approve of advertising because of its entertainment value and those who approve because of its informational content, and people's attitudes towards advertising may be somewhat mixed as a result. Moves away from direct product advertising to more conceptual attempts by advertisers to raise brand awareness may do well in some quarters but not in others. Thus caution must be exercised by advertisers in how they present themselves to their potential customers, and this may be a good argument in some cases against mass 'blanket' advertising. Interactive advertising has an advantage in this respect in that it should be possible to allow consumers to be self-selecting, as their choices can be identified as suitable for particular forms of advertising. For example, on a CD-ROM or online screen, the consumer may be presented with a choice between watching a stylized clip of a car on the road and being given straightforward information on price, fuel consumption, performance in road tests and so forth.

The strongest cultural differences across Europe seem to manifest themselves in varying opinions as to what the content of advertising is and should be. While all of Europe believes the ideal advert to be 'honest' and 'informative', few countries perceive this as being reality. Only Denmark, which shows the greatest approval of advertising in Europe, believes its advertising fits this honest ideal. Other countries vary in their taste in advertising. The French tend to want creative and entertaining advertisements, whereas the Spanish claim to prefer stylish advertising that is 'in good taste'.

Behaviour towards Advertising

Consumers may accept advertising as a concept, but this does not mean that individuals are happy to sit through an advert in the middle of their favourite television programme. The research detailed above describes a consumer who feels positive, though not strongly, towards advertising. A worldwide Gallup survey for the International Advertising Association showed that whether people enjoyed adverts, and whether they would miss them if they were to disappear completely, differs markedly across countries. However, the general low level of concern about advertising as an issue might suggest that, as much as people do not mind advertising being a part of their environment, they would also not care too much if it was not there.

Evidence from the Henley Centre's study of UK attitudes to advertising in 1993 suggests that the growth of multichannel television is making people more likely to 'zap' between channels during commercials. Of the 81 % of viewers who had remote controls, more than half used it to avoid adverts, and nearly one third of all television viewers said they only watched television advertising when it was relevant to them as a consumer. The study also showed that nearly two-thirds of

people found the number of television advertisements irritating, regardless of the amount of television they watched. Consumers show considerably less irritation with radio, newspaper and magazine advertising, but nearly half still believe that there is too much of it.

Research in other countries gives the same indications as the Henley study. One American survey estimates that when a television commercial is showing, 18% of TVs are unwatched, 22% have viewers doing something else, and at least 10% of TVs are zapped to an alternative channel. A German survey showed that 53%, of people do something else when a commercial is shown. Zapping during a commercial is influenced by the nature of the programming around it, and also by what is on other channels. If people are in the middle of a programme they want to watch, they are more likely to sit through the adverts. This is especially true for lengthy programming, such as films and sport. Above all, the length of the commercial break is the biggest variable in whether a person will avoid an advert.

Another aspect of consumer behaviour to worry television advertisers is that television-watching in general is not as great, or at least not as intense, as is sometimes imagined. A study by Markt Media Analysen has found that 84% of television watchers do not 'purely' watch television, instead they carry out some additional activity while the television is on. However, these somewhat anti-intuitive findings were that those who do other things while advertisements are on are actually more likely to remember the adverts than those who purely watch television. Of the activities which were undertaken, eating, which one might think would be among the least distracting, seemed to result in the worst recall, but still resulted in better recall than in cases where people were doing nothing but watching.

An American study in 1993 showed that restlessness during adverts increases with income, and decreases with age. The authors also make the valuable point that restlessness during a commercial break should not necessarily be seen as a demonstration of repulsion towards advertising. They believe that it is merely caused by people making the most of an opportunity to have a rest from the fairly intensive act of watching television. The three or four minute gap is perfect to make a drink, go to the lavatory, make a telephone call or any similar activity. It is only natural that people should treat commercial breaks as a form of 'intermission'.

One popular theory of how a consumer responds to a piece of advertising is that of the 'active' consumer who has no interest in the advertisements that he/she views, reads or hears, and who can, through selective attention, 'screen' out what is not wanted. If the 'active' consumer theory is to be believed, then there is clearly an incentive to move away from blanket advertising and instead to target the market carefully so that advertising speaks to those most likely to find it relevant. New multimedia may provide an opportunity to meet this need.

Implications For New Media

The above discussion suggests that advertisers face two possibilities when advertising on interactive media. They can either insert adverts among the other information which must be seen in order-to-proceed, or they can simply give the

consumer the opportunity to choose to see an advert (e.g. by 'Clicking' an advert icon). Forcing consumers to watch adverts seems likely to cause irritation because the insertions will slow down the activity in which the user has chosen to indulge. We are used to this in traditional media, but there appears to be resistance to this in new media. This interference in a person's leisure time may lead to resentment and there will be a need to make the more explicit link between advertising expenditure and reduced-cost or no-cost-to-the-consumer media products. This will demand sensitivity in presentation and it is by no means clear at this stage how that should be done.

On the other hand, allowing people the opportunity to see adverts through choice without a quid pro quo element may not be easy for advertisers either. From the zapping data it can be seen that many consumers will take the opportunity to avoid advertising if possible. They hardly seem likely to elect to face a commercial that they have no need or desire to see.

The solution is to make adverts that consumers do want to see. Adverts of the future will have to inform of new products, give reasons for buying a product, and even give special offers to the consumer, or alternatively to create adverts that compare well as programming with other media product. Media users must feel they do need to see the advertising, and that not doing so could mean missing out on opportunities. Moreover, this 'advertising must be tailored to the consumer, or 'tailorable' by the consumer, in order to fit in with his/her different informational and entertainment priorities.

Attitudes to New Media

It is difficult to separate hype from reality with the range of new media now available. Multichannel television, CD-ROM and the Internet are all with us. Impulse pay-per-view television and video on demand (VOD) are two of many that are not far away. Many technologies are being developed and grand claims are being made. Just as one expert will declare that half the world's population will have access to the information superhighway within the next ten years, another will say that most consumers have no desire even to buy a PC.

There is currently considerable research into consumer reactions to new media. Numerous trials are going on throughout the world into VOD, multimedia broadband systems, interactive programming and so forth. Because of its commercial nature, it is hard to gain access to much of this research.

Surveys

Little clarity is gained by looking at the survey material available. Some surveys indicate, at best, a general apathy towards new media. A study by Chilton Research showed that only 18% of people are seriously interested in interactive media, 44% are somewhat interested, and 38% are not interested at all. Eurobarometer's survey, carried out before the G7 Conference in Brussels, found similarly ambivalent feelings. On a more positive note, a recent Gallup study of consumers in Britain, Germany and France showed that three-quarters of people are not intimidated by computers and said that they could see that PCs could give them an advantage in life. In answering questions on applications, surveys seem to give rather more positive results than when asked about technologies, even in nontechnical language.

Although these results indicate a relatively high level of interest in some services, too much should not be read into such figures. There seems to be an increasing consensus that, until people actually get hands-on experience with new technologies, get to experiment with the new services and, crucially, to know their costs, these types of survey are as likely to confuse the questioner as much as they often confuse the questioned.

Eurobarometer's questionnaire did indicate, however, that significant differences across countries do exist, at least in the answers given. The phrasing of this question indicates, perhaps, just how misleading it can be to give people a vision of the future and then ask them to give their reaction to it.

Market information

More reliable are statistics that come from trials that have taken place and extrapolations from past experiences. With trials, however, one must be cautious not to assume that because one type of service has not worked in one place or under the management of one company, that the trial results are definitive on the subject.

Much information is becoming available about VOD trials and, while the results are mixed, the overall picture seems to be that VOD services are not sufficient revenue generators to pay for the necessary infrastructure and consumer hardware. Consumers appear to be reluctant to pay for VOD even if they like the convenience. Frontier Communications' trial in Rochester, New York, found that people continued to go to the local store to hire videos that were available on their system at home. This may have been for a number of factors, such as cost, desire to get out of the house or simply because they were not very adept at using the system.

Bellcore confirmed that VOD alone will not support the cost of interactive networks. Like several large players, it now claims that there is no evident 'killer application' for interactive media. If such networks are to be successful, demand will have to be spread round a host of other applications, many of these designed to give the consumer increased convenience rather than entertainment. One commentator has claimed that what consumers are most interested in is labour-saving, time-saving devices: 'They want technology which will put them more in control of their lives and give them more free time, instead of giving them new things to do.'

Up and running new media markets give us the best idea what potential there is in their widespread deployment. Possibly the world's best established quasi-interactive television system is Videotron's Videoway in Quebec and London. Its results are striking, showing that average weekly interactive service usage in Videoway homes is thirteen hours. Such figures seem impressive, particularly when the relative 'clunkiness' of their system is considered. Videotron is currently moving to a more advanced, fully commercial system, called Ubi, with multimedia-quality graphics and full interactivity on the basis of its experience with Videoway.

The other potential entry for advanced interactive services into the home is the PC. Here data are much easier to come by, as the PC market exists worldwide already. The installed base of computers, particularly those with CD-ROM drives, has risen markedly over recent years and looks set to continue.

Europe still lags behind the USA in terms of computer ownership. There the computer, and particularly the multimedia PC with full multimedia capabilities and CD-ROM drive, is fast becoming a mass consumer durable.

Generational Differences

A 1995 study by the Henley Centre predicts society divided between technological haves and have-nots. Those that embrace new technology will benefit from a greatly enhanced learning environment. However, there will be portions of society that will lack the finance, knowledge and interest to invest any of their time in new technologies. This will effectively disempower them.

In the ADMEDIA project focus group discussions it has been stated by a number of different participants that this sort of cleavage is likely and that its most obvious correlation would be with age. Younger people are claimed to have relatively high levels of computer literacy. In the USA this certainly seems to be the case. Young people are more likely to use a home computer if there is one at hand. They are being exposed to computers in large numbers at school in a way that an earlier generation never was.

Children also have more experience of other types of new media in general, most notably computer games. Recent UK figures indicate a high level of computer game usage. As multimedia games increasingly make an impact on this games market, children will gain increasing contact with computers. It has been noted by one observer that a crucial difference already exists between generations: namely, that older people have seen computers primarily as grey machines for business use, but many younger people have grown up seeing computers at least equally as a platform for entertainment, mainly games. This may mean that younger people will not have a strong aversion to viewing media products on a PC screen, not seeing the divide between the PC and TV as the divide between work and leisure.

The PC may have a crucial advantage in reaching young people. The Inteco survey and report (1995) *Multimedia in the Home* found that those who buy computers for the home are very often above average income families with children. For example, in the UK, of those homes with over £20 000 annual income and at least one child, PC penetration is 58%. The main explanation given as to why the PC may have the edge for new services is that parents have a much more positive view of their children using PCs than they do of their children using the television. They believe that in the process of using a computer the child is likely to pick up valuable work skills.

On the other hand, we should not overestimate the tendency towards the PC. More than half of American 10-16 year olds have a television in their bedroom, according to a study conducted by Children Now, and high rates have also been recorded for several European countries. Again, children are more used to using these televisions for games and so show a higher level of experience in using screens interactively for entertainment than do older people, even if in the process of using a games console they do not pick up as complex a set of skills as they might using a Pc.

Not all children have equal access or interest in games as entertainment, and the differences between boys and girls are notable.

According to NPD Group Inc., 75% of video games in the USA are bought for boys, and the more advanced the systems are the more likely they are to be bought for them. For example, 82% of Super Nintendo users and 80% of the users of Sega's 16-bit system are male.

Historical Experience

Conventional market research techniques are difficult to apply to new technologies and products. Consumers who are unfamiliar with the basic concepts of new products and services are unlikely to be able to predict their future behaviour with any confidence. Japanese consumer electronics manufacturers, in particular, have tended to adopt a 'suck it and see' approach by launching new products in Tokyo electronics shops, and either withdrawing the products quickly if they do not sell or ramping up production if they do sell.

Attitude surveys have to be treated with a severe health warning, especially if they purport to reveal national differences in attitudes to new technologies. There is considerable evidence of the effects on responses of differences in the wording of questions, and these effects are heightened in different cultural settings. Some surveys are commissioned to demonstrate the results sought in advance by policy-makers who want to gather support for their initiatives.

Careful questionnaire design and a large, carefully drawn sample can yield important results. The Inteco report *Multimedia in the Home* comes into this category and serves as a useful antidote to the 'boosterism' of the telephone companies which has characterized early discussion on VOD until recently.

A more reliable technique may be inference from the experience of sales of past products, and especially the comparison of product successes and failures. The straightforward questions about new products should be:

- Does the product perform an existing task more cost effectively than competing products?
- Does the product fulfil an unsatisfied need which is easily recognized by consumers?

These questions are often neglected by new media product manufacturers who frequently adopt a technology-push approach to new products and services.

In the area of interactive products and services, the experience with past products is mixed, and inferences have to be drawn very carefully. The designer of compact disc-interactive (CD-i), Philips, used the success of CD-audio to plot its product strategy for CD-i. The steep acceptance curve for CD-audio (then the fastest diffusing consumer electronics product in history) led Philips to believe in the intrinsic properties of the compact disc itself and of digital technology per se in anticipating the take-up of CD-i. With hindsight, we can see that CD-audio offered a definite positive answer, whereas CD-i was a difficult proposition in terms of our first question and gave a complex answer to our second question.

CD-i has continued because it offered a positive answer to our first question as it related to corporate customers. We can now

see that the multimedia PC, although far more expensive than a CD-i player to acquire, offers a clearer answer to our first question for domestic consumers. In this case, the 'existing task' can be interpreted by middle class parents with school-age children as the task of supporting their children's education. It has worked in 1994 with multimedia PCs in a way it did not work in 1994 with home computers because of the spectacular increase in the power/price ratio of the hardware and the quality and appeal of the software.

It can now be recognized, after ten years' experience of market failures and successes, that selling 'interactivity' into the home is a complex process, probably because our notion of interactivity is too simplistic and our product understanding too limited. The nature of the product has to be understood within the structure of the provider/purchaser relationship, which in turn depends on hardware/software or hardware/service interdependencies. Interactive products are all product systems and more complex than earlier generations of consumer electronic products. Take some cases:

- The early experiments in interactive services to the home in the USA and UK were failures. Qube and Teletext failed in the USA and Prestel failed in the UK. In France, however, Minitel expanded rapidly because the diffusion method was not market driven but a combination of compulsion (paper-based telephone directories were withdrawn), the free gift of terminals and the clever billing system which made it economical for operators to devise new services.
- Teletext in the UK succeeded because it was introduced through a careful process of coordination between the different interdependent actors. Chipmakers, broadcasters, setmakers and retailers were coordinated by a public (DTI/BBC) and private (Philips) coalition.
- The video cassette recorder (VCR) succeeded despite a format battle between Betamax and VHS because it offered a clear answer to our second key question. Proposals for a digital VCR for the home (DVC) will be dropped because it fails to answer the first question and the initial price differential between digital and analogue VCRs would be around £700.
- Computer games makers (which are a clear example of selling interactivity into the home) have succeeded in building a multibillion dollar industry. The success of Nintendo and Sega can be attributed to the nature of the infrastructure they built and their absolute control over software manufacture as much as it can be attributed to consumer acceptance of interactive gaming. The proliferation of platforms and technologies in 1995 make analysing the future of the computer games industry a complex business.

In conclusion, interactive products and services have succeeded and have failed. There is no huge pent-up demand among current television watchers to adopt interactive television, but there is evidence of sufficient demand from some services (e.g. Videotron) for a profitable business to be built, but slowly. It is likely that the Nintendo generation will take more readily to (or even demand) interactive services when it becomes a dominant economic force.

The only spectacular diffusion in interactive multimedia (comparable to the rates of cellular phones, for example) occurred in the USA in 1994 with the sales of multimedia PCs to the home (a fourfold increase over 1993). Allied to this must be the equally impressive, if not more spectacular, diffusion of the World Wide Web (WWW) as the killer application for the Internet. These two are closely connected, as recognized by Microsoft in integrating Internet access into Windows 95 and merging WWW technology into the Microsoft Network just as CompuServe, America OnLine (AOL) and Prodigy have done.

Interactive Advertising: Key Features

Here we attempt to set out the key features of interest to advertisers in interactive services. The emphasis is directed towards online advertising, but many of the same points apply to off-line. The chief differences between the two are that off-line advertising does not generally provide the advertiser with as much information on the consumer, nor does it allow the product to be tailored over time and between consumers in the same way that an online service can.

Some of what is said here does not necessarily apply to interactive advertising as it currently is, but to how it may be, given the more sophisticated technologies that are becoming available.

- Usually, however, the comments below do apply to current examples of interactive advertisements:
- The consumer has a higher degree of control than is usually the case with most contact with advertising.
- Interactive advertisements must use some attractive feature to 'pull in' the customer, by supplying high quality entertainment, useful information or offers.
- Interactive advertisements can be placed in a number of different locations through links (such as hypertext), allowing the advertisement to draw in those who are interested from different areas of the online network.
- Huge flexibility is offered - advertisements can be changed or removed rapidly; special offers which are proving too popular for the company to cope with can be quickly stopped, as can those that are not generating interest.
- Time and space considerations are completely different - both are at the discretion of the consumer and the advertiser is free to expand the advertisement as far as the creative budget will stretch, without paying much more for additional 'space'.
- 'Hits', when a person interacts with the advertising site, can usually be accurately tracked, and where the advertising asks the consumer to interact heavily, it should be possible to get a good idea of what the consumer's preferences are, e.g. did the consumer ask for information, ask to see the film footage, watch the pop video embedded in the advert.
- Effective targeting may be easier because of the growing number of highly specialized online services and 'communities' which tend to be self-selecting.

Current Online Advertising

There are options open to companies that wish to use the Internet or an online service for marketing purposes, but two

models seem to be especially popular at present. First, companies can build their own node. This is an expensive option but one which offers control and directness of access. This seems to be most suitable for companies aiming at a relatively technologically sophisticated audience, and which wish to be able to offer significant amounts of information on the company's activities. Secondly, the company might set up an Internet or other online service mall. This seems to be the preferred option of many companies whose main aim is to sell online.

'Obtrusive' advertising, which presents itself to the viewer as part of another service, has generally been regarded negatively on the Internet and other online services (notably Prodigy) because of the amount of time, and therefore telephone charges, it forces the user to spend. However, as speeds improve in downloading graphics, attitudes may change. Moreover, there are signs that Microsoft Network may lead the way in advertising-supported online systems

in making explicit advertisers' contribution to reducing the costs of network access to the consumer. Another development, which might allow advertising a greater role, is that being considered by AT&T for its network, whereby the network will 'stop the clock' when users are viewing advertising.

It is likely that, in many cases, traditional media advertising will be required to make consumers aware of online sites and what they offer. At present this is not particularly important, since many companies now setting up find that these developments are well reported in the press.

Media Use: Amount of Leisure Time

Leisure time is a subjective term, which can equally be defined as time used for pleasurable activities, or as time spent not at work. It is becoming increasingly difficult to distinguish between time spent working and time that is available for leisure activities. There appears to be a trend towards lives being less compartmentalized, as jobs increasingly encroach on home life, particularly for white-collar workers. It is perhaps because of this definitional problem that survey results across Europe show very varying patterns of leisure time. Overall, the statistics seem to indicate that there is no major trend towards greater leisure time. In Germany, the length of the working week has dropped by 12.5 hours since 1950, although this occurred mainly before 1970; since 1975, daily leisure time has increased by only 3%. In other countries, the situation differs slightly. People in England with a full-time job have been losing leisure time over the past decade, and the same is also true in the Netherlands. Where significant increases in leisure time appear, these seem to be due to higher levels of unemployment rather than shorter working hours.

Schor has concluded that Americans in 1987 worked a month more per year than their relations did in 1967. Surveys in America show people with a definite feeling of having less and less free time, often beyond what time surveys would suggest. In a Gallup survey showing that people have 38 hours free time a week, the respondents could only work their leisure time up to 20 hours per week. This is an indication of the vague way in which leisure time is perceived and perhaps the increasing encroachment of the working life into nominal leisure time.

Across all age groups women have significantly less free time than men. This is probably owing to the greater amount of time spent on essential domestic activities and chores: the concept of a 'working day' is unclear for women even more than for men. A housewife's day can be split up often between brief periods of leisure (watching television, eating), and work. Any trends towards greater involvement by men in childcare and the running of the home, owing to changed social attitudes and the increasing numbers of women in the workplace relative to men, will undoubtedly further blur the leisure picture.

An increasing tendency for some parts of the population to work at home, and stay in contact with the office by fax or electronic message, may also require further flexibility in the relationship between work time and leisure time. These factors lead to the conclusion that it is perhaps becoming less and less useful to talk about concepts such as the working day and leisure time because the distinction is increasingly unclear.

The Media's Proportion of Leisure Time

Media use takes up a large proportion of total leisure time throughout Europe, and watching television and video is the single most popular pastime, as indicated in Table 1.16.

The consumption of information through television, radio, newspapers and magazines takes up nearly 60% of leisure time and appears to be growing. This is a situation that can be found throughout Europe and demonstrates the impact that these media forms - television above all - have on how people's lives are structured.

These pursuits not only take up a large proportion of total leisure time but are also very much mass activities in that they are done, at least every so often, by a very high proportion of the population.

Potential For Media Overload

There may be only limited scope for the proportion of leisure time spent on media use to increase, given its current high levels, and there appears to be no trend towards longer leisure hours. Yet the growth of the information output that feeds media use appears to be growing exponentially. According to a study by De Sola Pool et al, the amount of communication supplied by mass media to each person in western countries doubles every ten years. If online services are included in our definition of the media, it is likely that this trend applies here as well. However, we can only assume this cautiously, as much of what is available online does not compete favourably with more traditional media as consumer products.

While there is no real restriction on the amount of information that can be supplied to consumers, there must be an upper threshold to the amount that a consumer can take in. Increases in communication consumption cannot keep pace with the amount which is offered. It may be that consumers are close to saturation, and feel it. In the UK, 70(X) of men and 73% of women feel that their weight of television viewing is medium to heavy. This jadedness is not necessarily reflected in viewing time figures, but there is certainly no clear indication that viewing time is keeping up with media availability.

De Sola Pool et al studied the level of communication overload for different media forms in West Germany (as it was then). This overload is the percentage of information that is ignored by the consumer out of the total supply of information that he/she could feasibly see, hear or read.

The consequence of consumers being inundated with thirty times as much information as they can realistically process is likely to be increasingly selective consumers who will be unwilling to pay attention to media communications that have no relevance to them. Their attention spans are likely to drop, as each new media source they have access to means less need to persevere with a form with which they have become bored. More choice means a divided market which becomes harder and harder to reach as one mass audience.

Television Viewing Habits

The figures for average TV viewing times in Europe show a mixed picture. The weighted overall trend is upwards, but with that trend slowing. Television viewing has fallen in the latest figures for eight of the countries listed: this seems to indicate a fluidity in viewing habits and possibly that viewing levels have reached at least a temporary plateau.

More detailed statistics on the UK, which we can use only as a guide to the viewing habits of different age groups in Europe as a guide to the viewing habits of different age groups.

Television watching rises broadly in line with age. It should be noted that the demographic changes, identified towards a 'greying' of the population, may therefore increase the level of television viewing as a result. For new media, the table also suggests that if the media are accessed only by younger users, who spend less time in front of the television screen, the advertisers will miss out on a large proportion of the 'media-rich' market.

The larger number of hours spent watching television by those with cable and satellite should not be too surprising, as we might expect those people to be self-selecting heavy viewers. What is striking in these figures is the much more profound drop in overall viewing in these homes since 1992. This part may be explained by the changing profile of satellite and cable subscribers, but may, on the other hand, point to the effects of 'media overload'. This is, however speculative.

Three-way comparison in advertising expenditure and share trends: Europe versus USA and Japan

At first glance, the three major advertising markets of the world show striking similarities in the way that distribution of advertising has developed over the thirteen years 1989-94. In all three cases, the television media have increased their share of total spending by a noticeable margin and that increase has consistently come at the expense of the prim media. However, the similarities remain on the surface and it should be pointed out that there are fundamental differences in the way this shift has happened across the three regions.

The main difference comes from the fact that the USA behaves largely like a mature advertising market in which absolute volumes of spending, in real terms, have not been growing by significant margins. The same is probably true of Japan since 1988, although until that period the Japanese advertising

market was growing vigorously year on year. Europe sets itself apart by the fact that its growth in absolute spending since the early 1980s has continued virtually unabated until very recently. The effects of this need to be explained.

In the USA, although television has increased its share of spending over the period (from 31 % in 1980 to 35% in 1994), it should be pointed out that this growth across such a long span of time is minor when one considers major upheavals such as the introduction of cable television in the early 1980s and the changing status of the national television networks including the introduction of a new national network, Fox Television. It is noteworthy that these significant changes in market shape have produced changes in spending share of a less dramatic character. By the same token, magazine media in the USA have virtually maintained their position throughout the thirteen years, falling only from 14% in 1980 to almost 13% in 1994, and remarkable resilience has been shown by the newspaper medium which has dropped only four percentage points over the thirteen years, falling from 43% to 39 % of spending share in that time.

The main dynamics in the shifting share patterns of the USA have tended to be the vagaries of the advertising market itself, and its bumpy changes in size year on year, rather than any inexorable movement away from print and towards television. Those shifts are there, but when they are compared with the picture in Europe they are clearly of a different character.

The picture in Japan does more to favour the idea of an inexorable shift out of print and into television, but even here the shift is not of the same dramatic character as that which we have witnessed in the past decade in Europe. Going back to the mid 1980s, television in Japan had 37% of the market and this grew to 40% by 1994, a significant increase, but not one which could be described as the rout of its rival media. The newspaper media in Japan have hung onto 30 of the 34 percentage points which they held in 1984. This is not the picture of a dying medium.

Turning to Europe, we see a very different picture, at least since the mid to late 1980s. In Europe, the shift to television continent-wide has been noticeable and dramatic. The shift from 18% in 1985 to over 29% in 1994 cannot be described in any other way. Overall, that growth in share terms has come from the relative shrinkage of the print media, although it has to be said that it is magazine media, particularly the mass appeal titles which dominated the coloured print media scene in the early 1980s, which have been the biggest losers. In one short decade, print media in Europe have fallen from over 70% of the market collectively to only 60%.

The reasons for Europe's seismic shift in advertising shares by medium, when compared with the other two major markets, are not difficult to discern, and these have been touched on in the individual country reports. The significant fact is that, unlike the USA and Japan, Europe during the 1980s has seen significant deregulation of commercial television, a visibly slackening grip on advertising monopolies on the part of government-run commercial television, and the proliferation of new commercial services in response to the newly liberal climate for commercial broadcasting.

This raises the thought that legislation was artificially holding back the development of television advertising until the liberalization programmes of the late 1980s. If those restrictions had not been in place, it can be argued that Europe would much earlier on have been showing share patterns by medium much more typical of the US and Japanese scenes. The theory is that, despite the description of television's advance as some kind of runaway phenomenon, it is in fact a normalization process. If this is true, we would expect television to consolidate its position at something like one-third of the market in the reasonably near future.

Evidence for this is hard to come by, given differences between European countries in television advertising's introduction, the maturity of their advertising markets and the topology of their media landscapes. However, if the underlying theory holds, then many of the fears expressed by print media proprietors about some kind of imminent Armageddon or extinction of their media, could turn out to be misplaced.

Sociodemographic Considerations

The world of the advertiser, the broadcaster and the print publisher has grown tremendously over the years. Yet, in other ways, it is as small as when branding, printing and broadcasting first began. Technical developments such as satellite television, multimedia and the Internet promise to make global communications simpler, faster and infinitely more far-reaching, thus theoretically bringing nations closer together. Countering this trend have been cultural differences which have combined to keep countries in many respects tightly ensconced within national boundaries.

One of the most important of these cultural 'barriers' to communication is language. Serious linguistic obstacles have had to be overcome in order to achieve current levels of harmony in trade, legislation and cultural exchange, and those obstacles remain important and problematic for the media and advertising industries, whose stock-in-trade is almost entirely in communication. Aspects of language and its impact on commercial communication are examined below.

As international advertising becomes more prevalent, the issue of message overspill from one country to another is also becoming more important.

Finally, the globalization of the advertising industry needs to be examined with regard to current technological advance and to the potential audience that marketers will face in the twenty-first century, i.e. whether the main focus will still be the individual country, or whether the international dimension will take the ascendant.

Europe is not one complicated place. It is a vast and heterogeneous agglomeration of complicated places. Europe, in its largest sense, consists of 39 countries, conducts commerce in 34 currencies, and speaks 38 languages, according to a recent advertisement from Lufthansa Airlines. Despite this, the concept of an artificial, supranational language has never been greeted with enthusiasm. From the earliest attempts of Thomas Lodwick in 1647 to the creation of Esperanto in the last century - boasting 16 rules and no exceptions - it has been assumed that the world would be a better place if and when all

were able to communicate using a common language.

Esperantophiles cite the number of air disasters caused by misunderstandings in English (aviation's basic language) and of the vast sums of money European institutions spend on translation services, both oral and written.

The fact still remains that, despite all the apparent advantages of simplifying communication in this way, the 5.5 billion people on our planet currently share a total of 6 000 languages between them. The spread of the global economy, however, is among the factors which is already diminishing this diversity in tongues, and it has been predicted that up to 95 per cent of existing languages will either be extinct or on the road to extinction by the end of the next century.

This is in no way an indicator of a move towards increased international political union. It is instead principally the technology facilitating communication that has led to the need for fewer and more widely spoken languages. Simple telecommunications and, to a growing extent, satellite communications, have been among the driving forces. World-linking technology such as the Internet, and services such as satellite television, allow more and faster communications to take place between different nations than at any time in the past. Add this to the advances in travel, the encroachment of 'popular' culture on even the remoter corners of the globe, and continuing mass migration, and it becomes possible to explain the growing desire to learn the dominant languages of the world.

The Art of Language

That the emergence of dominant languages has not happened before now, and is being strongly resisted by various nations, is a measure of its cultural significance. At a time when the global culture promoted by the media appears an inevitability, the argument for preserving language as an essential part of the heritage of a country has an undeniable emotional appeal. For some, the fear is very real that 'Hollywoodese' is threatening Europe's cultural identity by taking over the airwaves. Meanwhile, while the diverse spectrum of languages survives, so the problems of communication become more pressing. The rise in the number of global or at least multinational companies and the requirement, particularly in the media industry, to communicate with foreign nationals, have placed heavier demands on the language skills of those entrusted with this task. Those demands can only increase.

Despite the need for multilingual staff, training budgets have become tighter, and some countries have been found to have a serious shortage of language skills, which is forecast to become increasingly acute. A survey of ten European countries in 1992 revealed that, on average, about 500.1% of the adult population of any country spoke English, whilst 36 % claimed to speak German. Those speaking French totaled just over 30%. Dutch and Italian speakers numbered 17% and 14% respectively, whilst only 4% spoke Spanish.

It is the next generation - the children of those surveyed above to whom language skills will be of unprecedented importance, with the coming of multimedia and the so-called 500 channel universe. Yet, over the past two decades, school curriculum reforms in Western Europe have put less emphasis on the arts, including languages, and more on commercial and technical

schooling. Despite this, a study carried out in ten countries showed that the numbers of those learning at least one of three main European languages - English, French and German have ostensibly risen.

The popular language is English, with 83% of secondary-school pupils learning it as a foreign language, compared with 32% learning French and just 16% German. Only in the Flemish part of Belgium does English take second place (98 % of the Dutch-speaking pupils study French so as to communicate with their Francophone Walloon compatriots).

Amongst Europeans, the British and Irish have traditionally been known for their poor linguistic abilities, and the table suggests that this is not set to change a great deal. Although French is the most common foreign language in British schools, it is studied by only 59% of pupils, compared with 84% learning English in French secondary schools. When we look at the number of languages taught, Dutch schools are near the top, teaching an average of 2.2 languages per pupil, while the Portuguese manage only 0.8 on average.

When assessing other factors that lie behind language ability, it has been suggested that the populations of smaller countries are better able to speak foreign languages than those from larger nations. This could be explained by the fact that smaller countries have a larger number of indigenous languages (Switzerland has four official languages; Belgium, Ireland and Finland each have two). The physical size of the country necessitates speaking another language if one travels more than a hundred miles in any direction. Languages have throughout history 'colonized' geographical areas through conquest or migration, and have then in many cases outlasted the historical situation which first introduced them. Perhaps the most significant factor, though, is that companies in the larger nations of France and Germany have generally been able to subsist on their home markets, while larger companies in the smaller nations are compelled to trade abroad in order to grow.

Language is a primary factor when considering the international spread of media. It might be supposed that with judicious translation and dubbing/subtitling, the European market could be brought to a state of homogeneity comparable to America in broadcasting and advertising terms. This notion is demonstrably false, however. The huge, some may even call it insurmountable, difference between the two continents is the lack of a homogeneous European culture and common language.

Linguistic abilities are only part of the equation: communication comprises more than language. It includes the use of the conventions acceptable to either party in a dialogue. A reduced vocabulary when speaking a non-native language may be restrictive, but ignorance of certain cultural conventions can be simply unacceptable. Language is an inextricable part of all cultures. The translator's art is not the mere substitution of one word for another but the transliteration of meaning from one culture into another.

Overview strategy for new media and advertising: key factors

New players

The first challenge in discussing a strategy for advertising business associated with new media is to define who the new players may be. A further issue of definition relates to present advertisers who use a new medium and the new players who bring to market a new vehicle for advertising.

So far as the advertising agencies are concerned, they will adapt to all these changes. The ADMEDIA study has produced evidence to show that the advertising agency is aware of new media and will exploit them if they offer benefit to the advertiser. Some evidence exists to show that advertisers and agencies are already experimenting with new media. However, the value and volume of this business is small compared with total advertising revenues.

The second aspect of the issue of new players is the use of advertising by providers of new media and new media services. The key question here is how essential is it for new media product and service providers to capture a share of the advertising market? Already we see the emergence of crude business models which suggest that new media players are beginning to recognize the importance of advertising revenue streams to their business.

There is an analogy between new media software providers, and the established model of controlled circulation free newspapers or magazines. Some software producers are distributing product without charge in the knowledge that they are creating a valuable distribution network for other messages as well as the possibility of creating an ongoing income stream from product updating. To this product update revenue stream could be added an income stream from advertising.

New Media Substitution

The new player community must embrace those organizations which use a new medium to replace an existing one, such as mail order catalogues. That replacement may be through the use of either online videotex CD-ROM or a totally new style of trading through teleshopping, such as that implemented by Quality Value and Convenience (QVC) and the Home Shopping Network (HSN).

A further medium is the multimedia kiosk. The multimedia kiosk represents an area of development for a number of computer hardware manufacturers. The recent Inteco study has suggested that the installed base for kiosks in the USA in 1994 was 70 000 with a likely growth to something approaching 600 000 by 1998. However, the principal difficulty in discussing these aspects of new media and their related services, for example multimedia kiosks and teleshopping, is to differentiate advertising from direct marketing. If such differentiation can be achieved, the challenge is then to assess the impact on existing and future advertising revenue streams.

Central to the same issue is the migration of budgets held previously for a different designated purpose, for example point-of-sale promotion, into an activity which may be more properly described as advertising revenue. One of the best examples of this blurred migration is the recent European

market entry of the Korean car manufacturer Daewoo. The company has transferred virtually the whole of its budget from conventional sales distribution to television advertising, multimedia kiosks and print advertising in newspapers, magazines and promotional brochure material. Early reports on this activity indicate that such an innovative approach to product advertising and point-of-sale as that undertaken by Daewoo is successful in terms of sales, even though the actual car products offered are no more sophisticated than those of competitors.

Disintermediation

The subject of the migration of budgets in relation to new media advertising raises the issue of disintermediation. This term describes the replacement of intermediaries between a supplier and

customer. It may refer to a business transaction or the process of communication. The telephone is an example of disintermediation when it replaces document communication by direct communication. The example of the telephone is interesting as a business model because, as a broad generalization, telephony costs are not massively different from document communications (collections of letters) costs. Thus cost is not an impediment and functional advantage drives the demand market.

If we extend this simple comparison to look at others, we find three related ones which may be affected by disintermediation. They are: value-added networks, e.g. CompuServe, Prodigy, Europe OnLine, etc.; the Internet with its infinity of information fibrillation at perceived zero or low cost, and telephony operators that have gained their revenue from use of lines but are now seeking to enter the value-added services business, e.g. BT, Deutsche Telekom, France Telecom, AT&T, etc. Added to this is the hope, or specter, of Microsoft through the Microsoft Network (MSN).

The impact of disintermediation is postulated on the assumption that transactions require communication rather than persuasion. This is true for certain classes of transaction. For example, in the travel business the process of persuasion - concerning an individual and his/her vacation - takes place primarily through TV, brochures, CD-ROM/CD-i and personal recommendation. The act of making a reservation may then be done on a one-to-one basis as a transaction using telephony or its adjuncts - videotex/audiotex. This bypasses the travel agent and is disintermediation.

However, marketing products or services is a complex business. Persuading industrial customers or consumers to commit to purchase or commit to the purchase of a specific brand is at the center of the marketing process. Disintermediation will play a role in the growing trend towards one-to-one transactional communication which is already manifest in the travel and banking sectors. Nevertheless, this should be seen as an extension of convenience in consumer trading rather than as competitive to advertising income streams.

The disintermediation question for network providers is, what added interest or added value do they bring to the consumer's table? The second question is how much will the consumer pay

for this added interest or added value? The third is, will the consumer tolerate advertising in such network facilitation? Whatever the answers to these questions, it is unlikely that the use of new media advertising in this context will replace mass advertising, or segmented mass advertising, which is the source of a high proportion of advertising income generated at present through newspapers, magazines and commercial television.

Classified advertising could be adversely affected by disintermediation and this would impinge directly on local newspapers and business-to-business magazine publishing. However, there is already evidence that these carriers (local newspapers and business-to-business magazines) will themselves develop network facilities or will enter into alliances with value-added network services, utilizing other 'free' networks such as the Internet to generate awareness. There is a good case to argue that the local newspaper should become the local node for information in the emerging information society.

Changes in modes of advertising

There is a trend - which suggests issues of change - in the modes of advertising. These modes may be classified as one-to-one messaging, interactive messaging and mass messaging.

The players in the advertising industry - advertisers, advertising agencies, media buyers, newspaper and magazine publishers, commercial television operators - are expert in mass messaging and have considerable experience in segmentation as well as the development of one-to-one messaging of advertising material. The direct mail industry is a precursor to one-to-one advertising messaging. Also, the advertising industry has been developing, over many years, the techniques of sponsorship and barter to utilize advertising space among communities of interest. This suggests that as new one-to-one and mass messaging advertising spaces emerge, the advertising industry will utilize such facilitation or will participate by acquisition.

The one area that remains unclear is the motivational benefit of interactivity in advertising and the related management of fulfillment to the interactive process. This remains an area where only further experimentation can yield useful information. It is an area of change closely associated with the development of direct marketing and structural change in the process of retailing. As advertising is primarily concerned with the delivery of effective messaging, these changes are not likely to have adverse impact on advertising revenue streams.

Impact of new media on advertising revenue streams

The most succinct way to assess the impact of new media on advertising revenue streams is to collate a list of generic organizations and technologies where impact may be felt. Thereafter the development of strategy is best considered by assessing overall business drivers and infrastructure issues which relate to this list. The collation pertinent to new players and the application of new media to advertising is as follows:

- Advertisers - using new media to substitute or complement existing advertising practices;
- Advertising agencies - Utilizing new media to achieve enhanced persuasion or more finely targeted audiences;

- Distribution channels - applying new modes in direct sales, e.g. cars, travel, etc., introducing teleshopping and the virtual shop in the home;
- Online media - using electronic information services, real-time services, online databases, audiotex, videotex;
- Online media - expanding networks, the Internet, WANs, MANs and LANs;
- Off-line media - proliferating CD-ROM, CD-i, etc;
- Multimedia kiosks - offering public access, dedicated environments, etc.;
- Television - presenting public and commercial channels, satellite, digital terrestrial, high definition, wide screen, interactive TV, video on demand (VOD), set-top boxes, etc.;
- Broadcasting - connecting with PC programs, etc.;
- PCs and combined PCs/TVs - offering more software applications;
- Games - delivering dedicated games, games on demand, etc;
- Telecommunications - carrying new media possibilities; and
- Database marketing - offering embedded advertising information, solutions and services, often linked to smart cards.

The above list indicates the complexity and vastness of permutations among audiences, messages, carriers and fulfillment support mechanisms involved when considering new media, new players and their impact on advertising revenue. Recommendations for strategy for the many different permutations can thus be only generic in character.

The first issue must be assessment of the consumer acceptability of advertising within a medium. Evidence gained in the ADMEDIA investigation suggests that, where a service is provided free of charge, there is a degree of tolerance towards advertising insertion. However, where the service or product is perceived by the customer as having been purchased at a commercial price, there is strong consumer resistance to advertising insertion. A possible exception to this generalization may be in games, where tolerances appear to be higher. A compromise seems acceptable where the pay-per-view cost is reduced when advertising is included or lowered in proportion to the amount of advertising offered.

At the other end of the tolerance spectrum, the Kelsey Group in the USA reported in 1994 that 78% of audiotex users said they hated audiotex advertisements and indicated high resistance. This would suggest a generalized rule whereby the more that the information provided is functional, the greater will be the resistance to the inclusion of advertising, whereas when content moves towards entertainment and leisure, increased tolerance and opportunity is provided for advertising.

Strategic Issues Related to New Media Applications

It is clear from the ADMEDIA investigation and from using the new media that, apart from computer literacy, new creative skills are required in the development of advertising formats appropriate to new media. Evidence exists to indicate that some current creative skills in advertising, e.g. graphic design, are

transferable, but there is also contrasting evidence to suggest the need for the transference of new skills from other sectors, e.g. from film-making. This indicates that the main facilitators, e.g. advertising agencies, need to rethink their awareness management of developments in new media and the upgrading or widening of their skills base to take advantage of emerging opportunities. From the sample of companies studied, it is clear that there is awareness of this need, but little serious development has been undertaken. Advertising agencies will need to raise the priority given to skills enhancement.

Measuring advertising effectiveness has never been easy. Similarly, developing business models for the current providers of advertising, e.g. newspapers, magazines, television, which optimize free circulation, advertising revenue, cover price, subscription or entry charge, are in need of constant updating. Existing as well as new players need to develop more sophisticated business models which identify the targets and revenue roles for new media advertising income. There is a lack of well structured business models. Little exchange of experience and information occurs on this subject to promote the strategic management of advertising in developing revenue streams for new media product and services. Any new player entering this market should place high priority on developing and testing such business models. This is a subject which could be explored by collaborative research, as it deals not with the model which makes profit for a company as such but instead with the application of understanding derived from the model. At present there is too much hype and insufficient understanding of the value chain opportunity in new media advertising.

Most new media products and services not only suffer resistance to intrusion by advertising but also offer limited quality facilitation for advertising messages. Searches of major new media formats such as the Internet, as reported elsewhere in this book, would presume they provide cost-effective opportunity for poster or billboard advertising. While there is evidence to suggest customer appeal from site-to-site linkage, the primary advertising mechanism is that of awareness and directory facilitation. At present the strategy should be to recognize this facilitation as an advertising adjunct giving low cost mass billboard options.

Networks, and in particular the Internet, are cost-effective billboards but they are much more complex than that term may indicate. For the electronic billboard on a network such as the Internet to be effective, one must generate interest. The great virtue of the Internet is its ability to generate communities of common interest and to allow free exchange of ideas and information. While the Internet will be used as a directory, its potential is to add a new dimension of depth in the messaging of information. This offers a whole new business area for entrepreneurs who understand the management of communities of interest and all it provides for creative thinking in advertising. Perhaps the nearest analogy is the advertorial in existing advertising patterns. Another way to look at this opportunity is to treat it as the inverse of group discussion in consumer market research, where groups of consumers are regularly asked to assess new product offerings. A combination of this type of product discourse linked to the techniques of

advertorial could provide a stimulating area for experimentation. At present this field of advertising is poorly developed. It offers challenge to creative thinking among advertising agencies and new media enthusiasts.

Interactivity appears to be an over promoted motivator in the context of new media advertising. There is, however, a subtle difference between interactivity as a motivator and interactivity as an extended interrogative tool which some new media offer to the consumer when exploring product interest. More experimentation and fundamental usermetric research is needed by any new media player seeking to enter the market to capture interactive advertising expenditure. At present, it would appear that there is little user response research - combined with a lack of creative product offering in new media advertising presentations.

The critical issue for any new player seeking to capture advertising revenue will be to assess and understand the relationship between free entry to a distribution network versus entry charge. This will be linked with the functionality of content versus the perceived stimulation/interest versus the perception of intrusion by advertising. One solution to this problem is to utilize advertising modes such as sponsorship for total package presentation. The other is to subsume new media technology into the total advertising/marketing mechanism such as that exemplified in the Daewoo posture. The strategic issue which needs to be noted is to resist the prejudiced advocates of new media as an attack on conventional advertising. Instead, new players should regard conventional advertising and new media advertising as a continuum which should be used by reference to fitness-for-purpose.

The ADMEDIA investigation has identified a number of developments worldwide in experimentation with new media offering potential for advertising, but perhaps more importantly the study has demonstrated the importance of the employment of new media in the total marketing mix. No evidence has been obtained to suggest that for the foreseeable future - the next five years - new media will make significant impact by substitution on existing advertising revenue streams. However, advertisers and advertising agencies as well as principal carriers of present advertising and thus recipients of revenue, e.g. newspapers, magazines and television, should, as part of their strategic management, continuously experiment with new media. This will provide the only means to investigate new messaging opportunity and cost reduction in advertising effectiveness, together with the enhancement in understanding of the complementary nature of the new media to existing advertising formats.

Regulation Strategy: An Introduction

Any competitive business sector needs a regulatory framework to provide a level playing field to ensure equality of access and to prevent unfair practices. There are areas of legislation which impact on media companies. Because of the many facets and permutations of regulation in relation to new media advertising, it is useful to present an overall suggestion for regulation strategy.

The proposal concentrates on three key areas:

Competition policy (access, ownership, concentration and abuse of dominant position);

Advertising; and Creation and exploitation of intellectual property rights.

In the past, the sectors which make up the information industry have been discrete areas of policy and regulation. They must now be considered together. The European Commission (EC), in particular, must assess the impact that the different sectors have on each other before and during elaboration of any new legislation affecting media companies.

The time has come for an urgent and thorough review of existing and pending legislation in the areas defined above in the light of the technology-led changes to the media and information industry.

Otherwise, media companies will be operating within a regulatory framework that is no longer appropriate for the sector and which will constrain economic growth. This will be to the detriment of the EU's internal market objectives and to the detriment of EU media companies competing in the global information industry market. In its most obvious manifestation, traditional media companies (print publishers and broadcasters) will be competing head on in global markets with a variety of information and entertainment products and services from a range of sources which are increasingly multinational and multifaceted. The traditional media companies of the ED will thus be disadvantaged without reason.

As the players and technologies in the integrated information industry combine and converge, it will no longer be efficient to elaborate regulations for each sector. The time has come for a more simplified framework, more akin to the principles of competition policy: specifically, to prevent abuses of dominant positions and to guarantee equality of access in this wider market. Existing legislation, for example that which limits crossmedia ownership, is interfering with media companies' investment decisions and militates against strategic alliances and economic growth. It is counterproductive to the creation of a competitive single European market.

A fresh approach is needed to promote large-scale deregulation of disproportionate national restrictions on crossmedia ownership. The regulatory framework must allow for economic growth. The imperatives which led to the existing regulatory framework, at national and ED level, were multifarious. They were designed for an era of individual national markets (which national governments wished to protect) and shortages of broadcast media outlets. An additional characteristic has been governments' wish to regulate the content of media: to limit its influence by establishing limitations on ownership and crossinvestment between different sectors of the media. Justification has been largely based on scarcity of media outlets. This is no longer applicable owing to opportunities offered by new technologies which will lead to a proliferation of media sources and offer wide diversity of opinion and choice.

Disproportionate regulation of commercial communication will deprive consumers of information about goods and services available throughout the EU which is contrary to the objectives

of the internal market. Existing national legislation and codes of practice are detailed in the extreme. Current levels of consumer protection from commercial messages are astoundingly interventionist. This level of detailed regulation is not only disproportionate but contrary to the freedom of expression as provided for in Article 10 of the European Convention of Human Rights. Consumers are much more accustomed to, and comfortable with, commercial messages

now than were previous generations, and in that respect much of the regulation is outdated.

Unless large-scale deregulation of legislation (and in some cases self-regulatory codes) affecting content, amount and timing of advertising is given urgent consideration by the EC, the advertising income will not be able to grow sufficiently to meet the revenue demands of the EU marketplace and the existing and new media companies.

Other forms of commercial communication, e.g. direct marketing, sales promotion and sponsorship, are equally heavily restricted to a level which is inappropriate, in terms of consumer protection, and to the extent that the level of regulation is a barrier to the freedom to provide goods and services. For example, it is not possible to implement an EU-wide sales promotion campaign because of excessive and disparate legislation.

The current intellectual property rights (IPR) regime is detailed and complex, having evolved over time. This has led to the establishment of a hierarchy of rights. Although the role of publishers is acknowledged, they are seen as 'third division' players in the rights league. The authors play in the first division, reflecting the *droit d'auteur* regimes. The second division consists of the holders of related rights: performers, producers of phonograms and producers of films. Publishers are considered only as 'managers' of rights. This does not reflect the levels of creativity or investment made by publishers, particularly those of new multimedia products. In the information society, we are seeing a diversification of the publisher's role into the provision of services, particularly in the provision of online information and entertainment services. The creative input and investment of the publisher deserves legal recognition in terms of a right in addition to individual authors' rights. Consideration should be given to the case for a new right for publishers:

The second point which should be considered relates to the ownership and clearance of authors' rights; specifically, the right of publishers to exploit works such as articles and photographs produced by employees in the course of their employment where national law does not contain a presumption in favour of the employer/publisher. The EC should consider introducing EU-wide statutory presumption in favour of employers. It should follow the lines of the provision in the UK Copyright Designs and Patents Act 1988 in recognition of the substantial investments made by publishers and of the problems of rights' clearance of works distributed in new electronic multimedia formats, both on- and off-line. Thus we may conclude that rapid and radical change in the EU regulatory framework is needed if Europe is to compete in the new media marketplace with success.

Summary

In this lesson, we took a good look at advertising in the multi-media age. The Attitude towards advertising, behavior towards advertising, new age implications, market information, generational differences, historical experience, interactive advertising, current online advertising, media use, comparison between Europe vs US and Japan, socio-demographic considerations, Overview strategy for new media and advertising, Changes in modes of advertising, regulation strategies.

Assignment

1. Elaborate on advertising in the multimedia age with examples. Give as many examples as you can.

[illegible]

LESSON 16: NATURE OF INDUSTRY

Topics Covered

Nature of industry, Working conditions, Employment, Occupations in the industry, Training and advancement, Earnings, Outlook, Professionals involved in this industry.

Objectives

1. To give an overview of industry
2. To give an insight into working conditions and the kind of professionals involved.

Advertising and Public Relations.

Significant points.

In US, specifically in California and New York together account for about 1 in 5 firms and more than 1 in 4 workers in the industry.

- Competition for many jobs will be keen because the glamour of the industry traditionally attracts many more jobseekers than there are job openings.
- Layoffs are common when accounts are lost, major clients cut budgets, or agencies merge.

Nature of industry.

Firms in the advertising and public relations services industry prepare advertisements for other companies and organizations and design campaigns to promote the interests and image of their clients. This industry also includes media representatives—firms that sell advertising space for publications, radio, television, and the Internet; display advertisers—businesses engaged in creating and designing public display ads for use in shopping malls, on billboards, or in similar media; and direct mail advertisers. A firm that purchases advertising time (or space) from media outlets, thereafter reselling it to advertising agencies or individual companies directly, is considered a media buying agency. Divisions of companies that produce and place their own advertising are not considered part of this industry.

There are 47,000 advertising and public relations services establishments in the United States. About 4 out of 10 write copy and prepare artwork, graphics, and other creative work, and then place the resulting ads on television, radio, or the Internet or in periodicals, newspapers, or other advertising media. Within the industry, only these full-service establishments are known as advertising agencies. Almost 1 in 5 are public relations firms. Many of the largest agencies are international, with a substantial proportion of their revenue coming from abroad.

Most advertising firms specialize in a particular market niche. Some companies produce and solicit outdoor advertising, such as billboards and electric displays. Others place ads in buses, subways, taxis, airports, and bus terminals. A small number of firms produce aerial advertising, while others distribute circulars, handbills, and free samples.

Groups within agencies have been created to serve their clients' electronic advertising needs on the Internet. Online advertisements link users from one Web site to a company's or product's Web site, where information such as new product announcements, contests, and product catalogs appears, and from which purchases may be made.

Some firms are not involved in the creation of ads at all; instead, they sell advertising time or space on radio and television stations or in publications. Because these firms do not produce advertising, their staffs are mostly sales workers.

Companies often look to advertising as a way of boosting sales by increasing the public's exposure to a product. Most companies do not have the staff with the necessary skills or experience to create effective advertisements; furthermore, many advertising campaigns are temporary, so employers would have difficulty maintaining their own advertising staff. Instead, companies commonly solicit bids from ad agencies to develop advertising for them. Next, ad agencies offering their services to the company often make presentations. The real work for ad agencies begins when they win an account. Various departments within an agency—such as creative, production, media, and research—work together to meet the client's goal of increasing sales.

Widespread public relations services firms influence how businesses, governments, and institutions make decisions and, in so doing, affect the lives of all Americans. Often working behind the scenes, these firms have a variety of functions. In general, firms in public relations services advise and implement public exposure strategies. For example, a public relations firm might issue a press release that is printed in newspapers across the country. Firms in public relations services offer one or more resources that clients cannot provide themselves. Usually this resource is expertise—in the form of knowledge, experience, special skills, or creativity, but sometimes the resource is time or personnel that the client cannot spare. Clients of public relations firms include all types of businesses, institutions, trades, and public interest groups, and even some high-profile individuals. Clients are large and small for-profit firms in the private sector; bodies of State, local, or Federal Government; institutions, such as hospitals, universities, unions, and trade groups; and foreign governments or businesses.

Public relations firms help secure favorable public exposure for their clients, advise them in the case of a sudden public crisis, and design strategies to help them attain a certain public image. Toward these ends, public relations firms analyze public or internal sentiment about clients; establish relationships with the media; write speeches and coach clients for interviews; issue press releases; and organize client-sponsored publicity events, such as contests, concerts, exhibits, symposia, and sporting and charity events.

Lobbying firms, a special type of public relations firm, differ somewhat. Instead of attempting to secure favorable public opinion about their clients, they attempt to influence legislators in favor of their clients' special interests. Lobbyists often work for large businesses, industry trade organizations, unions, or public interest groups.

The vast majority of firms in the public relations services segment are small, primarily because new firms, particularly those engaged in consulting and public relations, can easily enter the industry.

In an effort to attract and maintain clients, advertising and public relations services agencies are diversifying their services, offering advertising as well as public relations, sales, marketing, and interactive media services. Advertising and public relations services firms have found that highly creative work is particularly suitable for their services, resulting in a better product and increasing their clients' profitability.

Working Conditions.

Most employees in advertising and public relations services work in comfortable offices operating in a teamwork environment; however, long hours, including evenings and weekends, are common. There are fewer opportunities for part-time work than in many other industries; in 2002, 14.5 percent of advertising and public relations employees worked part time, compared with 15.8 percent of all workers.

Work in advertising and public relations is fast-paced and exciting, but it can also be stressful. Being creative on a tight schedule can be emotionally draining. Some workers, such as lobbyists, consultants, and public relations writers, frequently must meet deadlines and consequently may work long hours at times. Workers whose services are billed hourly—such as advertising consultants and public relations specialists—are often under pressure to manage their time carefully. In addition, frequent meetings with clients and media representatives may involve substantial travel.

Most firms encourage employees to attend employer-paid time-management classes. This helps reduce the stress sometimes associated with working under strict time constraints. Also, with today's hectic lifestyle, many firms in this industry offer or provide health facilities or clubs to help employees maintain good health.

In 2002, workers in the industry averaged 34.2 hours per week, a little above the national average of 33.9.

Employment.

The advertising and public relations services industry employed 442,000 workers in 2002. An additional 56,000 workers were unincorporated self-employed workers.

Although advertising and public relations services firms are located throughout the country, they are concentrated in the largest States and cities. California and New York together account for about 1 in 5 firms and more than 1 in 4 workers in the industry. Firms vary in size, ranging from one-person shops to international agencies employing thousands of workers. However, over half of all advertising and public relations establishments employ fewer than 20 employees (chart).

The small size of the average advertising and public relations services firm demonstrates the opportunities for self-employment. It is relatively easy to open a small agency; in fact, many successful agencies began as one- or two-person operations.

Almost three-quarters percent of advertising and public relations employees are 25 to 54 years of age. Very few advertising and public relations services workers are below the age of 20, which reflects the need for postsecondary training or work experience.

Occupations In The Industry.

Management, business, and financial workers; professionals and related workers; and sales and related workers account for nearly 6 of every 10 jobs in the industry (table 1). Employees have varied responsibilities in agencies with only a few workers, and the specific job duties of each worker often are difficult to distinguish. Workers in relatively large firms specialize more, so the distinctions among occupations are more apparent.

Within advertising and public relations, the account management department links the agency and the client. It represents the agency to the client, as well as the client to the agency. Account management brings business to the agency and ultimately is responsible for the quality of the advertisement or public relations campaign. Account management workers carefully monitor the activities of the other areas to ensure that everything runs smoothly. Account managers and their assistants analyze competitive activity and consumer trends, report client billing, forecast agency income, and combine the talents of the creative, media, and research areas. The creative director oversees the copy chief, art director, and their respective staffs. The media director oversees planning groups that select the communication media—for example, radio, television, newspapers, magazines, Internet, or outdoor signs—to be used to promote the organization, issue, or product.

In public relations firms, **public relations managers** direct publicity programs to a targeted public. They often specialize in a specific area, such as crisis management—or in a specific industry, such as healthcare. They use every available communication medium in their effort to maintain the support of the specific group upon whom their organization's success depends, such as consumers, stockholders, or the general public. For example, public relations managers may clarify or justify the firm's point of view on health or environmental issues to community or special interest groups. **public relations specialists** handle organizational functions such as media, community, consumer, and governmental relations; political campaigns; interest-group representation; conflict mediation; or employee and investor relations. They prepare press releases and contact people in the media who might print or broadcast their material. Many radio or television special reports, newspaper stories, and magazine articles start on the desks of public relations specialists.

Working with an idea that account management obtains from the client, the creative department brings the idea to life. For example, an ad agency's staff works together to transform a blank piece of paper into an advertisement. As the idea takes shape, copywriters and their assistants write the words of ads—

both the written part of print ads as well as the scripts of radio and television spots.

Art directors and their assistants develop the visual concepts and designs of advertisements. They prepare paste ups and layouts for print ads and television storyboards, cartoon-style summaries of how an advertisement will appear. They also oversee the filming of television commercials and photo sessions.

Graphic designers use a variety of print, electronic, and film media to create designs that meet clients' commercial needs. Using computer software, they develop the overall layout and design of print ads for magazines, newspapers, journals, corporate reports, and other publications. They also may produce promotional displays and marketing brochures for products and services, design distinctive company logos for products and businesses, and develop signs and environmental graphics—aesthetically pleasing signs that deliver a message, such as a sunset to advertise a beach resort. An increasing number of graphic designers develop material to appear on the Internet.

Workers in the research department try to understand the desires, motivations, and ideals of consumers, in order to produce and place the most effective advertising or public relations campaign in the most effective media. Research executives compile data, monitor the progress of internal and external research, develop research tools, and interpret and provide explanations of the data gathered. Research executives often specialize in specific research areas and perform supervisory duties.

Market research analysts are concerned with the potential sales of a product or service. They analyze statistical data on past sales to predict future sales. They provide a company's management with information needed to make decisions on the promotion, distribution, design, and pricing of products or services.

Media planners gather information on the public's viewing and reading habits, and evaluate editorial content and programming to determine the potential use of media such as newspapers, magazines, radio, television, or the Internet. The media staff calculates the numbers and types of people reached by different media, and how often they are reached. Media buyers track the media space and times available for purchase, negotiate and purchase time and space for ads, and make sure ads appear exactly as scheduled. Additionally, they calculate rates, usage, and budgets. Advertising sales agents sell air time on radio and television, and page space in print media. They generally work in firms representing radio stations, television stations, and publications.

Demonstrators promote sales of a product to consumers, while **product promoters** try to induce retail stores to sell particular products and market them effectively. Product demonstration is an effective technique used by both to introduce new products or promote sales of old products because it allows face-to-face interaction with potential customers.

Office and administrative support occupations accounted for 3 out of 10 jobs in 2002. Positions ranged from **secretaries** and

administrative assistants to **financial clerks**. The occupational composition of this group varies widely among agencies. The remaining jobs in the industry were in service, construction and extraction, production, transportation, and installation, maintenance, and repair occupation. occupations.

Table 1. Employment of wage and salary workers in advertising and public relations services by occupation, 2002 and projected change, 2002-12 (Employment in thousands)

Occupation	Employment, 2002		Percent change, 2002-12
	Number	Percent	
All occupations	442	100.0	18.9
Management, business, and financial occupations	78	17.6	30.5
Top executives	20	4.6	22.1
Marketing managers	5	1.6	37.4
Operations specialties managers	10	2.8	25.1
Buyers and purchasing agents	5	1.2	23.6
Accountants and auditors	5	1.0	24.3
Professional and related occupations	94	21.3	22.4
Computer specialists	16	3.5	29.0
Art directors	8	1.9	11.4
Multi-media artists and animators	5	1.1	12.4
Graphic designers	18	4.2	24.9
Public relations specialists	16	3.6	37.4
Writers and authors	6	1.3	10.7
Sales and related occupations	88	20.0	23.0
First-line supervisors/managers of non-retail sales workers	5	1.1	28.3
Advertising sales agents	37	8.3	24.9
Sales representatives, wholesale and manufacturing	12	2.7	24.9
Demonstrators and product promoters	18	4.0	26.6
Telemarketers	6	1.4	-6.7
Office and administrative support occupations	126	28.6	6.9
First-line supervisors/managers of office and	10	2.2	7.1

Table 1. Employment of wage and salary workers in advertising and public relations services by occupation, 2002 and projected change, 2002-12 (Employment in thousands)			
Bookkeeping, accounting, and auditing clerks	10	2.2	6.6
Customer service representatives	10	2.3	24.9
Receptionists and information clerks	5	1.2	24.9
Production, planning, and expediting clerks	6	1.4	24.9
Secretaries and administrative assistants	20	4.4	3.8
Mail clerks and mail machine operators, except postal service	20	4.6	-2.3
Office clerks, general	13	2.9	8.8
Construction and extraction occupations	5	1.1	25.8
Production occupations	28	6.4	16.4
Printers	7	1.6	8.5
Transportation and material moving occupations	16	3.7	15.3
Laborers and freight, stock, and material movers, hand	5	1.1	2.6
Packers and packagers, hand	6	1.3	21.6
NOTE: May not add to totals due to omission of occupations with small employment.			

Training and Advancement.

Most entry-level professional and managerial positions in advertising and public relations services require a bachelor's degree, preferably with broad liberal arts exposure.

Beginners in advertising usually enter the industry in the account management or media department. Occasionally, entry-level positions are available in the market research or creative departments of an agency, but these positions usually require some experience. Completing an advertising-related internship while in school provides an advantage when applying for an entry-level position; in fact, internships are becoming a necessary step to obtaining permanent employment. In addition to an internship, courses in marketing, psychology, accounting, statistics, and creative design can help prepare potential entrants for careers in this field.

Assistant account executive, the entry-level account management position in most firms, requires a bachelor's degree in marketing or advertising. At some agencies, a master's degree in business administration may be required.

Bachelor's degrees are not required for entry-level positions in the creative department. Assistant art directors usually need at least a 2-year degree from an art or design school. Although assistant copywriters do not need a degree, obtaining one helps to develop the superior communication skills and abilities required for this job.

Assistant media planner or assistant media buyer also are good entry-level positions, but almost always require a bachelor's

degree, preferably with a major in marketing or advertising. Experienced applicants who possess at least a master's degree usually fill research positions. Often, they have a background in marketing or statistics and years of experience. Requirements for support services and administrative positions depend on the job and vary from firm to firm.

In public relations, employers prefer applicants with degrees in communications, journalism, English, or business. Some 4-year colleges and universities have begun to offer a concentration in public relations. Because there is keen competition for entry-level public relations jobs, workers are encouraged to gain experience through internships, co-op programs, or one of the formal public relations programs offered across the country. However, these programs are not available everywhere, so most public relations workers get the bulk of their training on the job. At some firms, this training consists of formal classroom education but, in most cases, workers train under the guidance of senior account executives or other experienced workers, gradually familiarizing themselves with public relations work. Entry-level workers often start as research or account assistants and may be promoted to account executive, account supervisor, vice president, and executive vice president.

Voluntary accreditation programs for public relations specialists and management consultants, respectively, are offered by the Public Relations Society of America and the Institute of Management Consultants. Both programs are recognized marks of competency in the profession and require that workers have been employed in the field for several years.

Employees in advertising and public relations services should have good people skills, common sense, creativity, communication skills, and problem-solving ability. Foreign language skills have always been important for those wanting to work abroad for domestic firms or to represent foreign firms domestically. However, these skills are increasingly vital to reach linguistic minorities in U.S. cities such as Los Angeles, New York, Miami, Houston, and Phoenix. New media, such as the Internet, are creating opportunities to market products, but are also increasing the need for additional training for those already employed. Keeping pace with technology is fundamental to success in the industry. Besides staying abreast of new technology, advertisers must keep in tune with the changing values, cultures, and fashions of the Nation.

Success in progressively responsible staff assignments usually leads to advancement to supervisory positions. As workers climb the organizational ladder, broad vision and planning skills become extremely important. Another way to get to the top in this industry is to open one's own firm. In spite of the difficulty and high failure rate, many find starting their own business to be personally and financially rewarding. Among the self-employed, advancement takes the form of increasing the size and strength of the company.

Earnings.

In 2002, nonsupervisory workers in advertising and public relations services averaged \$602 a week—significantly higher than the \$506 a week for all nonsupervisory workers in private industry. Earnings of workers in selected occupations in advertising and public relations services appear in table 2.

Occupation	Advertising and public relations	All industries
General and operations managers	\$46.43	\$32.80
Public relations specialists	23.11	20.05
Sales representatives, wholesale and manufacturing, except technical and scientific products	21.08	20.54
Advertising sales agents	20.93	18.11
Graphic designers	18.99	17.64
Executive secretaries and administrative assistants	16.86	16.06
Customer service representatives	14.12	12.62
Office clerks, general	10.78	10.71
Mail clerks and mail machine operators, except postal service	9.15	10.19
Demonstrators and product promoters	8.27	9.80

Competition for many jobs will be keen because the glamour of the advertising and public relations services industry traditionally attracts many more jobseekers than there are job openings. Employment in the industry is projected to grow 19 percent over the 2002-12 period, compared with 16 percent for all industries combined. New jobs will be created as an expanding economy generates more products and services to advertise. Increased demand for advertising and public relations services also will stem from growth in the number and types of media outlets used to reach consumers, creating opportunities for people skilled in preparing material for presentation on the Internet.

Layoffs are common in advertising and public relations services firms when accounts are lost, major clients cut budgets, or agencies merge.

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LESSON 17: PURPOSE AND IMPORTANCE OF ADVERTISING

Topics Covered

Benefits To Manufacturers, Benefits To Retailers, Benefits To Customers, Advertising in Marketing Mix, Economic and Social Implications of Advertising

Objectives

1. To understand the benefits advertising provides to different categories.
2. To examine the economic and social implications of advertising.
3. Advertisement creates demand for the goods and makes it possible for the introduction of mass production. It is not only beneficial to manufacturer but also to retailer and consumers.

(I) Benefits to Manufacturers:

- (a) Advertisement increases demand of the product hence manufacturer can go for latest state of art machinery. This results in improved quality of product and reduction in cost of production.
- (b) Mass production needs mass selling efforts, which are possible or because of advertisement.
- (c) Through advertising the manufacturer can create the demand for his product and maintain it throughout the year and thereby reduces seasonal slumps in the business.
- (d) Advertising also protects manufacturers against unfair competition because customers learn to recognize the brand with the name of manufacturer.
- (e) Advertising also creates pressure on the retailer to stock goods which have demand.
- (f) Advertising tends to stabilize the selling price and this can create confidence in the public.
- (g) Pushing the goods through salesmen is a slow process and expensive too. Advertising is comparatively less expensive marketing tool.
- (h) In case of change in products or product features or new outlets, revised price, etc., advertising helps in giving necessary information very quickly to customers.

II Benefits to Retailers.

- (a) It quickens the return on investment, reduces risk on dead stock and thus can result in proportionate reduction of overhead expenses.
- (b) Retailer is afraid of fluctuations in prices. Advertising normally aims stabilization of price.
- (c) Looking at current demand to the product, retailer can easily estimate the sales accordingly plan the stock.
- (d) It helps the customer to know existence of retailers in their areas and the type of products available with them.

- (e) Wholesaler or retailer may have his own sales people. The advertising helps these salesmen to sell the product, the awareness about which is already created by advertisement.

III Benefits To Customers

- (a) The manufacturer is compelled to maintain the quality of the goods advertised. The money spent on advertisement should be taken by him as long-term investment but he is bound to maintain the quality to ensure this return in the future.
- (b) Advertised goods are generally bear certain quality and thus consumers get the quality matching to the price.
- (c) Advertising also acts as information and educates the consumers.
- (d) Advertising stimulates demand thereby increases production and hence reduces the cost per unit. This benefit goes to the consumer.
- (e) Advertising also makes it possible to sell direct to the consumers by mail order like say Asian Sky Shop. This reduces commission payable to intermediaries and hence lessens the price.
- (f) As manufacturers control the price of goods and services, the price cutting is not available to more retailers. The only way retailer can get more business is to attract customers by providing satisfactory service or place additional benefits like installment, credit etc. Hence advertising an additional benefit to the consumers.

Economic and Social Implications Of Advertising

I Social Implications

Advertising is criticized as mentioned below :

- a) It compels people to buy product and services they do not need.
- b) It increases the price of goods and services.
- e) The claims made by advertisements are always false, deceptive and misleading.
- d) It is often vulgar.
- e) It tends to develop monopolies.
- f) It provokes crime in the society.
- g) Expensive advertising alone cannot promote a product.
- h) In a poor country like India, spending the amount in crores of rupees on advertisements is sheer waste of national resources.
- i) It enhances the disappointment and unhappiness amongst those who cannot buy the product but aspire to use it.
- j) Due to price wars and ad-wars, manufacturers might declare the discount or price-cut suddenly to wipe out competition. In such cases, the customers who have bought the product before price-cuts have to face disappointment.

II Economic Implications

- (a) Advertising is one of the key tools in national economic growth. Some people may however, argue that advertising is economic waste, basing their news on the assumption that the consumers know what they want and that they do not want to subsidize or pay for extra cost of advertising. However, this does not confirm the reality of the work where people need information, to make choices, thus discouraging, price competition. Price competition lowers product prices and also stimulates better products and packaging. This helps raise the standard of living and greater gross national product. Sometimes there are monopoly situation created by industrial giants by sheer force of financial backing. Awareness through advertisement in such cases might help reducing monopoly situations and ultimately passing the benefits to the consumers.
- (b) Advertising is a source of information. Economic growth is dependent upon the people's ability and desires to buy more and different products and as a rational buyer, a consumer wants to optimize the utility of his purchases. This is possible when provisions for informing the consumer about various aspects of existing product are made. Thus the consumer saves a lot of time by knowing more about the product that he wants to buy, instead of spending time in investigation of the product. This is specifically true about the quality of the product which can not be tested visibly or physically. A high quality product ensures brand loyalty, resulting in repeat purchase business. This helps sustaining huge amount spent on advertisement.

Advertising in Marketing Mix

Marketing Mix means the successful blending of 4Ps like Product, Price, Promotion and Place. In fact Marketing Mix is a bundle of product mix, price mix, promotion mix and place mix. The importance of each mix separately or combined, can not be overlooked. However, today's dynamic situation emphasize more on promotion mix i.e. advertising over other mixes. Why?

You have good product, you have reasonable price, you have good network of dealers to encash place mix. All these might go to waste if target customers do not know about the product manufacturer. Hence the first & foremost objective in front of manufacturer is to start with promotion mix. Make people aware about the product features, dealers etc., and then make available the product.

The MNCs entered India like HLL, Colgate-Palmolive, Revlon, etc first started working on promotion mix of the product they intended to manufacture and then formulate other areas involved in the marketing mix.

Promotion mix comprise of blending the following tools in appropriate manner:

1. Advertising
2. Sales Promotion
3. Publicity and Public Relations.
4. Direct Marketing

5. Personal selling.

Whether it is consumer product or industrial product, whether it is import or export or the case of services management, the advertising is common in all these areas, whereas other tools viz sales promotion, publicity, direct marketing etc. may or may not exist.

Further, deciding on advertising mix, it calls for deciding on following facts.

1. Advertising Based on Demand Influence

- a) Primary Demand: Primary demand is the demand-for the product or service rather than a particular brand. Hence primary demand advertising is intended to affect the demand: for a type of product and not, simply one particular brand. During 1996, the shampoo market was sluggish. Hence HLL, P&G,-CP, Dabur directed the ads to increase the use of shampoo as a product and not their individual brands.
- (b) Secondary Demand: Companies try to differentiate the product (competitive advertising) and their brand, thus intending to increase the consumption of their product(s).

2. Institutional and Product Advertising.

- (a) Institutional Advertising: It aims enhancing the image of the company or firm.
- (b) Product Advertising: Ninety percent of advertisements belong to this category.
It aims at promotion of products through highlighting features, looks, colour, packing, etc.

3. To Audience to Which It Is Directed

- (a) Consumer Advertising: Message addressed to consumers.
- (b) Trade Advertising: Message addressed to intermediaries like dealers, wholesalers, retailers, stockists, etc.
- (c) Non-Profit Advertising: Message addressed to public for noncommercial activity or social aspects.

For example: 'Contribute to PM's fund for Kargil Rescue Operation.'

4. Timing Of The Response

- (a) Direct Action Advertising: Customers are advised to act immediate to generate immediate response.
- (b) Indirect Action Advertising: Instead of pushing the product through dealers, consumer pull is exercised on dealers to save on commissions.

Packaging and Cosmetic Industry

The cosmetic industry needs innovative packaging. And Techpack knows it well.

L'oreal, Calvin Klein, Christian Dior, Cartier. This is not a list of the upper-end players in the cosmetics industry. This is part of the client list of Techpack International. Techpack has a presence all over and the world through its subsidiaries and strategic partners. Today, it has plans to start manufacturing operations in India.

"We have our client segment clearly defined. We deal in five specific areas: fragrance, make-up and skincare, hair-care and

promotional items for players in this field,” says Akash Sharma, Chairman, Techpack. “We have high expectations from India as the organized packaging industry is very small here and besides, our global clients began setting up operations in India and that had created a market for us.”

The company operates with a sound backing in research and is up to date with the global trends in packaging as well as designing innovations. It also has tie-ups with designers who come up with suggestions to improve existing packaging forms. “The days of good-looking packs is over. Today, the consumers, as well as manufacturers, look for feel-good packaging forms,” adds Sharma. Technically, the company is pretty well-equipped. It has the facility, as well as the know-how, to come up with soft-touch packaging which is appreciated in the cosmetic industry.

Techpack is associated in the premium end with Christian Dior and Cartier, in the middle segment with Marks & Spencer, Body Shop and in the mass market with P&G, Unilever and Boots. In India, though, it has not entered the mass market.

Techpack has the distinction of having brought in many new packaging innovations to the plastics and polymer packaging industry. Some of the well-known ones are the airtight pack concept for lip-sticks, double chambered airless dispensers, mechanical pencils and low-profile pumps for cosmetics. These innovations have benefited the related industry too, by increasing the shelf life of these products, as well as by making their usage easy and convenient.

Says Sharma, “We are not only developing the packaging industry, we are also concerned about environmental issues too. We have developed many bio-degradable plastic polymers for packaging material.” With global concerns for environment friendly materials increasing, this means that those who use Techpack’s packaging materials can breathe easy.

However, it is non-bio-degradable material which is more popular in the industry presently. “The finish from plastics that are non-degradable is the one that is preferred by most clients since it is easy to mould and add the desired finish,” says Sharma.

With facilities like injection and mult-injection moulding Techpack has the flexibility to suit any requirements that the client may have. “In the globally competitive-markets, we have an international pricing strategy and we do not offer country-specific prices,” clarifies Sharma. In other words, there is no compromise on quality. The surface treatment operations adopted by Techpack makes the finishing a treat to look at. A vast array of applications like electroplating, vacuum metalizing, varnishing, laquering, silk-screening, make Techpack a global colossus.

With its plans to set up a manufacturing unit in India, Techpack wants to make the Indian market more competitive and of international standards. It already has Gandh Sugandh, the manufacturers of Lata Mangeshkar brand of perfumes, as a client.

The advent of a manufacturing facility means an avenue for Indian designers too, to stake their claims in designing such products in the future. One has to wait for sometime to see if

this packaging giant uses the Indian market as a base to exports its products or just use the Indian market to divert its products in line with its global alignments with heavyweight cosmetic markers.

Packing, Promotion and Safety

Product damage in handling and distribution is common. In the past, over packaging may have solved the problem of dissatisfied customers, but today they will be critical of the waste they have to dispose of and the on-costs associated with over packaging.

The most professional companies make a science as well as an art of packaging their products. With minimum (but adequate) packaging they ensure that their products arrive without physical damage and fully functional. Such companies value packaging engineering as highly as product engineering. Investment in effective packaging provides substantial savings through reduced product damage and lower cost. Well-damaged and engineered packs contribute to higher product sales.

It is impossible to design packaging properly for a product without understanding that product in terms of its fragility and vulnerabilities. The measure of fragility needs assessing against the risk and level of hazards with the distribution.

The best overall solution is attained when product and packaging engineers work together at the product development stage. This ensures a number of benefits:

- The overall product shape and size can be set to minimize the need for specially shaped packaging filaments, and to maximize the utilization of volume in transport;
- The best balance between product robustness and packaging protection is achieved;
- Damage through the adverse interaction of product components, or through adverse response is avoided;
- Individual fragile components (which would otherwise necessitate packaging for the product) are identified and corrected.
- Far larger products the incorporation of handling aids will reduce the levels of handling stress

Case Study For Class Room Reading: Internet Banking

“Show me the money!” yells an angry Tom Cruise in the movie Jerry McGuire. That’s just one of the many emotions money can inspire in man, and woman. The crisp rustle of bankrolls, the scent of freshly printed notes, and the feeling of power associated with money are an integral part of human emotion. Some kill for it. Others live for it.

What, if tomorrow, someone told you that paper cash no longer exists? And that all those years of savings at the bank is now worth nothing. It is a distinct possibility. Says K.V. Kamath, managing director and CEO, ICICI Ltd, “It is possible that, as the base for communication shifts to the electronic world, there would be a gradual decline in the use of paper too.” And this applies to the need for hard cash too. Soon in a banking transaction, just at the click of a mouse, billions of rupees can be transferred from one account to another. .

At present, however, paper money is unmatched in its universal acceptability as a store of value and a medium of exchange. Says Neeraj Swaroop, head, marketing and retail assets, HDFC Bank. "History has shown that no channel has completely replaced another channel, and the Internet is just one such channel."

"With rapid advances in technology and communication, and the advent of the Internet, we are certain to see changes in the position of paper currency too", adds Kamath.

Opines P.C. Narayan, executive vice president, Global Trust Bank Ltd:

"What will business be like now? Paper currency won't disappear entirely. But what is certain to happen is that payments will get increasingly electronic."

Thanks to the Internet there would be more and more buying and selling activity around the world where payment of physical money will not be necessary or will, perhaps go out of fashion!"

Speaking of fashion, it was not too long ago that payments were made with different items like cattle etc. For the elite it was gold coins, that are still a much coveted possession today. So coveted, that initially it was the standard against which all currency was issued throughout the world. Theoretically the amount of currency in circulation was supposed to be equal to the value of gold in the Central Bank. And promissory notes were issued against this as currency. But now the techies have grabbed the gold (figuratively speaking!), making it into numbers on a PC screen.

The very concept of electronic banking or e-banking (also called Internet banking online) is more prevalent in the technologically developed (also cash rich) parts of the world such as Europe and the US. Simply put: it does not involve any physical exchange of money, but it's all done electronically, from one account to another, using the Internet.

Take Europe. The number of online banks in Western Europe has mushroomed. In late 1998, only 863 banks were Internet enabled. By mid 1999, this number was 1,845, according to BlueSky International Marketing, a US-based research agency. Of these the number of banks that allowed customers to make online transactions has jumped from 448 to 1,245 in the same period. Could the Europe go totally electronic? At the point of time, probably yes.

BlueSky's study uses five functional categories for online banking sites, starting with online brochure content as the simplest. Interactive banks offer formatted e-mail communications and calculators (to calculate, say, interest rates).

Intermediate cyber banks provide account statements. Only advanced cyber banks such as UK-based Egg, allow money transfers, bill payments and financial services.

Smaller banks too have started boasting of offering online transactions, probably trying to preserve local market share in the face of competition. Smaller banks risk defection if they don't offer full online transactions to their customers. This stands in contrast to the most commonly cited motivation for getting on the web, which is to reach the global market.

The scene in the US is not that different. A recent Dataquest report forecast that the number of US households banking

online will reach 24.2 million in 2004. Acceptance too seems to be quite high. About 57 per cent of those predicted to bank online (13.7 million households) are expected to also pay bills online. Another interesting fact that came up in the study was that the man of the house pays monthly bills among online households. Conversely, among households in general, the woman is the monthly bill payer.

Online demographics may shift to match off-line patterns as online banking is more widely accepted. The US now has about 6.3 million people banking online, according to a study by Cyber Dialogue, another US-based research firm. This sounds like progress, but it is not smooth sailing all the way. The study also found that 3.1 million people stopped banking online and 35 per cent of them were not inclined to try it again. Clearly, many who tried banking online were dissatisfied with the services and experience they had. The common complaint was that the sites were not yet easy to navigate.

But for all the hype, the numbers are just too small to call this a revolution just yet. Only about 2.2 per cent of the world's population are net users and of these only a tenth considered banking online products (schemes for instance) have shot up. IDC (International Data Corporation) reports that, worldwide sales of Internet banking applications reached 326 million in 1998.

What bankers are most excited about is the fact that the Internet brings down the total cost of a transaction, enabling banks to charge lower rates of interest on loans and higher rates on savings accounts. So take the example of Egg, which offers interest of 5.99 per cent per annum on a savings account, nearly 1.5 percentage points higher than the Bank of England. Says Kamath, "Technology today, particularly via the Internet, is creating a platform-independent, low-cost communication infrastructure, permeating all sectors of the economy and providing an affordable medium to conduct business."

Consider this: the cost per transaction through the Internet is 27 times less than that through ATMs (automatic teller machines), 54 times less than that of a telephone transaction, and 107 times less than that of a physical branch transaction. For countries such as India this provides tremendous opportunity. In fact, a number of banks are working in this direction, notable among them being ICICI, HDIC, Global Trust Bank and Citibank. And it is bound to change the way banking is done in India. So, just how exactly will the Net make a difference?

Says Kamath, "The financial services business is among those industries most profoundly affected by the Internet, since the distribution of financial products does not entail any physical exchange of goods." According to Swaroop, what could happen is that the physical bank branches will become channels to sell high-end products that require face-to-face contact with the customer, while the Internet would service routine queries and transactions such as opening accounts, balance checking and fund transfers. "This is what a person does 90 per cent of the time in the bank, anyway," says Swaroop.

It may take a while for the consumer to adapt. Citing the example of ATMs, Swaroop says that even though the concept

arrived in India 15 years ago, ATMs gained popularity only in the last five years.

ICICI is already taking things a step further towards total electronic currency. "The advent of smart cards would be the most important step," says Kamath. It would enable transactions in the virtual as well as physical world using electronic cash. ICICI is currently working with ITI Mumbai on a smart card pilot project. Adds Kamath, "The sheer convenience - stemming from the fact that it is independent of location and time - of Internet banking will accelerate the adoption of the service." The bank is available through any terminal offering Internet access, be it a PC, a handheld device or cable TV with Internet access..

Hey, Where's All The Money Gone?

Says Narayan, "We at Global Trust Bank strongly believe in the use of information technology and electronic payment mechanisms as the inevitable future. Therefore, with other institution which subscribe to the same philosophy, we will end up creating an environment which customers are sure to relish and adopt". He is confident that other institutions would soon follow suit, in order to retain customers. "All this will ensure one thing - that customers will win in the end and get a much better deal from their banks, something that is long overdue," says Narayan.

Swaroop cites three factors for banks having to adopt technology. First, by getting customers to use the Internet, banks can process transactions much faster (and don't have to close by 2.00 p.m., as is currently the norm with public sector banks who do their processing in the post-noon period), and free up more time to engage the physical branch staff in activities such as sales and service. Says Swaroop, "Being a relatively new bank, we have invested in the latest available technology and are fortunate not to be saddled with the old legacy systems."

The Second is that with ATMs, phone banking and the Internet, routine transactions are being taken away. This is not only a cost saving factor, but more a convenience factor. Anytime banking. Anywhere banking. Anyplace banking. Once the customer gets used to this, things will become easier.

And the third being the Internet, of course, which acts as a great facilitator. The ability to connect banking services of payments is one. Payments will come directly from a person's bank account to a merchant. It could be a seamless transaction, reducing the need to carry cash around. HDFC, for example, has a tie-up with utility companies such as MTNL and cellular phone companies such as Max Touch, BPL and Airtel, so that bills can be paid from a customer's account directly to the company over the phone or the Internet. Soon school fees and grocery bills, too could be paid in the same way. ICICI, is the first in India to introduce this feature. Recently, it announced the launching of its Internet stock trading service, www.icicidirect.com.

"The options are as wide as human imagination can envisage and in the final analysis, the Internet will deliver to the customer what he needs at the price he is willing to pay," says Narayan. He adds, "All banks and financial service providers will be compelled to quickly and seriously re-evaluate their delivery strategy.

If they wish to survive in this market space. A customer can evaluate loan products, for instance, by visiting the websites of various banks and get the best deal at the lowest price."

Says Kamath, "We believe that the most appropriate option for India today is the 'Click and Brick' model." Expanded, this model uses a lean set of physical brick-and-mortar branches, outlets, call centers and ATMs along with Internet banking. According to Kamath, this will offer the customer a variety of channels to reach the bank. Internet technologies offer ease in customization of products and service to various customer segments. This will result in increased customer capture and retention. Says Kamath, "We will offer the customer tailor-mode solutions across the entire spectrum of financial products like bank accounts, fixed deposits, bills payment, mortgages, auto loans, consumer durable loans, bonds, credit cards, web trading, mutual funds and investment advisory service, thereby providing a one-stop-shop making transactions simpler and hassle-free for the customer." In fact, ICICI is supposed to be working towards creating an open payment system that would facilitate financial transactions across the banking industry, on the Internet.

With all that potential, the only bugbear, ironically, happens to be the customer. Of HDFC's current 4.5 lakh customers (increased to 6.5 lakh, after the Times Bank merger), only about a fourth use the Net banking facility. But considering that it started just three months ago, Swaroop feels this is not a bad start. About 20,000 registrations keep coming every month. But only 20 per cent of HDFC's customer base has Internet access.

So just what is holding back the expected spurt in Net banking? Apparently, it is the feeling of insecurity. That coupled with the fact that the average customer does not really understand the technology behind it. "In respect of the customer's preference, what will matter is the image of trust and security that the online banking entity brings," says Kamath. One reason why in the US, traditional banks today have more Internet customers than the newer Internet-only banks, is that customers feel more comfortable when there is a well known banking institution offering the service. Moreover the further a customer moves from face-to-face contact, the more important a brand name becomes. A bank's brand image would play a role in reassuring customers about the time safety of their money and the security of transactions on the Net.

One way to support the cause of Internet banking, would be through cyber cafes, as they offer cost-effective options to the middle-class to become netizens. ICICI is in the process of putting up about 250 centers for this across India. In this way, e-banking growth is not restricted to the four million odd PC owners in the country alone. In addition, ICICI is working with Satyam Infoway to install ATMs in Satyam Cyber Cafes across the country.

And how safe is an online account? According to Kamath. Internet security is not a major issue today. Encrypting technologies, digital certificates, SSL (secure socket layer) and SET (secure electronic transaction) are established standards that enable a secure e-commerce environment. ICICI, HDFC, Global Trust and Citibank, for instance, all use SSL and 128-bit encryption for Internet banking. This is the highest level

available in the world today. But the average Indian customer does not seem to be convinced.

Says Swaroop, "The biggest challenge is to translate the technological benefit to customer benefit and convince the customer. It's a marketer's task." Adds Kamath - "What matters is the customer's perceptions of security. This will be supplemented by having a legal framework for e-commerce. The enactment of the new Electronic Commerce Act will be a crucial step in this direction. There can't be any trade-off in respect of asset security, since we are dealing with other people's money all the time!" says Narayan.

Many software companies are on a roll today, having contributed to the setting up of the Internet banking infrastructure. Some big names including Infosys (Bancs 2000 software) and Wipro figure among them. Nucleus Software is one such provider. Says Vishnu Dusad, managing director, Nucleus Software conservative business in India. "To induce some technology into the market there has to be push. Mobile banking will change the whole paradigm of banking." For Internet banking Nucleus's software, BankONet is currently used in the banking sector. The next step would be to bring banking to the mobile phone. The software: Bank@Will from Nucleus. It involves using the SMS (short messaging system) of the mobile phone to alert a user about various banking transactions. It is cost-effective too. Sending a simple mailer to the customer costs around Rs. 20, while messaging via the mobile would cost about Rs.2.00 only.

But with the Internet being a global phenomenon, would banking become truly global. "Net banking enables customers to access their bank account from any where in the world at any point of time, making banking global in the geographic sense of the word," says Kamath. But it stops there as long as currency variations and local laws of countries abound. "These are macro-economic issues," says Swaroop. Economic forces would drive the need for common regulatory frameworks across political boundaries in the years to come. Only then will Internet banking become 'global' in the true sense of the word. As of now, the convenience is most felt by NRIs (non-resident Indians). An NRI can, now, operate his account in India from any country. But the service is limited to issuing drafts, cheques and fund transfers.

Banking, as we know it, will soon change into a complete 'financial service' sector, says Kamath, "The momentum in the financial services sector has been driven largely by the sophistication in technology and this will continue to be a key driver. The old world definition of surviving on selling vanilla products and earning interest income are gone," says Kamath. All this will take shape in the next decade or so. Till then, the customer still wants the physical stately looking bank building, with its business like environment to give him a sense of security. Resistance to change? Perhaps. But more seriously, will the road-side shop accept and electronic fund transfer? Some food for thought!

THE IMPACT of e-banking, particularly in fully network-linked economies, is likely to be far-reaching that one can't forecast it with confidence. That the cost of 'financial intermediation' will crash on account of internal banking efficiencies is

obvious. Over time, as a global e-currency comes into use, transaction costs will start falling on a grander scale, and transfer of information and money will become instantaneous across the world. That could lead to a sudden increase in the 'velocity of money'.

The monetary policy of the Central Bank (an independent global body, presumably, with a mandate to keep the currency's purchasing power stable) will have to be adjusted accordingly - with a keen eye, perhaps, on the material-immaterial ratio of the products being exchanged in the economy (one has severe supply constraints while the other doesn't). The information-as-exponent' production function might be given a second look (to see if it describes long-term changes), as too Paul Krugman's proposed demand and supply laws for the immaterial economy (for short-term changes).

As for the debate on systemization, here's an opinion: so long as there are asymmetric uncertainties in the world that involve unacceptably huge risks, artistic monetary management will be required. However, keeping inflation at a fixed 'target rate' will be easier, with the Bank's information quality having risen.

And the important thing, to reduce the cost of capital, is to give every lender-and borrower -the confidence, that the currency will lose its purchasing power at a gentle, pre-declared rate.

As for the banks, they could become less vulnerable to disaster on the 'capital adequacy' front. Historically, they've used a flawed risk notation system to estimate their 'risk-weighted assets' (which must never be more than 10 times the equity base). So, soon, with dynamic real-time information available on assets, the risk probabilities could occupy a continuous spectrum from 0 to 1, determined by actual real-time data (or some risk-trading market).

Banking as an Ordeal: a Look at The Future

He had never been so keenly aware of his dhoti as he was now - almost as if the reflective polish on the floor was invading his privacy. It was Mumbai's swankiest bank hall, but he was conscious of very little other than his dust-laden dhoti at that moment. He could barely recall what he was there for. Images were flashing past - the expression on the guard's face he had ascended the long and endless steps. How he'd had to push the heavy pieces of glass that served as elephant-sized doors, to enter.

Anyhow, he stood still. The fact of the moment stood before him: a tall Englishman, saying something. To him, obviously. He felt beads of sweat breaking out on his forehead, ready to perform the only 'trickle down' he had ever experienced. It was no relief. The trickle only prolonged the inquisition. After what seemed a lifetime, he managed to mumble something back in agreement. Or acknowledgement, he wasn't sure. As if he'd just chosen his life over his money, and could heave a sigh of relief.

Sigh, he did, eventually, when Mr. Dobby, the chief of Hongkong Bank's Indian operations, moved on to the next fellow (in jeans and T-shirt). The electricity, you see, had failed! And Dobby was responding to this unscheduled catastrophe with the sort of dignified alarm worthy of a captain willing to go down with his ship. It was a damage-control exercise. And

so, he went about the hall sounding crestfallen, making it a point to apologize for the collapse of the air-conditioning.

That was only part friction. Something similar did indeed happen once - at Hongkong Bank's main Mumbai branch. An extreme case, no doubt. But the idea of such a 'psychographic exercise' is not to provide a 'mindset' description with a claim to statistical significance, to include all sorts of consumer behaviour.

It has been some seven years since the incident, but the 'low net worth' first-timer would probably be no better off today. If the prospect of becoming the focus of everyday's eyeball reproach is not bad enough, he may find himself terrorized by the new cult of 'e-banking.' Remember, the bank, to him, is a holy place. Note the emphasis on place, as defined by its general ambience of power-where one must behave with utmost dignity and respect, as conveyed by the joyless expressions on the monochrome faces of the high-ranking bankers in their gel-controlled hairstyles, high-net worth suits and sober ties, seated behind authoritative desks. And there's great comfort in the thought that his money is lying there, in wad! There, lying in safe custody. His dreams and hopes.

And now, to suggest that the cash, in all its bulky reality, is not the real thing? That this will be replaced by an 'inalienable right' called 'purchasing power'? That good old cash was just an ancient relic from history a 'medium', and the bank a symbolic stamp of presence? That global 'e-money' will soon be the norm, and this will be issued by some sort of universal authority? That everything has suddenly been dematerialized? oops!

2 Case Study For Class Room Reading: Taj Group Of Hotels.

The Taj Group of Hotels has managed to tide over the turbulence that the Indian hotel industry went through, better than most other hotels. Investment plans continued unabated, share prices remained buoyant and dividend payments kept up. Today, the Rs. 589-crore Group (1998-99 figures), with over 49 hotels in its fold, is on a consolidating spree.

Initially, it was smooth sailing. The first Taj hotel the flagship of the Group (and still the most profitable one in the group) was born in 1904 in Mumbai, and stood alone for over half a century. The original hotel was conceived and built when the hotel business was not considered an industry and Jamshedji Nusserwanji Tata was the first Indian industrialist. It was built at a time when Indians were not allowed entry in most of the prestigious hotels and clubs. Legend has it that this was one of the reasons why Tata went ahead with the project though he was, at that time, busy with plans to industrialize India.

One of the reasons why the chain did not start expansion until the 1970s under the leadership of Ajit Kerker. Kerker had a big role to play in the globalization of the Taj. The time was right. And strategic sites were selected. Notably, there was hardly any advertising directly to the consumer. In fact, this element of the marketing mix was apparently non-existent until last year! The brand being an established one, advertising was not considered necessary. Secondly company was conservative and media shy for many years.

But nothing can go on forever without a blemish. And so it was with the Taj too. Cracks became evident when recession loomed large over the Indian economy. Excess capacity made some of the ventures unprofitable, specifically overseas ones. The new management also realized, to its dismay, that there was a clear lack of transparency. The organizational structure had become almost feudal with 49 general managers reporting directly to the chief executive, without any interaction amongst themselves. The Taj had to change the way it viewed the world - if it wanted remain market leader.

Managing director R. K. Krishkumar has it pat. "The vision for the Taj Group is for it to be a select chain, present globally. Asian, perhaps, in character, but absolutely international in terms of systems and processes and with a strong West European focus. The way forward was to make sure that the entire Taj team is imbued with the missionary zeal to sell the brand." International travellers form the bulk of the market for the Taj, particularly in the metros. Even the profile of the Indian customer was changing. In smaller cities such as Hyderabad, through the foreign element is a little lower. But overall the Taj has a higher dollar rate of revenue, approximately 70% comes from international guests.

As far back as in the beginning of the 1990s, it was realized that formal market research was a must to help understand the consumer better. Though it always did have access to research done by independent research agencies, such as the airline and travel industry, it was only about seven to eight years ago that the Group carried out extent research on lifestyle. The research attempted to discover what the future customer would be more egalitarian, more democratic or would she want to be pampered? The findings revealed that she would like exclusivity, more than anything else. On the other hand, research also indicated that the company's existing customer base of traditionalists - those who liked the Taj because it is understated, yet classy - was shrinking.

By the mid - 1990s, renovation was in full swing. Units across the country were refurbished. It meant ripping out entire floors. Rooms were revamped. Business centers rebuilt. More than a hundred billion dollars were reportedly spent for renovation - just in lifestyle (luxury segment)! Since the business segment was slated to become big (and those using it were likely to be non-traditionalists), The Taj went to build new business floors. It meant putting in optic fiber cabling, remote controlling system and giving the business guy a lounge where he would relax and even have breakfast. It included a mini business center.

In the process, some mistakes did crop up. For instance it was thought a mini - gym on the floor would be a convenience. But this had to be dropped after a few years, due to disuse. Initially, fax machines were installed in the rooms. That had to go with the advent of the Internet and laptops. Other innovations have happened too. It was found that telephone usages was dropping because of the advent of the mobile phones. Not only were mobiles provided on hire, the Taj also dropped communication charges by 33 percent.

It was only when the product was ready, that a major advertising campaign developed. Earlier, advertising had been restricted to the major feeder markets: the US, UK, Germany, Singapore

and Hong Kong. And the advertising emphasized the hardware aspects of the hotel. The new campaign developed a specific brand identity for the hotel. It also marked out three separate entities that the Taj group comprises. Business, Leisure and Luxury. Though the concept of these sub-brands had come into existence as far back as five years ago, today, they are operationally different. Which means that though the heads of these divisions sit at head office, their 'territory' is scattered geographically.

There were other changes. Unprofitable ventures were hived off. The sales and marketing functions were separated. The HRD department modernized, with an emphasis on performance and career and succession planning. The organization was made flatter and more compact. Moreover, a continual benchmarking against international standards was made part and parcel of the culture of the Taj.

More emphasis was placed on the business segment, profits are higher here (it being less price sensitive compared to the luxury segment). In the business segment, 17 new cities and towns will soon have the Taj Presidency hotels. Also, new properties will come up in Goa and Jodhpur and one is slated to come up near Sahara airport in Mumbai. The Group had also acquired Hotel Blue Diamond in Pune, a new market.

A Brief History of The Taj

Right from the early 1900s, the Taj stood for class and comfort. It was a place where the viceroys of the Empire arrived and departed amidst scenes of splendour. Scenes which were typical of the Raj. From the beginning it was one of the Orient! Singapore's Raffles, Hongkong's Peninsula and Frank I. Lloyd Wright's Imperial did not come up to the level of the Taj in spite of their rich ancestry. The reason the 2 hotels towered above of the amazing attention to detail that was paid by 'its founder, Jamshetji Tata himself! 3. As far back as 1900, he made sure that the Taj would have its own laundry, an aerated water bottling plant, electroplating for its silverware, a Mora silver burnishing machine, a crockery washing plant and elevators.

The Hotel Was Completed At A Cost Of 500,000 Pounds In 1904.

The Taj Intercontinental (the new wing) was built in 1971 and rapidly after that came the Lake Palace, in Jaipur. The company pioneered the concept of conversion of century-old palace into hotels! Today, this has become an USP of the Taj group, and a new logo is being designed to incorporate the palaces aspect of the product. In the mid-1970s the chain expanded to Chennai (Taj Coromandel and Fisherman's Cove) and a Fort Aguada at Goa. Here too, Taj scored over the others with its timing. At that time, Goa was not a tourist paradise.

Around the same time it set up the Taj Ganges in Benares and started international flight kitchen too. The end of the decade saw the coming up of the Taj at Delhi. This last marketed the start of an ethnic style in hotels with international standards. By this time, it appeared that nothing could halt the phenomenal growth of the Taj. In the 1980s, two more hotels were built in Delhi, two in Bangalore and one each in Chennai, Ooty and one Agra. Next came the Jaimahal Palace hotel in Jaipur as well as the New Delhi with Flight Kitchen! The new hotels were built taking the original Taj as the model hotel. The Indian Hotels

Co Ltd. is the parent company. And the chain is managed by The Indian Hotels Co. Ltd., the Indian Hotels Co Ltd, the Indian Resort Hotels Ltd, the Indian Oriental Hotels Co. Ltd, Piem Hotels Co Ltd and the Benares Hotels Co Ltd.

The renovations are still not fully complete. Project Flamingo is a Rs. 180-crore expansion plan that will refurbish and renovate the Mumbai Taj. There will be radical structural changes in the lobby, a nightclub in the premises, improvements in all the rooms, a state-of-the-art fitness centre in all the rooms and a renovation of the swimming pool. The Taj Mansingh at New Delhi will also undergo a Rs 60-crore renovation programme and Calcutta's Taj Bengal will be renovated at a cost of Rs 21 crore. Renovation will also be carried out at Fisherman's Cove in Chennai, Taj Malabar, Cochin as well as the two palace hotels Rambagh and Udaipur.

On the anvil are plants to build more hotels in the Asian region. The West too is not ruled out though its earlier foray into the US. "The Taj is targeting areas where the customers are either coming from or are headed to. As such, West Asia can be a vital link in the chain because of an added advantage of brand recognition. In Maldives too, refurbishment is being looked at. The action plan is to be more opportunistic adding to and complementing the brand, says Krishnakumar.

Though the Taj has high unaided recall, it has launched a corporate campaign to reinforce this new identity. The ad (made by Rediffusion) shows the Taj symbolized by an enigmatic woman who stands for both hospitality and efficiency. This identity was developed after extensive research on the consumer's attitudes towards the Taj. Over 60 in-depth interviews were conducted in the metros by client and agency. The parameters? Not quantity, but quality. The things done right. The quality of check-in, the smile the greeting of the welcome drink.

The insights gathered were analyzed and a clear slot, which the Taj could occupy when global competition arrived, emerged. The slot was an emotional one. This was translated into creating a distinct personality of the Taj as caring, efficient and enigmatic. The line went: "She is the Taj". The base line was "Nobody cares as much ". Today, after almost a century since it was established, Taj is all set to conquer.

Summary In this lesson we learnt what are the Benefits of advertising to Manufacturers, Retailers and to Customers, Advertising in Marketing Mix, Economic and Social Implications of Advertising, plus two case studies.

Assignments

1. Discuss the features & objectives of advertising.
2. Explain the importance of advertising in detail.
3. What do you understand by Social and Economic implications of advertising?

LESSON 18: DEFINITION AND BASICS OF ADVERTISING

Topics Covered

The various external facilitating and control institutions of advertising management and the meaning, nature and scope, historical perspective and functions of advertising.

Objectives

1. To give the students an overview of basics of advertising.
2. To make them aware of the scope and functions of advertising.

Advertising activity is a branch of marketing activity because advertising is one of the functions of marketing. Advertising plays an important role in the marketing process and aims at achieving the marketing objectives. Therefore, marketing objective cannot be established without considering the organizational objectives of the business, i.e., maximization of profits. These two important objectives should be achieved side by side. Advertising activity focuses on the analysis, planning, control and decision making activities of the core institution advertiser in achieving the marketing and organizational objectives. For this purpose, the advertiser directs and supports the development of advertising and media space and time. Many other institutions are also involved in the process such as facilitating and control institutions-agency, research suppliers and the media and Government and the competition. The management controls and directs all these activities relating to advertising.

Here we are discussing the various external facilitating and control institutions of advertising management and the meaning, nature and scope, historical perspective and functions of advertising to give the readers a view of what the advertisement is.

Advertising is a study of a system of interacting organizations and institutions that play a role in the advertising process;

At the core of this system are - the advertiser, the organizations and institutions that provide financial resources to support the advertising programme. Advertisers may be public sector or private sector organizations that use the mass media to accomplish the objectives of the organizations. It is therefore, a decision to invest funds in purchasing time and space in such mass media as radio, television, magazines or newspapers that basically distinguishes advertisers from non-advertisers, because advertisers use mass media whereas non-advertisers do not. Advertising management is focused heavily on the analysis, planning, control and decision-making activities or process of this core institution-advertiser. The advertiser provides the overall managerial direction and financial support for the development of advertising, and the purchase of media time and space; even though many other institutions are involved in the process. A focal point is the development of an advertising programme or plan for the advertiser. An advertiser who

produces several products or services of different kinds, a programme for each product and service may be developed separately. The resulting advertisement is usually aired or displayed or printed several times on the media and resulting schedule of exposure is referred to as an advertising campaign. The development and management of an advertising campaign associated with an advertiser's brand, product or service is thus a major point of departure for the advertising management.

In this way, advertising management is one of the management functions that relates to planning, organizing, directing, controlling and decision-making of the advertising programme or plan.

In the words of David A. Aaker and John G. Myers:

"The field of advertising management is made up of a system of interacting organizations and institutions, all of which play a role in the advertising process."

On the basis of this definition, the advertising management is the process which includes the analysis, planning, control and decision-making activities of the core institution - the advertising. It also includes the interacting organizations and institutions, which affect the advertising process.

Major Institutions of Advertising Management

The focal point in the advertising management is the development of an advertising programme or plan for the advertiser. The resulting advertisement is usually aired or placed several times and the resulting schedule of exposure is referred to as an advertising campaign. In developing an advertising campaign, the advertiser has to deal with several other institutions, which play an important role, apart from his own organization. There are three types of major institutions.

- (1) The advertiser himself;
- (2) Facilitating institutions which help the advertiser in his advertising campaign such as the advertising agency, the media and the research suppliers;
- (3) Control institutions that interact with the advertiser's decision-making activities in numerous ways. The Central Government and competition are two main control institutions.

We shall now discuss these three major institutions in some details.

The Advertiser

The advertiser is the core institution of the field of advertising management and the total expenditures by all the advertisers in the country provide the basis for determining the size of the advertising industry. Total expenditures involve the expenditure by all advertisers in all media (radio, TV, magazines, newspapers, etc.) but do not include the amount of non-paid advertisement by non-profit organizations and classified advertisements in local newspapers purchased by non-business persons.

Advertisements may be classified as small or large according to the degree to which they use the facilitating institutions. By typical large national advertisers, we mean those who buy time and space under contract through one or more advertising agencies and buy numerous research services, as well as conduct research on their own. In general they make full use of the advertising system. Small-scale advertisers, on the other hand, use only parts of the system due to their limited resources. They include private citizens and local small-scale advertisers. Sometimes they buy media time and space directly and do not use an advertising agency or the services of a research supplier.

Advertisers may again be classified on the basis of markets they serve, the goods and services they produce and the media they use. On this basis, they may be consumers, industrial and retail advertisers. Consumer advertisers are those who manufacture consumable goods - durable or non-durable - and services. Industrial advertisers predominantly manufacture market products for industrial market. The retailers advertise locally for store patronage. On the basis of media used, the distinction is clear-cut. Retail advertisers use newspaper advertising, particularly at local level. Consumer advertisers make extensive use of radio, television and consumer general magazines. Industrial advertisers most often use the trade magazines, journals, business papers, direct mail exhibition and trade shows.

Non-business or non-profit organizations, such as schools and colleges, hospitals, clubs, churches, libraries, etc., generally use local advertising. They have many of the same problems as business firms. They also must identify their needs, the groups they serve, develop products and services to satisfy their needs, and communicate with their constituencies. This communication can be effectively done by advertising.

Thus, there are several types of advertisers and an equally large number of forms of advertising.

Facilitating Institutions

Facilitating institutions are such organizations, which support the advertiser in analyzing, planning and development of the advertising campaign. Usually, there are three such primary institutions-advertising agency, media and research suppliers-the advertising agency and research suppliers assist the advertiser in analyzing opportunities, creating and testing advertising ideas, and buying media time and space. The media, of course, supply the means by which to advertise.

All advertisers, by definition, use some form of advertising media. Small advertisers, very often contact the media directly because of their financial limitations but where significant media expenditures are involved, the advertiser uses the services of an advertising agency and one or more research suppliers.

The Advertising Agency

The advertising agency in most cases makes the creative and media decisions. It is between the advertiser and the media. It also often supplies supportive market research and is even involved in the total marketing plan. In some advertiser-agency relationships, the agency acts quite autonomously in its area of expertise, whereas in others, the advertiser remains involved in the creative and media decisions, as the campaign progresses. In the beginning, the agencies were service agencies and offered no

creative help to advertise. Their main function was to select the media for the advertiser. The agencies grew in size and influence through the years as they demonstrated an ability to create effective advertising, because they offered a number of services in creative field to their advertisers. .

Although the nature of a advertising agency has changed considerably, the method of compensation remains the same, i.e., a fixed percentage of advertising billing, which they receive from the media owners. The percentage is 15 per cent on billing but it can be increased if extra services are provided by the agency.

A modern advertising agency employs three different types of people, in addition to those handling administration. The first group is 'creative services group' and includes copywriter, artists, and people concerned with advertising production. The main function of this group is to develop the advertising campaign, prepare the themes and create the actual advertisement. The second group is 'market services group' which is responsible for media and market research and contains technical specialists. The third group is 'client services group' including account supervisor. This group is responsible for the contract with the customer and settle the deal for the agency. An agency that provides all those services may be called as full service agency. In recent years, an alternative of full service agency has been developed in smaller specialized organizations carrying only specialized services in creative field.

The Media

The media supply the means by which to advertise. The first and perhaps the largest media category has been newspapers since the development of printing press. The earliest agencies, in mid-nineteenth century were essentially agents for newspapers. Magazines are one of the media in print advertising. Trade journals and other trade magazines are mostly used by industrial advertisers. Recently, the broadcast media-TV and radio-have gained the attention of advertisers being mass communication media and are mainly used by national advertisers on the national network. Local advertisers or retailers also use this media for advertising from local radio stations to serve well-defined segments of the population. .

Various types of promotions can also be considered by the advertiser as a different kind of media. In this category are included premiums, promotions, contests, sampling, price-off, and cash refunds, display materials on points of purchase, gifts, and organizing trade shows.

Research Suppliers

This type of facilitating institution is made up of companies that supply research services to advertisers, advertising agencies and the media. The main thrust of such supplier organization is to conduct research in the various fields-market, consumer, media, creation and methods for assessing the effectiveness of the media-concerning advertising and supply different-types of information to advertisers, agencies and media which may help them in advertising planning and taking specific decisions such as copy and media decisions.

Thus, the research suppliers industry is not big but plays a very important part in supplying different types of information to

various institutions and particularly to advertisers to who; it is the source of information, which may be used in advertising planning and decision-making by the advertising management.

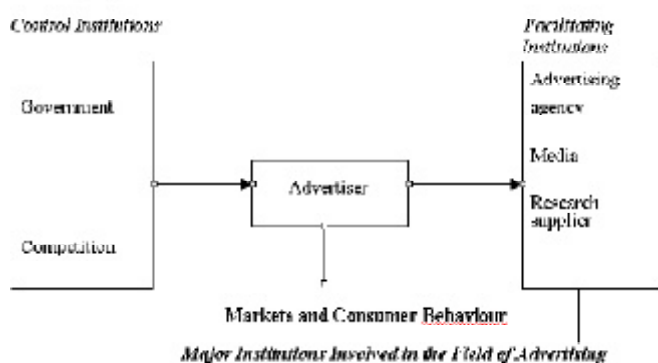
Control Institutions

Control institutions are those which interact with and affect the advertiser's decision-making activities in numerous ways. Government and competition are two main external control institutions.

Government

Almost in every country of the world, the Government interferes in the trade activities in various ways. Wide range of regulations concerning advertisers' products, services and advertising affect advertisers to a great extent. The creative activities of advertisers will also be affected by the nature and impact of government regulations. For example, if the Government deals in the advertiser's product, it shall be viewed as a competitor and the nature of copy, message, theme, etc., will be quite different.

Following diagram:



Competition

Competition is another control institution. Direct and indirect competitions are usually present and serve as a major external control. The advertiser will have to think over what competitors do, while developing an advertising campaign and adopt a suitable strategy in copy development. It is also important for an advertiser to note what and how they react. It will help understand the competitors' strategies and the advertiser thus may improve his copy strategy. What competitors do and how they react are thus important parts of advertising management.

The consumer or the market has been assumed as yet another kind of external institution that both facilitate and control advertising. Without an existing or potential target for advertising messages, the rationale for advertising would not exist. The consumer is a controlling force, mainly through a whole range of behavioural possibilities such as, viewing or not viewing, buying or not buying, voting or not voting and so forth. It is the consumer around whom the whole advertising industry revolves-the advertiser's agency, media and research supplies. The identification and understanding of markets and consumer behaviour are thus also vital parts of advertising management.

To conclude, advertising management studies the managerial functions concerning advertisements, various facilitating and control institutions. Major institutions in the field of advertis-

ing management, which we have explained above, can be depicted in the following diagram:

What is Advertising?

The word, 'advertising' has its origin from a Latin word advertiser which means to turn to.

The dictionary meaning of the word is 'to announce publicly or to give public notice.'

In other words, it may be interpreted as - to turn the attention of the people concerned to a specific thing, which has been announced by the advertiser publicly in order to inform and influence them with the ideas, which the advertisement carries. In the business world, the term is mainly used with reference to selling the product of the concern.

Advertising, as Dr. Jones defines it, is "a sort of machine-made, mass production method of selling which supplements the voice and personality of the individual salesman, such as in manufacturing the machine supplements the hands of the craftsman." It is, thus, a process of buying sponsor-identified media, space or time in order to promote a product or an idea. It is a vital tool or marketing goods, services and ideas.

The American Marketing Association has defined advertising as "any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor."

After a careful scrutiny of the above definitions, the following points emerge:

- (i) Advertising is a paid form and hence commercial in nature. Thus, any sponsored communication designed to influence the buyer's behaviour is advertising because the advertiser pays for it.
- (ii) Advertising is non-personal. Unlike personal selling, advertising is done in a non-personal manner through intermediates or media. Whatever the form of advertisement (spoken, written or visual), it is directed at a mass audience and not directed at the individual as in personal selling.
- (iii) Advertising complements or may substitute for personal selling. It supplements the voice and personality of the individual salesman.
- (iv) Advertising promotes ideas, goods and services. Although most advertising is designed to help sell goods and services, it is being used increasingly to further public interest goals.
- (v) Advertising is identifiable with its sponsoring authority or advertiser. It discloses or identifies the source of opinions and ideas it presents.

Thus, advertising may be defined in simple words as 'the dissemination of information concerning an idea, service or product to induce action in accordance with the intent of the advertiser'. In other words, it may be stated as an art of influencing human action by awakening the desire to possess the advertiser's product or take advantage of services of the advertiser. It may be characterized as a specialized marketing activity to make the consumer aware of the company along with products and services it offers to sell.

Advertising Functions

The functions of advertising can be viewed as:

- (i) a tool of marketing, and
- (ii) a means of communication and persuasion.

(i) **Tool of Marketing**
Advertising has been defined as a tool of marketing. It is used as a tool for selling the products, ideas and services of the identified sponsor, i.e., advertiser, through non-personal intermediaries or media. It supplements the voice and personality of the individual salesman.

- (ii) **Means of Communication and Persuasion**

Advertising presents and promotes the ideas, goods and services of an identified advertiser. In presenting and promoting an item (ideas, goods or services), the advertiser is engaging in a very important function of communication. It informs the prospective buyers and users about the product and the producer. It, thus, serves as a communication link between the producer and the prospective buyers who are interested in seeking the information. Surely, advertising may be taken as the most efficient means of reaching people with product information.

Apart from disseminating the information to the prospective buyers about the product and the producer, the advertising serves as a mass persuader. While creating awareness and popularity, it seeks to persuade, hence, advertising is a mass persuasion.

It is a more effective, widespread and less costly... way of establishing contact with the buyers than salesmanship. Clyde R. Miller points out that all success in business in industrial production, in invention, in religious conversion, in education and in politics depend upon the process of persuasion. Persuasion is the essence of a democratic society. Every advertiser in modern times intended that all creative advertisement must serve more than merely inform or entertain. It must change or reinforce an attitude or behaviour. And the consumer - the average man - should recognize the advertisers' persuasive intention.

Thus, advertising, in its broader sense must include not only its commercial functions but at the same time, it should also convey adequately its purpose. The definition of advertising, in the light of the above view, may be given as:

“Advertising is controlled, identifiable information and persuasion by means of mass communication media.”

Distinction Between Advertising and Publicity

Publicity means dissemination of information about a company or product by personal or non-personal means and is not directly paid by the organization and the organization is not identified as the source of information. It may be a news item reported by the media. Though the goals of advertising and publicity are similar the two are slightly different in nature and maybe distinguished on the following grounds:

- (i) Advertising is a paid form of massive communication and persuasion; hence it is a commercial transaction. Publicity, on the other hand, is not paid for by the sponsor that it also possesses commercial value. Publicity is a form of

commercially significant news about a product, an institution, a service or a person published in space or broadcast on radio that is not paid for by the sponsor. In other words, advertising is a paid form of publicity while publicity is an unpaid form of advertising. In this way, publicity is not commercial whereas advertising is commercial.

- (ii) Advertising is always related to the sponsor. Advertisements are always identifiable with their originator, which is not always the case with publicity. Advertising is openly sponsored or initiated by the advertiser, whereas, in publicity the initiative may be taken by the publisher, without any sponsor coming forward.

We can very well understand the difference between these two terms with the help of an example. Suppose a newspaper or commercial magazine publishes a report or editorial on the merits of a new thing invented. It may help or maybe of interest to the businessman or consumers but it cannot be called advertising because the inventor has paid nothing for publishing the news or nothing has been said by the inventor himself about the product or the firm in the news or editorial. Thus, it is publicity, and not advertising. On the other hand, if the inventor pays to the publisher for publishing his product or the firm the step will be counted as advertising. In this way, there are two main features of advertising, i.e., sponsorship by the advertiser and payment, which distinguish the two terms.

Though we have made an attempt to differentiate the two terms advertising and publicity in the sense in which they are used in the field of marketing, yet they are generally used interchangeably and the general public uses the terms synonymously because both carry the same message.

Advertising and Propaganda

Propaganda means spreading of ideas, doctrines or messages. Like publicity and advertising propaganda also communicates ideas but it is only one-sided communication and there is always favor for a cause. To propagate means to multiply or disseminate. The main purpose of propaganda is to influence the opinion of the, general public in favor of something.

Propaganda may be paid for by the propagator if it may be self-sponsored by the media itself in favor of something. Everybody is familiar with the vigorous propaganda on the eve of elections. The effect of propaganda is temporary and it ceases to exist as soon as the cause no longer has an appeal. For example, as the day of election approaches, the propaganda in favor of various candidates and parties gains momentum and it comes to an end as soon as elections are over. Thus, “Propaganda is the means of making known in order to gain support for an opinion, creed or belief.”

In some respects, propaganda resembles advertising. Like advertising, it may be paid form of communication and is always biased in favor of whatever is promoted. Moreover, similar techniques of media are used for advertising and propaganda. The major difference in the two terms lies in the purpose.

Advertising always aims to sell the goods and services to the largest possible market at the lowest possible cost and to earn

maximum profits. It always presupposes that there is a market where goods and services can be sold. There is no question of advertising if there is no market. So market is a precondition for advertising whereas on the other hand, the main aim of propaganda is to disseminate a particular idea, opinion, notion or information among the followers. The question of selling the product does not arise in propaganda.

Advertising and Personal Selling

Personal selling means personal communication between buyer and seller by or through the representative of seller. It is, thus, a sales promotion activity conducted by the agent or representative of the firm. It involves two-way communication between buyer and seller.

Both advertising and salesmanship (or personal selling) are designed to achieve the same objective, i.e. to promote sales. One cannot replace either but, they may be used as complementary to each other. However, personal selling differs from advertising and the following points of difference may be noted carefully:

- (i) Personal selling is a direct method of selling the product. In personal selling an appeal is made through persons, while advertising is an impersonal and indirect method of selling.
- (ii) Personal selling activities are mainly controlled by the company itself but advertising methods, except mail advertising, are generally owned and controlled by many agencies such as radio, television, news papers, etc., and the company pays for these services.
- (iii) Advertising is addressed to the message while salesmanship (personal selling) is concerned with individual contacts.
- (iv) The purpose of advertising is to influence and appeal to groups of persons whereas a salesman talks to the persons before him.
- (v) Since a salesman talks to the person concerned, he understands the salesman better-whether he is educated or not; etc. The prospective buyer can remove any doubt while talking to the salesman. But it is not possible to convey the exact message to an illiterate person except in certain cases. An appeal made in an advertisement copy need not necessarily be followed by the masses.
- (vi) In order to make the sales effective through salesmen, it is necessary to maintain a big sales force which is very costly. Advertising is not so costly. Moreover, it is the most convenient and simple device to make sales appeals over wide areas and large audiences.
- (vii) The ultimate purpose of salesmanship and advertising is the same, i.e., increases in sales volume. Thus both are complementary to each other. Advertising supports salesmanship, and vice versa.

Nature of Advertising

Advertising, as it is generally known, is a paid method of mass communication which is aimed at promoting ideas, goods or services by an identified sponsor. It is also non-personal communication, for it is not delivered by an actual person but only through a medium, nor is it addressed to any specific person. Advertising is done by commercial and non-commercial

organizations but it is mainly referred to commercial organizations, because it is used to help assure the advertiser of a long business life with profitable sales. It is the most economical method of communication of ideas, goods and services because it reaches a large number of people and hence cost per message is low. The communication in this method is very speedy, permitting an advertiser to speak to millions of buyers within a few hours. Advertising is done by an identified sponsor – advertiser, just to publicize his identity.

As far as India is concerned, advertising is a growing business today and gaining importance day by day. The host of new products marketed, the expenses and the risks involved in launching them, and the cost of personal selling and some challenges which have placed a heavy responsibility have contributed to the growing productive capacity of advertising. There is a need for finding customers for the growing output and advertising plays an important role here in moving the goods from producers to consumers by advising the people to purchase the best out of the variety of products offered for selection.

In India, advertising as a potent and recognized means of sales promotion was accepted only recently. This delay was attributed to the late industrialization in our country. In India, advertising as a profession has just developed into a full-fledged area and, is gaining confidence abroad. But, there is still tremendous scope for the development of this industry so that advertising may be used productively for the benefit of producers, traders, consumers and the entire economy.

Advertising has been recognized as an art because the creative function of advertising depends upon the creativity of the individual. The creation of the copy including its message, theme, layout, caption, illustration, etc., is an art on which the success or failure of advertising depends. The individual capability and an instinct of creating something new is the essence of advertising.

Advertising has been developed as a science also. The advertising management has emerged as a new discipline where the study of planning, organizing, directing and decision-making is learnt. Various principles, objectives, techniques and strategies of advertising have been developed and with the study of those techniques, a successful and effective advertising campaign may be carried out.

Thus, it may be concluded that advertising is both an art and a science.

Scope of Advertising

In scope of advertising, we study the various activities which are included in advertising.

Activities Included in Advertising

Advertising is a form of promotion and means of non-personal mass communication to the existing and prospective customers in order to maximize the company's sales and profits. The activities included in advertising are:

- (i) Selection of media with a view to stimulating sales amongst present and prospective consumers.
- (ii) Communication with consumers of the product and of the manufacturer.

- (iii) Maintenance of brand loyalty amongst the customers.
Advertising may be used to reassure buyers that they have made the best purchase, thus building brand loyalty or loyalty to the firm.
- (iv) Increasing support to dealers, distributors, wholesalers and retailer and the sales force are the main functions of advertising. It boosts their morale and contributes to enthusiasm and confidence in the organization.
- (v) It projects an image in the minds of the people who are customers of the company's products or in those who are closely related with the company such as share-holders, the Government, creditors and the general public. Advertising is used to promote the overall image of trust, confidence and respect for an organization. .

Thus, the scope of advertising is very wide. Each and every type of activity which stimulates sales by communication through mass media is included in it.

Development of Modern Advertising

Advertising for the goods and services is not a new phenomenon in our modern monetary system. It was in vogue in one way or another since ancient times. Advertising in medieval times was crude when measured by present day standards. The basic objectives were the same - to communicate and disseminate information and ideas to groups of persons in order to change or reinforce their buying decisions. So, it is erroneous to assume that the advertising function is of recent origin. There is evidence to suggest that Romans practiced advertising. Spoken publicity was well-known to the Greeks and Romans. Publicity was given in the 'form of vendors in the streets and announcement by drummers, though its scope was very limited. Signboards were fixed here and there to give the shop its identity. Street vendors contributed a lot towards attracting the attention of people to goods.

Generally, before the advent of printing press three crude forms of advertising were used:

- (i) Trade marks,
- (ii) Signs or signboards, and
- (iii) Town criers.

Trade Marks

Early craftsmen generally used to place their individual marks of identification on goods, like pottery, offered for sale. With the spread of reputation of a particular craftsman, he soon started to be recognized by the buyers with his distinctive mark put on the goods. Trade marks and brand names of today are the developed forms of those early identification marks.

The guild system, with its trade monopolies gave legal protection to those persons who produced goods or were permitted to produce goods of standard quality from their being copied by others. Goods could not be sold unless they carried a guild mark on the goods. There were provisions to penalize the guild members who used counterfeit marks on goods of non-guild members. Thus, trademark performs its prime functions even today by protecting: (i) the consumers by ensuring that they are getting what they want, and (ii) the manufacturers by preventing inferior goods being sold as their products.

Signs or signboards

Some traders put painted commercial messages on some important places among trade lanes or engrave their messages on the rocks. These messages extolled the goods that were put on sale. Modern outdoor advertising is the improved form of the same device. Each shop little or big had to inscribe on the wall near the entrance, to tell the passerby as to what was available in the shop. This practice was very common in Rome for communicating commercial messages.

Town Criers

Town criers were very much in vogue in Greece for conveying messages. This institution developed as professional and men engaged in this profession were paid to circulate important news and messages through the streets and announce public events. During the Middle Ages, the only available means of advertising except signboards were spoken words through town criers.

Early Printed Advertising

The potentialities of advertising multiplied as soon as the hand press was invented in the fifteenth century. At that time, posters appeared that called the attention of potential buyers and this assumed an important role in advertising different products. Another media development in advertising was the pamphlets and handbills, which were generally used by companies interested in generating goodwill for their activities.

By the middle of the seventeenth century, publishers experimented with the issue of newspaper comprising solely of advertisements and the first newspaper was a weekly called Mercuries. It appeared in England. The printing press was then used in a fashion that led to the gradual growth and development of advertising by providing a practical, readily available medium to deliver advertising messages to the literate public. The early newspaper advertisements appeared in the form of announcements. In 1652, coffee beverage was advertised followed by chocolates in 1657 and tea in 1658. At that time, pioneering advertising was followed and developed but in the beginning of eighteenth century, the evidence of 'competitive advertising' could be seen that aimed at building a sense of acceptance for previously unknown products. At that time Razorstrap and patent medicine advertisements attempted to convince the paper readers of the advertised products' superiority over similar products. By the mid-eighteenth century, printed advertising was in general use.

Modern Advertising

It was only in the latter half of the nineteenth century that mass advertisement, as we see it today, came into being. There were so many socio-economic advances, which led to the development of modern advertising. These socio-economic advances may be attributable to increased literacy. Such advances are:

Industrial Revolution

The Industrial Revolution, followed by James Watt's discovery of the principle of steam-power, led to manufacturing on a large-scale basis. The Industrial Revolution altered the relationship between the manufacturer and the user of goods because mass scale production and problem of its sale widened the

communication gap between producer and consumer. So, the need for advertising was developed to bridge the gap.

Need for Communication

With the development of improved means of transport and communication, the world is shrinking, and getting closer and closer day by day. With the advent of Industrial Revolution, machines turned out goods at a faster speed and therefore, it became very difficult for manufacturers to get their goods absorbed in the local market. A need arose to extend markets geographically in far distant areas in and outside the country. Now the manufacturers felt the need to find a way to communicate about the quality of the product they produced as the old media of advertisement were not able to do the needful because the distant consumers knew nothing about the product of the producer. Advertising gave the needed communication vehicle and the communication gap was covered. It helped raise consumption so that full use of machinery was possible which led to the lowering of cost of production.

Need for Transportation

Industrialization led to advertising and advertising helped raise demand or consumption of the goods manufactured on a large-scale basis. This raised an instant problem of transportation to meet the demands of the distant consumers. It requires a network or roads, railways, waterways and airways to carry the goods to scattered markets and to cart the printed advertising media to prospective buyers living far from the producer. As the need arose, a network or roads, railways, waterways and airways developed. This helped expand the markets and improved advertising also because the arrival and existence of goods in the market must be made known to the general public so that it can take interest in the product. It helped production and distribution of new products and varieties because advertising introduces them in a very attractive way.

Need for Location

Printed advertising will be a sheer waste if people are not literate or able to read and understand irrespective of the development of means of communication and transportation. Until the advent of radio in the first quarter of the twentieth century, consumers could be reached only through newspapers and magazines. So, advertising requires a literate public.

Growth of Newspapers and Magazines

Printed advertisements can be carried through newspapers and magazines to the public. With the increase in literary rate, the number of newspapers and magazines increased taking in view the interests of people.

Development of Modern Advertising Agencies

For advertising to become an institution, a need for it had to be recognized. Its availability had to be communicated to potential users. This information was delivered by the advertising agent for which the modern advertising agency evolved. Originally, the agents worked as brokers of space in newspapers and magazines and did not perform any creative or planning service as they do today. The modern functions of advertising agencies such as planning and writing of advertising messages, the creation of illustrations, the choice of typography and the market analysis were assumed by them in the beginning of

twentieth century due to sophisticated advertisers, bigger advertising budgets, and increase in the size of the markets, etc. Now they undertake the responsibility of planning, creation and execution of complete advertising campaign in return for commission paid by the media or fees paid by the advertisers.

Printed advertising will be a sheer waste if people are not literate or able to read and understand irrespective of the development of means of communication and transportation. Until the advent of radio in the first quarter of the twentieth century, consumers could be reached only through newspapers and magazines. So, advertising requires a literate public.

Growth of Newspapers and Magazines

Printed advertisements can be carried through newspapers and magazines to the public. With the increase in literary rate, the number of newspapers and magazines increased taking in view the interests of people.

Advent of Radio and Television

The advent of radio and television gave added impetus to the growth of advertising. They replaced the town criers. Now radio made it possible to advertise the goods and services for the first time to those who were not able to read the printed message. The message can be carried more quickly through the ear than the eye even to the educated. In this way radio played more important role in those countries which were undeveloped and underdeveloped than the newspapers and magazines. With the invention of television, the role of radio has changed. It has both auditory and visual appeal. Advertisers prefer to advertise on television as it can attract more people. This has a combined impact of sound with that of sight and motion. And now one step more, the color transmission has made advertising more attractive. The medium is second only to newspapers.

Now, it is very difficult to predict what the major breakthrough will be in the history of advertising. As we see, the videocassette records and computers, now, are being introduced into many homes, that may change the form and practice of advertising. We can safely predict, however, that whatever it is, it will be exciting.

Functions of Advertising

Advertising aims at fulfilling a variety of different purposes depending upon the needs of the particular enterprise provided a painstaking analysis is made regarding the various factors such as demand potentialities, cost, media, etc. The main purpose of every advertising effort is to stimulate, maintain and secure the distribution and consumption of a product resulting in an increase in sales and profits of the concern. Advertising serves every sect of the business society-consumer, producer and the middlemen (agency and salesman). The various functions of advertising may be grouped in two classes:

(i) Primary functions, and (ii) Secondary functions.

(I) Primary Functions

Among primary functions, the following are more important:
To increase sales

The main functions of advertising is to increase the sales of the product of the company by securing greater consumption, by

attracting new buyers and by introducing new uses for a commodity.

Persuasion of Dealers

Advertising persuades dealers to stock more and more advertised goods. It makes for wider distribution of goods to the far these corners of the country. Where the product is not in great demand, the advertisers or producers directly contact dealers to stock the goods and to persuade the consumers to buy their goods.

Help to dealers

Advertising not only assists the producer or advertiser, but also helps dealers (wholesalers and retailers) to sell the advertised goods. Thus, wholesalers and retailers are able to clear their shelves speedily resulting in higher profits. This is all possible due to effective advertising.

Increase Per Capita Use

Advertising may lead to increase in the per capita use of the commodity by repeating the desirable features and uses of an article constantly. Advertising is effectively used to increase the per capita consumption by describing new uses of articles that may never have been thought of by the general user, new ways of using products already familiar, of new scientific discoveries that tell of the new use of a certain product.

Receptiveness of New Product or Model

Advertising earns a name for the producer. If a producer has earned a name as a producer of good quality products, the new product in the same line or new model or form of an existing familiar product will get quick receptiveness from the public for that item. Generally, the producer advertises it as belonging to a group of products whose quality is well known.

Insurance for Manufacturer's Business

The next function of advertising is to create insurance for the manufacturer's business. Through the advertising of trade marks or brand names, of the general appearance of the products and their packages, public recognition and acceptance are secured and accordingly goodwill of the manufacturers is established over time and a kind of insurance is affected. This makes the manufacturer more confident and independent of wholesalers and retailers. It also protects the manufacturers from competitors who will find it difficult to develop the substitute for the nationally or internationally advertised products. Advertising cultivates brand and company image. It creates goodwill that is a more valuable asset than the physical assets like plants, etc. and insures the manufacturer against all business risks.

Confidence in Quality

By advertising, the producer creates confidence in the minds of consumer for his products. 'Buyers beware' is the rule of the market where buyer is to choose the product of his choice and he is to judge the quality. It was not always possible for an ordinary consumer to tell whether he was buying gold or tinsel before there were widely advertised products. In case of widely advertised goods, the buyer has every reason to believe because of his past experience that the quality of the goods is the same advertised by the producer. Thus, advertising creates confidence in the quality of the product.

To Eliminate Seasonal Fluctuations

One of the functions of the advertisement is to eliminate or lessen the seasonal fluctuations mainly for the seasonal products by describing their various uses during off-seasons. For example, by advertising the use of refrigerators all the year round has been brought home to people.

More Business for All

Cumulative advertising of two or more manufacturers in the same field expands market and creates more business for all. It creates demand for the kind of the product and not for a particular brand. For example, the various brands of televisions, cars, radios or computers.

Rise in standard of living

Advertising also deserves credit in raising the standard of living of the consumers by instigating them to use newer and better things at competitive rates. It is only because of advertising that the so-called luxuries of yesterday have become the necessities of today and it would have been possible that things enjoyed by rich people today may become very commonly enjoyed by the common man. For example, the TV which had been only a dream for the common man, has now become very popular only due to advertising.

Secondary Functions

In addition to primary functions of advertising discussed above, there are many other functions which have gained importance during the course of time and some of them may assume prime role.

Such functions may be classified as "Secondary functions" and have been discussed as follows:

To encourage salesmen and lead the moral support

Advertising helps salesmen a lot. Although a salesman has the prestige of the goods and of the firm behind him, he feels, at times, the need of greater confidence, in himself, his sales message and his product. This is particularly so when he meets a typical buyer, he gets support from the advertising because it supplies the necessary information to supplement his message. Advertisement boosts his morale. It makes it easier for him to sell advertised goods, for part of the selling has already been done for him. This, in turn, will increase his remuneration because increased sales volume will give him higher returns.

To furnish information

Advertisements supply the necessary information about the product, producer, stockists and salesmen. Salesmen and dealers are benefited by the use of information given in the advertisement. Many times, the information serve as a check upon erroneous and extravagant claims. The printed words are manufacturer's guarantee.

To impress executives

Advertisements create a feeling among the executives and the administrative staff that they are working in the spotlight and are responsible to the public in a peculiar way. In many ways they become more enthusiastic when they see or read one of the advertisements. They are likely to strive to improve the product, to adopt better packages and styling and to give public more value for their money.

To impress factory workers

It often creates often a good effect on workers who work in a factory producing advertised goods. They consciously or unconsciously, take pride in helping to produce something known far and wide. They feel a part of the big organization and share some of the responsibilities.

Feeling of security

The workers of a concern of well-advertised goods feel that their job is permanent and they will have better chances for promotion as the business grows, as the advertising earns goodwill for the concern and secures steady work and prosperity.

To secure better employees

Advertising tends to make possible for manufacturers to secure and appoint better employees, i.e., executives, salesmen and factory workers. As the company gains popularity and is identified with a widely known product, any good applicant will feel pride in approaching the company for the job. Thus, advertising helps the advertiser to choose better employees.

To sum up, advertising aims at committing the producer for more turnover, educating the consumer, supplementing the salesmen, converting the dealer to eliminate the competitor, and above all it is a link between the producer and the consumer.

Summary

This lesson takes you through definitions, scope and functions of advertising. It deals with advertising as a tool of marketing and as a vehicle for communication and persuasion, development of modern advertising, functions of advertising.

Assignments

1. What is the scope of advertising in India today? Elaborate with examples.
2. Can a brand survive today without advertising? Substantiate with an example where the advertiser had resorted to no advertising.
3. What are the functions of advertising? Are there any more functions that have not been mentioned here, which you would like to include?

LESSON 19: STRUCTURE OF AGENCIES

Topics Covered

- How Agencies Started
- The Agency Business Today
- Types of Agencies
- The Agency's Role
- Agency Structure and Functions
- How Agencies Generate Revenue and Profit
- The Business of Agency New Business
- Starting and Managing a Small Agency
- Agency Trends

Objective

After Reading This Chapter, you should understand and be able to explain the following: what advertising agencies do, how they started, the ways different types of agencies are organized, and some of the career opportunities they offer. You'll also understand some of the trends affecting the future of the agency business and how they are opening up even more new opportunities.

How It Started: a Brief Agency History

Advertising goes back to ancient times when shopkeepers' signs would identify their trade. But advertising agencies, as we know them today, did not develop until the introduction of printing technology, the spread of literacy, and the production of branded products.

The First Advertising Agents.

Most historians credit Volney Palmer with starting the first advertising agency in 1841 in Philadelphia. Palmer, like other "agents" of his time, acted as a space broker or sales representative for various newspapers. He would contact publishers and offer to sell advertising space in their newspapers for a commission.

Since there were no published rate cards or circulation figures, agents could set the price at whatever the traffic would bear. Commission rates varied. Some were as high as 50% - or higher! During the 1850s, George Rowell helped bring some stability to the advertising industry. Rowell paid cash to publishers for large blocks of space at low, discounted rates. He then resold the space in smaller lots to advertisers at a profit.

Rowell was the first agent to guarantee payment to the publishers. In 1869, he published the American Newspaper Directory which, for the first time, listed advertising rates and estimates of circulation.

As the volume of advertising grew, and the media expanded with more newspapers and magazines, competition increased.

The First Advertising Agency.

In 1875, Francis Ayer founded his advertising agency, NW Ayer & Son. The Ayer agency helped establish the agency-client

business relationship, thus departing from the limited space broker role. Ayer offered to bill advertisers for what he actually paid the publishers - less a fixed commission - if the advertisers placed all their advertising through his agency.

About the same time, NW Ayer and J. Walter Thompson (JWT) began writing copy and designing advertisements for their clients. Ayer did more newspaper work, while JWT had a special relationship with magazines. Agencies learned that some ads were more effective at generating sales than others. This was particularly true of Albert Lasker's agency, Lord & Thomas, with copy by Claude Hopkins.

By developing more effective advertising, agencies became more competitive in attracting new clients.

The Commission System is Formalized.

In 1917, thanks to Cyrus Curtis and others, the traditional method of agency payment became a 15% media commission. Publishers found that the commission system encouraged agencies to sell space, yet left them free to sell other space at full price.

Growth from the Role of "Agent."

As responsibilities and services expanded, the role of the agency evolved from that of "agent."

Agencies became the original resources of marketing expertise. This service was funded by the growing income from media commissions.

Then, clients developed marketing expertise of their own. Today, while the media commission payment system still exists, it has been largely replaced by other compensation methods.

Now let's look at how agencies function today.

The Agency Business Today.

TODAY, THE ORGANIZATION AND SCOPE of advertising agencies ranges from small companies that may employ one to ten people to mega-agencies that employ thousands globally.

5,000 Agencies.

The Standard Directory of Advertising Agencies lists nearly 5,000 agencies headquartered in the United States. AdWeek also publishes an agency directory. But no one source can accurately list all the advertising agencies in the US, as most are small and individually owned. In addition, new agencies are founded almost daily. That's one of the challenges in finding an agency job - tracking down the new and fastest-growing agencies. 185,000 People.

The advertising industry employs about 243,000 people. It is estimated that 185,000 of them work for agencies. When people discuss the size of the advertising industry or the size of an account or agency, they usually refer to media billing as the gauge, although income is also used.

\$233 Billion.

In 1999, US media billings totalled over \$233 billion.

An Urban Industry.

The industry's media billings are heavily concentrated in major metropolitan areas, particularly New York and Chicago.

However, due to computerization, increased uses of telecommunications, the Internet, and personal lifestyle changes, there are now sophisticated advertising agencies across the country. But whatever their size and wherever they are located, their functions are remarkably similar.

Four Functions of a Full-Service Agency.

Full-service agencies fulfill four basic functions:

- Account Management
- Creative
- Media Planning & Placement
- Research

Full service agencies come in many shapes and sizes.

Types of Agencies.

Here are the major types of agencies we'll cover.

- **Mega-Agency Groups.** These are world agency "brands." Many names will be familiar to you from the history chapter.
- **National, Regional, and Local Agencies.** Though some are owned by mega-agency groups, these agencies operate as independent entities.
- **Specialized Niche Agencies.** These are very interesting smaller agencies that usually rely on some unique specialty - such as industry or ethnic expertise.
- **Other Suppliers of Agency Services.** Agency services are also provided a number of other ways. The four functions of a full-service agency are available "unbundled" by various types of marketing services companies:
- **In-House Agencies.** Some marketers have an agency (or parts of one) inside their marketing department.
- **Marketing Consultants** provide some of the strategic thinking that is offered by account management.
- **Creative Boutiques and Design Houses**, such as Performance Communications, provide creative services as well as some other marketing assistance.
- **Media Buying Services** provide many of the things offered by an agency media department.
- **Research** may be provided by a variety of marketing research suppliers.

Mega-Agency Groups.

During the late 1980s and continuing into the 1990s, the advertising industry, just like many others, experienced some dramatic changes due to major corporate mergers.

Saatchi and Saatchi.

As we also discussed, Saatchi & Saatchi, a small London-based agency, took advantage of British tax laws and differing price/earning ratios on agency stock between the New York and London Stock Exchange.

Combined with ample bank financing, they rapidly expanded to (temporarily) become the world's largest agency network - acquiring a number of large US agencies including Ted Bates and Campbell-Mithun Esty (You can read about it in *Emperors of Ad* and by Nancy Millman.)

For a variety of reasons, including its large financial debt and ventures into unfamiliar businesses such as consulting, Saatchi's billings declined in the early 1990s. After much discord, this group was renamed Cordiant, and the Saatchi Brothers left, taking a few key people and accounts.

Omnicom.

About the same time as the Saatchi acquisitions, three more large agencies, Batten Barton Durstine & Osborne (BBDO), Doyle Dane Bernbach (DDB) and Needham Harper Worldwide, merged to form the mega-group known today as Omnicom.

Originally, there were two major agencies, BBDO and DDB Needham (now DDB). Omnicom has grown to include TBWN Chiat Day, Goodby Silverstein & Partners, Ketchum, and a wide range of agencies in marketing services and new media.

WPP.

Following suit, another British company, WPP, led by Saatchi's former chief financial officer, Martin Sorrell, acquired two of the largest, best-known agencies in the US, JWT and O&M. In addition, it acquired one of the country's largest public relations firms, Hill & Knowlton.

Previously, WPP was the world's second largest mega-group holding company, with over \$22 billion in capitalized billings. (Note: agencies may list their size by billings or income. Using the old 15% rule-of-thumb, \$100 million in billings equals \$15 million in income. Traditionally, agencies multiply fee income by about 6.6 to reach the billings figure.)

Today, after acquiring Y& R, WPP is the largest mega-agency group. But, of course, that could change.

Agency mergers and the formation of mega-groups were fostered both by mergers and by client globalization. As these clients grew, mega-agencies formed to provide their multinational accounts with more integrated marketing communication services such as advertising, direct response, sales promotion and public relations on a worldwide basis. And, as scale became important, there were further mergers.

Mega-Agency Benefits.

In addition to offering more services in more countries, mega agencies offer clients other benefits:

- They provide clients with an expanded talent pool of communication specialists.
- They provide increased negotiating clout when buying media time and space.

For the agency, mega-size brings status and financial rewards. In some situations, staff may be reduced to eliminate redundant positions; saving money and improving efficiency. The high cost of competitive new business presentations can be funded a bit more easily. And account losses are less threatening, with international relationships recreating the feeling of partnership between client and agency.

Still, its a “people business,” and problems can still occur if an agency grows too impersonal or focuses too much on size and profitability rather than creativity. And, of course, when client management changes, all bets are off.

Example: the late WRG

This was demonstrated dramatically with the complete disappearance of WRG (originally Wells Rich Greene).

They had a blue chip client list that included P&G, Alka Seltzer, Clairol, Heinekin, and Phillip Morris. Mary Wells retired to France and exits accelerated. As key people left, relationships ended and clients left.

In two years, an \$880 million agency disappeared from sight!

I Can't Believe I Lost the Whole Thing! DDB had Alka Seltzer, with award-winning work like “I can't believe I ate the whole thing” and “That a spicy meatball.” And lost the business. Then it was a Wells Rich Greene account - with “Plop. Plop. Fizz. Fizz.” But key people left and the biz left - along with the fizz.



Conflicts.

Sometimes mergers bring about a **conflict of interest**. This happens when the newly formed agency has two accounts! that compete with each other for business.

These conflicts usually necessitate either some organizational realignment or the resignation of one account.

Another Example: Budweiser

A particularly unfortunate example occurred with DMB&B. The New York Media group was selected to place media for client KGF (Kraft General Foods), and the assignment enlarged to include placement for related Phillip Morris companies (PM owns KGF), which included Miller Brewing.

The star account of DMB &B's St. Louis office was Budweiser - a treasured and long-term account. A-B, the parent of Budweiser felt that the whole matter was improperly handled. This was aggravated by the fact that competition and bad feelings between A-B and Miller were fairly high.

A-B's discontent was such that they pulled the entire account from DMB&B's St. Louis, despite well-regarded work, such as the Bud “Frogs” commercials.

Example: A Stroke of Luck

Conflicts can sometimes be a stroke of luck. During the Omnicom merger, which resulted in DDBI Needham, the LA office of Needham had an automobile account, Honda, which was in conflict with the long-standing DDB/NY account, Volkswagen. Something had to give.

The LA office's chief account exec, Gerry Ruben, and creative director, Larry Pasteur, found themselves virtually handed their own agency. Today, Ruben & Pasteur is still the agency - still doing excellent work for Honda.

Luck doesn't always go both ways, DDB lost VW soon after. Agency Brands.

The concept of branding is so central to advertising that many agency executives may refer to their own companies as brands. Indeed, agencies often develop a reputation, style, and philosophy that differentiate themselves.

An agency's scope, including its resources and expertise, also serves to set it apart and define its business interests. There are global agencies that can handle their clients' business around the world. They are likely to have hundreds or thousands of employees stationed in many different countries.

These agency mega-groups also own other agencies. Omnicom Group, the Interpublic Group, and WPP, each own a number of different marketing communications companies in an attempt to satisfy all their clients' promotional needs on an international scale.

Example: SuperStar Brands

When McCann-Erickson purchased publicity powerhouse PMK, they pointed out PMK's line-up of stars - like Tom Cruise, Tom Hanks, Michelle Pfeiffer, and Matt Damon.

“Celebrity icons are brand.” noted McCann CEO John Dooner. “There may be opportunities to work with like-minded brands in the corporate world.”

International Agency Brands.

O&M, for example, has 275 offices in 66 countries to serve its 1,500 clients.³ For larger client companies, if an agency does not have the resources to help the company's marketing effort on an international scale, they will turn to another agency.

National/Regional/Local.

Around the world, there are national agencies that focus on one country's culture and business environment. Throughout the US, there are thousands of regional and local agencies that work closely with clients, often retailers and service providers, within smaller areas.

Many of these national and regional agencies may be part of a larger agency group. (Locals are usually independent.) Examples: Borders Perrin & Norrander & CMF&Z

For example, Borders Perrin & Norrander in Portland, Oregon is a strong regional agency.

Wes Perrin, one of the founders of that agency, now a part of True North, has some advice to share later in this chapter. CMF&Z, with offices in Des Moines and Cedar Rapids, has a strong agricultural client base and expertise. They are part of Y&R's family of agencies.

Regional Alliances.

Most of the strong regionals we discussed in Chapter Two, such as Goodby and Hal Riney in San Francisco, Fallon and CarmichaelLynch in Minneapolis, and GSD&M in Austin, now belong to larger agency groups.

However, for the most part, these agencies operate as independent companies, often competing with other agencies within the same mega-agency group for new clients and, because each has autonomy, handling competitive clients.

Bill Hagerups agency, Jack Levy, is an example of a strong regional agency. It is a medium-sized agency, one of the largest independent agencies in the Chicago market. They also have a well-developed public relations capability.

They've made their mark with work on national consumer brands like On-Cor Frozen Foods and regional work for Pizza Hut. Although they may well end up as part of a larger agency network - as one of the last large independents in a key market (Chicago), they have become an acquisition target.

But, whatever the size and whatever the country, agencies are remarkably similar in their primary roles and organization, providing clients with the four-core agency functions as well as auxiliary marketing services.

Specialized/Niche Agencies.

Not all agencies offer the four functions of a full-service agency. Many small-to-medium-sized agencies offer specialized services or expertise in a market niche.

The basic types of specialized agencies and services are:

- Business to Business
- Creative Boutiques and Design Houses
- Ethnic Agencies
- Internet Agencies.

Let's take a closer look at these agencies.

Business-to-Business Agencies.

Many agencies specialize in developing marketing and advertising programs for companies that sell products or services to other businesses.

Business-to-business advertising may require technical product knowledge, a deep understanding of a particular industry, or simply the kind of service that only comes with proximity and long-term familiarity. Identifying prospects, key company decision makers, and ways of reaching them through trade and business publications, direct mail, or other media, differs from mainstream consumer marketing.

Smaller business-to-business clients tend to have even more need of integrated marketing communications services. Andersen-Lembke is a business-to-business agency. It's part of McCann and Interpublic, and their clients include Microsoft. Selling high-tech products is one of their key areas of expertise. As you might imagine, with the explosive growth in "dot com" business, agencies with the ability to handle these types of accounts are doing very well.

Creative Boutiques and Design Houses.

The most common specialized agencies are **creative boutiques**. These agencies tend to be small and limit their involvement to the conceptualization and production of creative executions. Boutiques employ talented creative specialists such as art directors, copywriters, designers, broadcast producers and, in some instances, film directors, cinematographers, and actors.

Creative boutiques usually work directly with the advertiser, but they may also work with other full-service agencies on an as needed, freelance basis. A related type of company is the design house. These tend to be small companies, though a few are quite large, that specialize in such things as logo and package design, promotional materials, and annual reports. They also do advertising.

Opportunities for Growth.

Some of these companies can grow quite large.

For example, Frankel & Co, now one of the leading sales promotion agencies, with over 700 employees, began as a design studio specializing in sales promotion.

Specialized Agency categories. African American, Agriculture, Asian, Automotive, Business-to-Business, Direct Response, Entertainment, Financial, Food Service, Gay & Lesbian, Health Care, Hispanic, Industrial, Infomercials, Recruitment, Resort & Travel, Sales Promotion, Sports Marketing, Technical.

CKS (Now MarchFirst), one of the premiere high-tech agencies, is evolving into more of a marketing services provider, though they began as a design house. They recently merged with a major consulting firm to form their brand - MarchFirst.

Performance Communications, the agency where Mairee Ryan works, is a specialized niche agency that grew out of a design firm.

Ethnic Agencies.

Agencies specialize by market niches including ethnic groups. For example, there are agencies that offer expertise in advertising to "can-Americans, Hispanics, and Asians. These agencies may be full-service or specialized even further limited creative or media service. They may create their own advertising for their clients or modify the campaigns of their clients other agencies in order to better target them to a specific ethnic group.

Burrell Communications in Chicago is one of the leading agencies focusing on African-Americans. Sosa & Associates, in San Antonio, is a leading Hispanic agency, and a number of new agencies, such as Kang & Lee (now a part of Y&R), specialize in marketing to Asian-Americans.

Muse Corduro Chen in LA features a very diverse management team. They do work on multiple ethnic groups.

Internet Agencies.

Today, the rush is on for existing agencies and entrepreneurs to offer special services to those companies interested in marketing and advertising on the Internet. New agencies that specialize in Web site development and interactive marketing are being founded almost daily.

The concept of "electronic storefronts" and increased computer usage for home shopping, plus new electronic media vehicles, will no doubt have a profound effect on the advertising industry and agency services. New and exciting career paths will be open to many in this growing field.

Other Suppliers of Agency Services.

It has become more common to "unbundle" agency services. Today, one agency may be in charge of creative; another may place media. Ironically, as marketing has become more inte-

grated, a wider variety of options has disintegrated the services of a full-service agency. There are now many interesting niches for those who specialize in providing partial agency services.

Here are a few of the major agency-like options:

- Freelancers and Consultants
- In-House Agencies
- Media Buying Services

Let's take a look at these interesting businesses.

Freelancers and Consultants.

In the advertising business there are also many individuals who work for themselves - **freelancers** and **consultants**. Both sell their services to advertisers and ad agencies. They're hired when there is a project suited to their special talents or when staff is too busy to take on another assignment. With tighter staffing at both marketers and agencies, this is becoming a standard practice many places.

They may be hired on a project basis, on a day rate, or they may receive long-term contracts and even have office space.

Freelance Suppliers.

These days, it's quite common for companies to hire freelance copywriters, art directors, producers and researchers.

For example, in Chicago, firms such as Paladin, Artisan, Mactemps, Copy Desk, and Portfolio provide these services to a wide range of clients and agencies.

Consultants - More than Creative.

Additionally, advertisers and agencies often hire marketing consultants and strategists who have highly developed knowledge of a specific industry or a special marketing technique such as new product development.

Some high-end creative people also serve as consultants - working on overall strategies and agency organization in addition to creating individual ads.

In-House or "House" Agencies.

An in-house advertising agency exists when an advertiser owns and operates its own agency or department equipped with the resources necessary to create its advertising. House agencies may create all of a company's advertising or they may be responsible for just a portion of the campaign and use outside advertising agencies for the rest.

Many in-house agencies have been very successful. Some in-house agencies have become independent.

For example, LINTAS began as Unilever's house agency - Lever International Advertising Services.

Much fashion advertising, such as work for Calvin Klein and The Gap, comes from in-house operations. Some overall advantages and disadvantages of in-house agencies are covered in the sidebar.

Media Buying Services.

Another form of agency specialization is media buying. Media buying services may work directly for advertisers or they may provide their services to smaller agencies without the staff or resources to handle media placement for their clients.

Media buying services offer clients their expertise in media planning as well as buying clout in negotiating rates and placement. Because some of these companies are quite large, they may receive discounts from the media for the volume of their buys and pre-buying, "up front," before a broadcast season.

These discounts lower advertisers' media costs. The rates charged by buying services typically range from 2 % to 5% commission on the media purchased. Commission rates may vary by budget size and the type of medium.

We should also mention that some agency media departments have new entered this field.

What Agencies Do.

Whatever Type Of Agency You Work For and however' many services they offer, they all do very similar things. Let's look at how the American Association of Advertising Agencies (AAS) defines an advertising agency.

"An advertising agency is an independent organization of creative people and business people who specialize in developing and preparing advertising plans, advertisements, and other promotional tools. The agency purchases advertising space and time in various media on behalf of different advertisers, or sellers (its clients) to find customers for their goods and services."

To do this, an agency employs a variety of people with different responsibilities and skills (business, creative, media) all primarily concerned with the creation and placement of advertising for its clients.

Here's how we'll cover this next section:

- The Two Primary Roles of an Agency
- The IMC Evolution
- Four Major Departmental Functions
- Seven Primary Services of a Full-Service Agency

Then, we'll see how agencies organize to fulfill those functions, and we'll talk to Jodi, Bill, Stephanie, and Mairee about their jobs. .

Two Primary Roles.

Successful agencies are characterized by two things:

Big ideas

Big, successful brands

That's why advertising agencies have two primary roles:

- 1. Idea generation** - also known as "creativity" - and
- 2. Brand-building**, which can be an agency-wide function and an organizing philosophy (See Sidebar).

Advertising Agencies Manufacture Ideas.

An agency is organized around the process of manufacturing ideas - the bigger the better.

When David Ogilvy said, "Big ideas, that's what advertising is all about," he wasn't kidding.

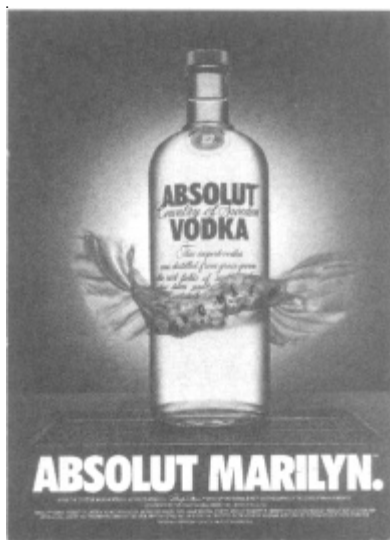
Agencies first manufacture the thinking that goes into the advertising - the strategy, the advertising plan, and the advertising itself. Then they produce and place the advertising.

Ideas are the lifeblood of an advertising agency.

Creating Intellectual Capital.

Ideas are the products that agencies manufacture and sell to make a profit and stay in business. The quality of an agency's ideas (and how well they are produced) are what set it apart from the competition.

This is a classic example of Paul Romer's economic thinking ideas add value. That's why one of the key departments in virtually every agency is the "creative" department.



Absolut Power. Tasteless, odorless and colorless - yet it sells for 50% more and has captured a 50% share of the premium-category. That's the power of an idea.

Agencies Create and Sell Different Kinds of Ideas.

Many are related to designing the advertising itself, such as television and radio commercials, magazine and newspaper ads, outdoor billboards, and promotional materials. Other ideas involve finding ways to identify and reach prospective consumers through the mass media or by some other method. (That's one reason agencies are interested in the Net.)

Still other ideas include marketing issues such as packaging, distribution, pricing, identifying competitive weaknesses, and promotional opportunities. Inside the agency, creativity and idea generation are not the sole property of the copywriters and art directors in the agency's creative department.

Everyone in the agency organization, every job title in every department, is responsible to some degree for generating ideas and solutions to their clients' marketing problems.

For example, agency management at Ogilvy & Mather often challenges its staff to come up with one (unsolicited) new idea a week for its clients. The best "business-building" ideas are recognized with awards.

The Other Role - Brand Building.

Another major role of an advertising agency is brand building or, as it is termed at O&M, Brand Stewardship.

The Need for Leadership.

Typically, a brand needs a single architect, someone who can create, implement, and coordinate a synergistic strategy across multiple marketing communications disciplines, media, and markets.

Traditionally, the agency has been the lead candidate for this role. It acts as the keeper of the faith and torch carrier in terms of resisting any unnecessary tampering with the brand's strategy and equity. Inherently, agencies provide a strong link between strategy and execution in the marketplace due to the high media visibility of their work.

The Growth of the Brand-Building Process.

Marketers are now assuming a more primary role in brand stewardship. As companies come to appreciate the asset value of their brands, their commitment to brand building will also grow.

Agencies, however, remain the primary source of ideas that reach consumers through media channels. The essence of the agency business is to add perceived value to the product or service of its client.

The agency's purpose is to create and direct communication about a product or service so the brand is perceived to have a unique value or brand personality.



Pillsbury' Brand Value. The "inherent drama" of Poppin' Fresh dough and the Pillsbury Doughboy is an idea that has helped Pillsbury introduce fresh product ideas that are already friendly and familiar - demonstrating what Leo Burnett called "the glacier-like power of friendly familiarity."

Whether originating from client or agency, leadership and vision are critical. Successful marketers and successful agencies are visionaries.

Sharing the Brand Vision in a Changing World.

Today, there are a number of marketing communication disciplines that a brand can use to reach target audiences. These disciplines represent the various methods marketers have to

communicate with their customers and prospects. Often described as the promotion mix, alternatives usually include:

- Advertising
- Public relations
- Sales promotion
- Direct response marketing
- Personal selling
- Packaging

Today, most large marketers use a combination of advertising and other communications techniques as part of the brand-building process.

So, it is not surprising that many advertising agencies offer a variety of promotional services under one roof. It's all part of brand-building in today's marketplace.

In addition to advertising, an agency may have separate departments or corporate subsidiaries that offer public relations, direct marketing, sales promotion, and additional specialized communication services.

The IMC Evolution.

For all the reasons just discussed, today's advertising agency may be quite a different place than it was twenty years ago - or, if the agency has decided to stick to its specialty, then the agency will be dealing with many more marketing partners.

Because that's what it takes to run today's brands.

From Ad Agency to "IMC" Agency

As we've discussed throughout this book, one of the major industry trends has been the move toward **Integrated Marketing Communications (IMC)**.

Though, we must repeat, not everyone calls it that. Many companies that practice IMC may simply call it "marketing." It is because of IMC that agencies and marketing companies' corporate organizations are changing in order to facilitate closer planning and more synergy across the communications disciplines.

John Siefert, O&Ms worldwide Client Service Director for American Express, observes, "Increasingly, you're seeing more of a blur between disciplines. There's more accountability for brand advertising to generate a response."

Customer Focus.

According to Don Schultz, Professor of Integrated Marketing Communications at Northwestern University, IMC is the process of developing and implementing various forms of persuasive communications programs with customers and prospects over time.

The goal of IMC is to influence or directly affect the behavior of the selected communications audience. IMC considers all sources of brand or company contacts which a customer or prospect has with the product or service as potential delivery channels for future messages.

In sum, the IMC process starts with the customer or prospect and then works back to determine and define the forms and methods through which persuasive communications programs should be developed. Done right, IMC is the planning and

implementation of the various communications disciplines as a single, overall communications system - making all the channels work together.

Easier Said than Done.

It sounds simple, but in practice it isn't. Plans must be set well in advance in order to coordinate all the efforts for maximum effect. (And, as we've noted, the pace of business has accelerated as well, making longer lead times quite difficult.)

In many instances, communications disciplines may actually be in a different corporate department, may involve several different outside supplier companies, and, most importantly, may involve different budgets. So, you have very serious "turf" and control issues complicating the process further.

Traditionally, these different departments and suppliers compete with one another for a bigger slice of the marketing budget. As Professor Tom Duncan, Director of the IMC graduate program at the University of Colorado, describes the problem, "It is obviously difficult to have a focused communications program when people are working toward different goals."

But, even with all these complications, the evolution continues because, regardless of the problems, the campaigns of the future will be integrated campaigns, making the most effective use of all available marketing tools.

Cross-Discipline Skills in Demand.

Effective integration calls for experienced people with an overall cross-disciplinary perspective. There's already an increasing demand for marketing communications people with experience in two or more communications disciplines.

They may have worked at an ad agency and then a direct response firm. They understand how each communication technique can best be used to solve a client's problem.

Companies will need managers who understand the different communications disciplines and treat them equally without prejudice. People who can integrate objectives and strategies as well as the creative executions will be in demand.

Similar Jobs. Similar Responsibilities.

Keep in mind that other types of marketing communications companies - such as direct response, sales promotion, and even public relations firms - have functions, organizations, and job responsibilities very similar to agencies.

IMC is creating more career mobility and crossover desirability than many people realize. It's not uncommon for people to change jobs between these industries.

For example, Bob Levin left a job in account management at DDB Needham and became marketing director at SONY Entertainment, where he's responsible for marketing entertainment brands like Godzilla and Men in Black.

So even though you might not end up working in an advertising agency, it's useful to study how they're organized.

Different Functions. Different Strengths.

There, you can compare some of the relative strengths and characteristics of the various marketing communications disciplines. As these other disciplines have evolved, you can see

why marketers are in constant evaluation and re-evaluation of the priorities involved in determining the marketing mix.

And the modern advertising agency must be aware of these relative strengths and weaknesses - whether or not they offer these disciplines as part of agency services.

But whatever the range of services offered, four are at the core.

Four Major Departmental Functions.

Earlier, we noted how agencies may specialize by the services they offer (e.g., creative, media buying) or the type of industries they serve (e.g., agricultural, health, ethnic).

Now let's focus on the functions and responsibilities of a full service agency

A **full-service agency** is one with the size, staff, and resources to provide the four major departmental functions necessary to develop and implement a complete advertising campaign.

These departmental functions are:

- Account management
- Creative services
- Media planning and buying
- Research
- Like any business, a full-service agency will also have its own internal office management departments such as human resources, accounting, and legal.

Finally, as we've discussed, additional marketing services may be offered by other departments within the agency or by other corporate subsidiaries as part of the brand-building services offered to clients.

Seven Primary Services of a Full-Service Agency.

While the traditional concept of the full-service agency may change from time to time, its primary responsibilities remain fairly constant. The four major departmental functions work together to provide these services.

As you review them, keep in mind the cycle of planning, implementation, and evaluation.

Note that the process often begins with evaluation.

1. Complete a Market Analysis - Identify major problems and opportunities facing the brand, its target audience, competitive strengths and weaknesses, and most compelling appeals. Account management, research, and the client brand group are deeply involved in this part of the process. Market research suppliers and services may also be called in.

2. Develop an Advertising Plan - Provide clients with a recommended plan of action including objectives, strategies, bud. get, timetable, and means of evaluation. Account management usually takes the lead, though top executives from Creative and Media are often involved.

3. Integrate Other Marketing Communications - Work with other client marketing and promotion departments and outside suppliers to help manage a cohesive IMC campaign. The timing of this IMC stage varies from one agency and client to another, depending on the scope and sophistication of the campaign plan. Larger client companies are more likely to oversee and manage the IMC effort.

4. Prepare a Creative Strategy - Set down what advertising is expected to accomplish, how the brand is to be positioned in the consumers mind, and how the advertising can add perceived value that sets the brand apart from competition. Here, the Creative Department takes the lead.

5. Create Advertising Executions - Conceive and produce the recommended creative materials, such as television and radio commercials, print advertisements, outdoor billboards, etc. This is a Creative responsibility that utilizes a variety of Production Services people and, often, outside suppliers, such as photographers and video production companies.

6. Develop and Implement a Media Plan - Determine what media and media vehicles most effectively and efficiently reach the target audience, negotiate the best possible rates, positions, and merchandising during the media buying process. This is a core responsibility of the Media Department. It is becoming more common for some sort of media buying service to be involved as part of implementing the plan. This may be the agency's own service or it may be "outsourced."

7. Handle Billing and Payments - According to the client and agency contractual agreement, bill the client as appropriate for handling payments for media time and space, print and broadcast production, and other types of suppliers. That's what agencies do.

Now let's take a look at how they're organized to do it.

Agency Organization.

AN AGENCY MAY RANGE IN SIZE from one or two people working out of their home or garage

to thousands of employees in offices spread around the world.

Agency Structure and Functions.

How an advertising agency is organized, functions, and the number of promotional services it offers depends on its size and the kinds of clients it serves. And the process continues.

Today's computer programs and emerging media - especially the Internet - have led to the startup of many small agencies specializing in these new technologies.

Small Agency = "Many Hats."

Typically, in smaller agencies each employee wears more than one hat. Job descriptions will be less specialized as people are required to perform more job functions.

Smaller agencies also have fewer layers of departmental management, so a greater percentage of the employees report directly to the agency owner or president.

Large Agency = Specialization.

Usually, the larger the agency, the more specialized the individual job responsibilities. Large agencies are usually organized by communications disciplines (e.g., advertising, sales promotion, direct response), departments (e.g., account management, creative services, media), and sometimes by groups (e.g., employees servicing a specific client account).

In larger agencies, departments may be as big as a small agency. Naturally, there are more reporting layers, as well.

All Agencies Are Not Alike.

The organization chart and job title responsibilities may vary from agency to agency.

As mentioned earlier, an agency's organization is largely determined by its size, the services it provides and the types of clients it serves.

However, large agency organization, with all its specialization, is the clearest way to understand what an agency does. For smaller agencies, just combine the functions. As an agency grows in account billings and services, it is likely to adopt a more traditional full-service departmental structure.

Lets look at it department by department.

Account Management.

Account managers serve as the liaison between agency and client. They are responsible for understanding their client's business, marketing needs, and representing the client's point-of-view with other agency departments.

Responsibility.

Account managers are responsible for developing the advertising plan and marshalling the agency's resources to accomplish the specified objectives, on time and within budget.

David Ogilvy says the chief role of an account exec is, "to extract the best possible work from the other departments of the agency. "

Since account managers work closely with their client counterparts (e.g., ad managers, brand managers, marketing directors) they tend to come from marketing and business backgrounds. They need to understand their client's business thoroughly in order to assist in the planning effort and effectively interpret the plans for other agency personnel.

Account managers are in daily contact with their clients and, as a result, usually present the agency's recommendations and obtain client approval. Then, they oversee and coordinate the planning, and completion of the assigned work, including creative projects, media plans, and research studies.

Account Management is the key coordinating force within the agency. They match up with every other department as the client representative within the agency.

Organization.

To some extent, the account management department organization may be influenced by the client organization.

For example, the agency will often structure management to parallel the clients marketing and advertising departments. Senior-level clients will have a senior agency counterpart as will lower-level clients.

For larger accounts, it tends to be vertical. In smaller client companies, the **Advertising Manager** is usually responsible for the advertising program and reports to the Director of Marketing or Director of Sales.

In larger companies, advertising may be in a different department under a **Director of Marketing Communications**.

In larger consumer products companies, the key client contacts often are **brand managers** who are responsible for the brand's overall marketing effort and financial performance. Again, client company organizations vary just as agency organizations do.

P&G, for example, uses a combination of brand and advertising managers on some of its product lines.

Five Levels of Account Management.

Traditional large agency account management consists of five levels. Naturally, there are fewer levels in smaller agencies.

1. Assistant Account Executives (AAEs).

At a large agency, the entry-level job title in account management is assistant account executive. New hires may start as account executives in smaller shops. The assistant account executive is normally a trainee position. Assistant AEs learn agency procedures and their client's business through assisting the account executives. They are heavily involved with coordinating projects and deadlines, keeping records, status reports, and monitoring budgets.

They have some direct client contact, but its limited. AAEs need to demonstrate their analytical abilities in solving problems, organizational skills, and ability to contribute to a team effort.

2. Account Executives (AEs).

Account executives play a crucial role at an agency. They are responsible for the day-to-day operation of the business on behalf of their client. AEs must demonstrate an understanding of the advertising function and a familiarity with the client's business. AEs have almost daily contact with the client and are primarily responsible for the timely completion of all assignments.

They are involved with every agency department, scheduling meetings, obtaining client and legal approvals, budget control, and presenting agency viewpoints and recommendations.

AEs are partially responsible for the training of AAEs and the acceptance of the agency's work by the client.

3. Account Supervisors (ASs).

Account supervisors (like Jodi Cary) direct and supervise the planning and execution of account activities. They are an important contributor to the overall strategic direction. The AS manages the activities of the members of the account team to ensure they deliver the agency's best product.

Account supervisors have frequent contact with middle to high level clients, often to present the agency's work.

They are responsible for the effective training of AEs and AAEs, and partially responsible for the profitability of the account. They must demonstrate leadership.

4. Management Supervisors (MSs).

Management supervisors have the overall responsibility for total agency performance on the account, and the client/agency relationship. They have regular discussions with high-level clients about the direction and performance of the business. They provide leadership on important strategic issues and the servicing of the account. MSs are responsible for staffing and training account personnel, as well as the account's financial performance. They report to senior agency management about the stability, growth, and profitability of the business.

Management supervisors review all the agency's work before it's presented to the client in order to ensure it is on strategy, of high quality, and that it is integrated with other marketing

programs. People in this position are usually officers of the agency with titles of vice president or senior vice president. They must demonstrate superior management skills.

5. Director of Account Management.

Depending of the size of the agency, one senior-level (president or senior vice president) member of the agency will have the responsibility for the account management department or some portion of it.

This person determines the department's organization chart, reporting structure, policies, and procedures.

The director has periodic contact with the highest levels of client management in order to ensure the agency's performance is satisfactory. Directors, along with account group heads, set the direction and goals for the business. This individual is also an important member of the agency's **Strategy Review Board**.

Field Account Groups.

In some instances, large agencies, particularly those that serve large national retail companies, organize supplemental marketing efforts on a regional basis.

Major franchises, such as McDonald's, Burger King, and Midas use this kind of organization. So do beverage companies, such as Coca-Cola and Miller Brewing.

Typically, the country is divided into a number of defined regions or markets, and both client and agency staff these areas with meeting and advertising support teams to assist local retailers or franchisees with their promotion plans.

In some cases, a number of different local agencies are also used to help tailor the company's promotion plan to fit the local market's competitive environment. Automobile companies also have some sort of field/regional marketing, though this varies widely and is usually organized around some type of dealer group.

Regional and field account executives work directly with client regional marketing, individual franchisees, and regional franchise marketing groups. They receive direction and support from the agency's headquarters and, in return, provide information about local competitive conditions and the company's marketing performance.

Creative Services.

Responsibility.

The Creative Department is responsible for creating and producing the print and broadcast advertising. It consists of:

- Copywriters
- Art directors
- Producers
- Support personnel
- Supervisors

These creative people work with account managers and clients to solve all kinds of marketing and advertising problems. Their involvement is not limited to the creation of advertising alone. They may be asked to name a new company or brand. Other assignments might include a package design, point -of-sale display, product brochures, or a promotional event.

Good creative people are not only talented writers and art directors, but they also have a keen understanding of marketing and consumer behavior. They understand consumer motivation and how to sell their clients' products.

As Bill Hagerup observes, they have to "wear many hats."

The Importance of Strategy.

Their efforts are always guided by a **creative strategy** that sets forth the objectives to be accomplished and the key message points to be communicated. The creative product is critically important to the agency's business and financial performance.

First and foremost, clients hire agencies for their ability to create successful advertising campaigns.

Phil Dusenberry, BBDO Chairman, is fond of saying, "I have always believed that writing advertisements is the second most profitable form of writing. Ransom notes, of course, is the first."

Creative Department Organization.

Creative services in most medium-to large-sized agencies is organized along the following reporting lines.

Creative Director (CD).

The CD is the most senior executive in the creative department, responsible for the overall quality of the agency's creative product.

He or she determines the agency's creative philosophy, working procedures, and department organization. The CD oversees all the agency's ideas and advertising executions in order to stimulate the departments best work and ensure that the creative efforts are in synch with the established creative strategy.

The CD is likely to be a senior vice president, member of the Strategy Review Board, and deeply involved with new business presentations to prospective clients.

Associate Creative Directors (ACDs).

In larger agencies with many client accounts, associate creative directors (like Bill Hagerup) oversee a specific account or group or accounts. This lightens the CD's management load and provides clients with more frequent involvement by a senior-level member of the creative department. ACDs report to the creative director.

They make sure that work for their clients meets the agency's standards and that it is delivered on time.

Executive and Group Creative Directors (ECDs).

In larger agencies, there may be even more senior CDs - executive creative directors (ECDs) may have a number of creative directors reporting to them.

If the agency is larger still, there may well be another level, most often called group creative director. A number of group creative directors - each with CDs reporting to them - would report to the ECD.

"Title Inflation."

In some ways, agencies have only two things to give people money and titles. In an area like creative, with egos on the line every day, there's a tendency to award titles liberally.

So, you may find groups full of chiefs, with hardly an Indian to be found. Yet, the functioning of creative departments is essentially the same - whatever the title.

Creative Groups at Work.

People work together in creative groups and get work done. Reporting to the creative director or associate creative director will be a creative group of copywriters and art directors. Both a writer and art director work together as a creative team to conceive ideas and develop advertising.

Generally speaking, copywriters are responsible for what the message says, while art directors decide the design.

However, successful creative teams have a fluid working relationship where writers may have visual ideas and art directors may come up with headline and copy ideas.

You don't have to be Jewish to love Levy's! It's a team sport!



Their goal is to create the best, most effective advertising - not to protect their own turf. This team approach has been standard since the "Creative Revolution" at Doyle, Dane, Bembach (DDB).

Writers and art directors work together to develop a selling concept that brings an additional level of surprise and interest. The importance of TV, where visuals and words must work together, makes this team process even more important.

Teamwork at Work.

Typically, creative groups are assigned to certain accounts. This all depends on the size of the account. Large accounts like McDonald~ may have many creative groups; other creative groups may have many smaller accounts. Within the group, teams of copywriters and art directors will be assigned specific projects. In some cases, one writer may work on different projects with different art directors. And sometimes it's vice versa.

However, advertising tends to be more design intensive. That is, once the concept has been jointly created, the art director usually has to spend more time designing and finishing the ad for both presentation and final production.

Often a senior-level writer and art director will work exclusively together as a creative team.

They may even be hired together as a team by an agency

The Creative Review Process.

For major projects, a lot of people are involved in approval. After copy/layout, scripts, and storyboards have been devel-

oped by a creative team, they are usually reviewed with the creative director and the agency's strategy review board.

Upon management's approval, the creative work is then presented to the client.

Following the client's approval (including whatever revisions are called for) the agency's print and broadcast production departments become involved with the creative team.

Print and Broadcast Production.

In some agencies, print and broadcast production fall within the creative department; at >others, they are separate departments.

In either situation, these departments house production specialists who assist the copywriters and art directors in the production of their work.

Print Production.

The print production department is staffed with experts in an buying, typography, computer graphic design, and all aspects of the printing process - particularly **pre-press**.

Electronic Studios and Pre-Press.

With the growth of computers and computer-based "electronic production studios," more and more print and even broadcast production functions are happening within the agency rather than being farmed out to production houses.

This is another example of whole new categories of job opportunities opening up in advertising and marketing. Typically, people in this growing part of the advertising business have training in various computer programs.

Most agency electronic studios and creative departments are Mac. based. (Other departments are more likely to use PCs.)

Traffic - Account Coordination.

Yet another agency function, sometimes found within the creative department, is traffic. As the name suggests, the traffic department is responsible for steering various creative projects through the different agency departments. Members of the traffic department, sometimes called account coordinators (like Mairee Ryan) make sure the work flows smoothly

through the agency and that projects are completed in time for client presentations and media closing deadlines.

Since the traffic department quickly exposes a newcomer to all the agency departments and procedures, many agencies hire entry-level employees as account coordinators. Later, they may become account managers or producers. On most accounts, they're one of the most important team members.

Broadcast Production.

In the broadcast production department, **producers** are assigned to manage production of TV and radio commercials. Producers assist in hiring film directors and the talent that appears in the commercials.

They are responsible for organizing the production, managing the budget, seeing that deadlines are met, and buttoning up everything on the back end. The cost of production can be quite substantial. It's important that production departments see that the client's budgets are effectively managed.

For this reason, broadcast business is another important part of the broadcast department.

Broadcast Coordinators.

A **broadcast coordinator** (there are many titles, but the job is essentially the same) will keep track of the various types of paperwork associated with the business of producing TV and radio commercials - and there's a lot of it.

For example, the talent that works on a radio or TV commercial or a demo session (usually a sound track for presentation or research) must be paid - usually through one of the talent unions.

In addition, there is a complex bidding process that occurs with each piece of production. Again, coordinators have a lot to do to keep this organized.

Finally, each piece of production has elements - video and audio masters that must be stored and tracked - so that if a piece of advertising has to be revised, these expensive materials can be quickly brought out of storage for the necessary revisions.

It's an interesting and exciting area - and one that can lead to a fun-time job as a broadcast producer or to a job as a broadcast production manager.

The Media Department.

Responsibility.

The media department performs a variety of important functions for the agency's clients. It analyzes and pinpoints the target market and researches the competitive media environment. Using this data, it produces a media plan for investing the client's dollars in ways that will reach the best prospects most efficiently and effectively.

Budgets and Objectives.

The media department helps determine budgets and communications objectives, in addition to selecting and contracting for media time and space. Leo Burnett described the responsibility of his agency's media department as "putting the ads in the right place at the right time so that the right consumers believe the story we are telling."

Considering that the media plan usually represents, by far, the greatest percentage of a company's advertising budget, clients are very interested in the media department's performance and how their money is being invested.

More than Number Crunchers.

As millions of dollars may be involved, media planning calls for a great deal of research and analysis. But media people need to be more than number crunchers. Their jobs require creativity and "big ideas," too. They need to create new ways of identifying and reaching the

target audience. Perhaps it's ' through discovering some emerging medium or by arranging a cross-promotion with some other advertiser or media vehicle.

Good media planners get involved with all facets of their client's marketing efforts. As an example, on the next page, check out how Stephanie Buzan spends a typical day at FCB.

Media Department Organization.

Two Functions: Media Planning and Media Buying.

Many agencies, not all, organize the media department around its two main media functions: planning and buying.

- **The planning group** handles more strategic marketing and media issues, such as developing the plan.
- **The buying group** handles the implementation of the media plan - primarily buying.

In some cases, much of the buying is done by a media buying service. In this case, the media department is primarily planning.

Media Director (MD).

Similar to the organization of the creative department, one senior executive heads the department, serving as the agency's media director.

This person is responsible for the staffing, policies, and overall performance of the department.

The MD is in contact with senior members of account management and the client company and deals with the larger strategic issues facing the campaign. Occasionally, the media director sits on the strategy review board and may contribute heavily to the agency's new business effort.

With the increasing importance of media planning and buying as separate agency functions, some agencies are turning their media departments into separate companies.

Associate Media Directors (AMDs).

Reporting to the media director are associate media directors (AMDs) who are responsible for all the media assignments on a given account or group of accounts.

AMDs work with account management and clients to set budgets, objectives, and strategies.

They are responsible for overseeing the work of both the media planners and buyers.

Media Planners.

The media planners (and their supervisors, like Stephanie Buzan) report to the associate media director or director and work with members of the account group on strategic issues such as defining the target market, setting objectives, and determining when and where the advertising will appear.

They are primarily responsible for developing the media plan for their accounts. Planners use a combination of analytical skills and creativity in preparing media plans that will effectively reach the target audience.

They also work with media buyers on the implementation and evaluation of their media plans.

Media Buyers.

The department's media buyers are charged with implementing the media plan by negotiating rates and merchandising allowances and contracting for media time and space on behalf of their clients. Buyers work closely with the planners to be certain that budgets, objectives and timing are clearly understood and the accounts financial reporting is accurate. They also assist in the monitoring of the media activity and post evaluation of the media plan.

In order to do their job, media buyers need to be familiar with a variety of media research sources that cover media ratings, circulation, and pricing trends. Agencies use computers to perform many of these tasks.

The Importance of Negotiation.

Almost everything is negotiable today - particularly media costs. The buyer's primary role is to negotiate the best price, media placement, and merchandising possible.

While buyers must be comfortable with numbers, they also can exercise a great deal of creativity in structuring media deals and securing new advertising opportunities.

Media Analysts.

Available to assist both the planning and buying functions are media analysts. These individuals help evaluate media alternatives by gathering and analyzing media and marketing research data.

The Research Department.

Full-service agencies contain a research department. Headed by a research director, research project managers are assigned to accounts, as needed, to gather and analyze research data important to the business.

Primary and Secondary Research.

Primary and secondary research methods are used to investigate a myriad of marketing issues: identifying prospects and markets of opportunity and measuring advertising effectiveness.

Secondary research is research based on other resources - such as preparing a summary of previous findings, collecting articles on the topic, or searching the Internet for information.

Primary research is research where you generate your own results - such as with a survey of consumers.

You do secondary research first. When agency resources are limited, the research department may hire an outside research company to perform the service.

New Names, New Organizations, New Functions

The research function went through major changes in the world of agencies.

During the 1980s, many agencies cut their research staff as clients assumed more control of the research responsibility. The decade of the '90s has seen a resurgence of agency research departments and a relatively new hybrid function called **account planning**.

Organizations shifted, some integrating planning into account groups, some replacing research departments with planning departments, and some, such as FCB, developing a "blended" approach, often called **Consumer Insight**.

We'll discuss account planning further in the "agency trends" section of this chapter.

Other Parts of the Agency also Do Research.

The account group and account planners are also responsible for collecting and analyzing secondary research. New business efforts often involve quite a bit of research, either from the research department, account management, or a dedicated new business group which includes this as one of their functions.

Media research is another research function often performed by larger media departments.

The Strategy/Creative Review Board.

Most medium-to-Large-sized agencies have some sort of formal advertising **strategy/creative review board**.

Members of the board include the agency's senior executives who serve as department heads and top management.

This group will convene to review all the major new strategies and campaigns developed for the agency's clients.

Account managers and creative teams present their recommendations to the review board for its approval before the work is presented to the clients. In this way, senior management can monitor and contribute to the effort on all accounts.

Office Management.

Every agency has a staff of people to provide the operating and financial services that all businesses require.

Human Resources.

As Fairfax Cone noted, "people are the assets of the agency," the inventory goes down the elevator every night."

There is a department of human resources that handles personnel hiring and firing, insurance matters, and a new range of responsibilities related to office behavior. How an agency treats its employees will influence how successful it is in attracting the best talent - and keeping it.

Though some agencies have many long-term employees, advertising is a volatile industry.

Early advertising careers are typified by a number of job shifts, as inexperienced beginners with low salaries rapidly become experienced professionals worth much more in the agency marketplace.

Account shifts cause additional volatility, due to necessary hirings and firings by the winning and losing agencies. (Sometimes people who worked on an account that was lost are hired by the agency that won the account.)

Creative Recruiters

Sometimes, a creative department has its own personnel function, primarily dedicated to finding new creative talent. This is an industry in itself, with personnel firms across the country dedicated to the job placement of agency creatives and keeping in touch with a "feeder system" of portfolio schools such as The Portfolio Center, Miami Ad School, SVA, and Creative Circus, as well as art schools.

We'll cover this area in more detail in the Careers section at the end of this book.

Legal Services.

Most clients and account managers are familiar with legal issues pertinent to their product category.

But sometimes that is not enough.

At large agencies, a legal department advises on agency operations as well as the development of the advertising. They may have one or two lawyers on staff. Medium-sized and small agencies will have a retainer arrangement with a law firm.

If legal problems are large, lawyers specializing in advertising law are brought in to consult, represent, and even litigate.

Accounting.

An accounting department is responsible for billing clients and paying the media and other suppliers. This is a critical agency function. Agencies often act as “bankers” for their clients, assuming responsibility for millions of dollars in media.

A slow-paying client, a client who refuses to pay, or something as simple as inaccurate revenue projections by account management can quickly cause large problems for agencies. So let's talk about how agencies make money.

Agency Income and Profit.

THE AGENCY BUSINESS BEGAN as soon as there was a way to make money creating and placing advertising. The business has changed, but making money at advertising continues to be one of the primary goals.

As with any company, an agency needs to generate income and make a profit to stay in business. Since agencies offer a variety of services, and client needs and budgets vary, agencies have developed several compensation methods. Almost Everything Is Negotiable...

Today, almost everything is negotiable, and an agency-client contract can be written to cover virtually every situation. And, standard agency-client behavior is changing. Many client-agency relationships are getting shorter. This includes more volatility on the client side - a new ad manager or director of marketing often brings a new agency into play.

One agency handling media while another handles creative brings yet another variable into play. There are now lawsuits and public comment on compensation and termination issues that never would have been raised just a few years ago.

Key Questions.

Be that as it may, the key questions remain the same:

- Can the agency make a fair profit?
- Are the terms reasonable for the client?

Three Ways to Make Money.

Typically, agencies charge for their services in three ways:

- Media commissions
- Markups
- Fees

Let's take a look at them, one by one.

Media Commissions.

The earliest form and traditional method of agency compensation is the **media commission** system. Since Cyrus H. Curtis instituted this system with his magazines at the turn of the century, this has been the way agencies were paid. But the world is changing.

The Traditional 15% Commission.

Traditionally, agencies retained a 15 % media commission on the space and time they purchased for their clients.

For example, if an agency placed an advertisement in a newspaper with a \$10,000 media cost, the agency would bill the client \$10,000, but only pay the newspaper \$8,500.

Thus, the agency would keep \$1,500, or a 15% commission, for the creation and placement of the advertisement. This formula applies to all media.

The 15% media commission is still used on some accounts.

Adjustable Commission Rates.

Today, however, clients will negotiate, and agencies will adjust the commission rate to match the client's budget so that the agency makes a fair profit and the client is not overcharged.

Often a **sliding scale** commission system is used to lower the commission rate as the media budget increases. A reduced commission often coincides with a change in agency Handling media separately also raises some issues.

Media placement itself is not that expensive, as media buying services demonstrate. The income from media placement has traditionally been used to fund agency services. There are a few other problems.

Criticisms of the Commission System.

While the commission system goes back to the late 1800s, it has its critics. Some say, and not without examples, that the commission system encourages agencies to recommend plans with high media expenditures in order to boost their own income

Rather than be concerned with what marketing communications solution might work best, agencies are encouraged to recommend high-cost advertising media.

Furthermore, the system does not adequately monitor and adjust agency expenses on a cost-accounting basis. Expense and income may have nothing to do with each other. This is particularly true for new products and new accounts.

When Howard Gossage made this point in the '60s, it was generally reject.

Today, it is well accepted by clients and agencies alike. Not surprisingly, there has been a turning away from the traditional performance-insensitive media commissions toward fee based and performance-based systems.

Markups - Production & Service.

Another way agencies make money is to add a percentage markup to the cost of production and certain services.

For example, to produce a magazine advertisement, an agency usually buys type, photography or illustrations, and other production services from outside suppliers.

17.65% of Net = 15% of Gross.

Traditionally, the cost of these materials and services are marked up 17.65% of the net cost, which equals 15% of the gross cost (\$10,000 x 15% = \$1,500).

Other production and service expenses are marked up in the same fashion, including television and radio commercials and research projects. Agencies and clients negotiate and stipulate in their business contract what items can be marked up and at what rate. Since many agencies have found the traditional

markup of 17.65% not profitable, higher rates are often charged, or a fee system of compensation is used instead.

Fee Systems - Four Types.

Again, everything is negotiable.

There are many different types of fee arrangements that are tailored to fit individual client needs. Most fees can be grouped into one of four categories:

1. Fixed Fee (Retainer)
2. Cost-Plus Fee
3. Performance Fee
4. Hybrid Fee & Commission

As before, let's take them one by one.

1. Fixed Fee (Retainer).

Under a fixed-fee system, the agency and client agree to a fixed amount of money to be paid for certain services over a period of time - usually a fiscal year.

Often, a yearly agency fee or retainer is billed to the client in equal monthly installments. Considering that work loads may vary month to month, and that cost of service varies according to the different agency personnel assigned to the given projects (some people's talents command higher salaries than others), a fixed fee may be the simplest, but not always the fairest, method of compensation.

2. Cost-Plus Fee.

With a cost-plus fee system, the client agrees to compensate the agency for the costs incurred on each project, plus a fair profit margin (usually in the 20% to 25% range).

While this system is more complex and requires rigid cost accounting procedures, it is probably the fairest system of all. The agency must keep accurate records of employee time spent on each account as well as expenses by project.

These costs are totalled by month and reflect the work load and level of involvement by different agency personnel.

All the costs (salaries, internal overhead, rent, travel, supplier expenses, etc.) plus the agreed upon profit percentage are then billed to the client. The agency must make its cost accounting records available for periodic client audits.

There is usually some minimum monthly fee included in this arrangement to pay for an agreed-upon level of account service on a full-time basis.

3. Performance Fee.

In recent years, some agencies have built into their compensation agreement a performance or incentive fee.

If predetermined goals, such as awareness level or sales or market share are met, the agency's fee or commission amount is increased. If not, agency compensation is reduced. While talk of pay-for-performance compensation is gaining in popularity, a strong direct link between advertising and sales is rare. Another problem is that it is implicit that the agency have some control over the advertising that runs if it is to be compensated on the performance of that advertising.

Most clients are reluctant to surrender this much control. However, Advertising Age reports, "in one of the purest

examples of pay-for-performance, Drivers' Mart Worldwide plans to pay its ad agency a commission for every car sold. "

P&G is continually evaluating their agency compensation system so as to encourage agency performance and build in incentives that reward superior performers.

In July 2000, they began formally rewarding their agencies based on the performance of the brands they handle, measured by sales growth.

4. Hybrid Fee and Commission.

It is not uncommon for small-to-medium-sized advertisers to compensate their agencies with a combination of media commissions and fee.

In these instances, the media billings may not produce enough commission to fully compensate the agency for all its efforts. So, a fee is included to cover specific services.

Originally, this arrangement was used for new product development, where media commissions might be some years away, and some of that as part of a test market, where billings were relatively small compared to the time involved.

The Business of New Business.

A CRITICAL OBJECTIVE AND ROLE of any advertising agency is the generation of new business - it is the lifeblood of an agency.

As an agency adds accounts to its client roster, it becomes financially stronger and better able to hire the industry's top talent. And as the agency prospers, its reputation as a "hot shop" grows, which helps attract even more new business.

Start Ups.

Along the way, we'll also be talking about start-ups. Just as Roy Spence and friends started G5D8.1M right out of school, the agency business is still one where new people and new ideas can create a business almost overnight.

One person who did this is Wes Perrin, who helped start the "other" Portland, Oregon, agency - Borders Perrin & Norrander now a part of the True North mega-agency group.

In the sidebar, Wes shares with us his thoughts on getting started.

New Business - Three Ways to Grow.

There are essentially three ways agencies can grow:

1. Build existing clients' businesses.
2. Add & sell new services
3. Solicit new accounts

1. Build Existing Clients' Businesses.

By helping clients increase their brands' market share, and sales, the agency's billings and income increase. As the two companies grow from within, together the bond of loyalty grows greater.

We saw this happen recently with Nike and Wieden & Kennedy, and, in the early days, with General Foods and Y&R.

2. Add & Sell New Services.

Agencies have expanded to offer sales promotion, direct response marketing, public relations, and other services in an effort to build their business and to provide integrated marketing communications to their clients.

Additional IMC Services.

This was Marion Harper's vision with Interpublic. Today every mega-agency group has a full range of services to sell their clients.

With the growth of IMC, many agencies are trying to add these functions. One of the more successful examples of an agency evolving into IMC has been Fallon McElligott. They have an entity called Duffy Design, and CEO Pat Fallon has committed the entire agency to solving marketing problems - not just doing ads.

3. Solicit New Accounts.

Building business by adding new clients is the most difficult and costly method, but it is necessary for the agency's growth and stability. By servicing many clients, an agency is less vulnerable to a budget reduction or loss of one account.

In addition, with account turnover increasing, it is more critical than ever that agencies add business to protect themselves from what is almost inevitable client turnover.

New Business Presentations.

Most agencies have an organized and ongoing new business effort headed by its senior executives or a special new business team. These people follow up on referrals and inquiries and actively solicit opportunities for the agency to meet with prospective clients.

They do the work necessary to fill out the RFP, which is a "Request for Proposal."

Account Reviews.

Usually, when clients consider switching agencies, they initiate a formal account review. The client reviews a number of agencies and selects several to compete for the account by inviting them to make one or more presentations on the agency's capabilities and its knowledge of the client's marketing situation.

In agency jargon, this is "**the short list.**"

The presentation itself is called the "**new business pitch.**"

The New Business Pitch.

Preparing new business pitches may take a week or six months depending on the size of the account and client expectations.

Credentials

One standard part of the pitch, the credentials presentation, tends to remain the same. Its purpose is to present the agency to its best advantage. Usually it details, size, accomplishments, client list, key personnel, and appropriate case histories.

This part of the presentation may be changed slightly to emphasize agency experience in the relevant product category.

The account review process may involve one meeting or several. Typically, at least one meeting is held at the agency and one at the client's office.

Sometimes a dinner or some other outing is scheduled so the client and agency can get a better feeling of personal chemistry "**Spec.**"

In many reviews, the agency is required to present speculative **creative**, or "**spec.**" These are ads, commercials, and promo-

tional material which represent the agency's views on what the advertising should be. It can be very costly.

An agency is seldom fully reimbursed for these costs; however, the investment is part of the cost of doing business. Meanwhile, the client gets a sneak preview of the best thinking of the best agencies available.

Working on an agency new business team can be exhilarating, but the bum-out factor can be extremely high, as well. There are usually from three to five agencies in these pitches, so most agencies will lose more pitches than they win.

But, that's the business of new business.

Beyond 2000: Agency Trends.

MOST MARKETING AND ADVERTISING MANAGERS agree that what is generally referred to as integrated marketing communications has grown increasingly important and that it will continue to do so.

But let's look at some of the other trends that will affect the agency world of the future. If you build a career in advertising, these trends will be important to you - as an agency executive, as a client evaluating your agency's performance, as a media executive working with an agency, or as part of a marketing services firm.

Briefly, we'll cover five of the most dynamic trends:

- Increased Competition
- More Mergers and Mega-Agencies
- e-mail, "virtual offices," and Web sites
- Account Planning
- Reengineering

While we can't predict the future, it's easy to see that these important trends will affect tomorrow's advertising agency. In fact, they're all having an impact today.

Increased Competition.

Year after year, competition continues to intensify in almost every product category. Every trend discussed in Chapter Two will continue as the modern marketplace evolves.

The result is an increasingly competitive playing field, which will feature a number of things.

Clutter, Message Overload, and "Overchoice."

The channel changer defines the new consumer.

The amount of clutter is growing everywhere - on store shelves, in the media, and in consumers' minds.

Network TV finds itself dealing with shorter and more fragmentary messages. And the list goes on. While there may be no limit to the number of channels we can ~ receive, there is a definite physical limit to what we can retain. Marketers now have to deal with message overload.

Alvin Toffler describes it as "overchoice." As the marketplace embraces segmentation and positioning, as technology allows more customized service and manufacture, we will find ourselves dealing with more and more choices.

Just managing choice becomes a major task. Agencies can play a key role in this, particularly as a strategic partner.

It is David Ogilvy who reminds us, "Strategy is about choice."

Audience Fragmentation.

On top of this, add the proliferation and fragmentation of media choices and the effect on audiences. As the number of cable channels increases, print alternatives grow, and the Internet expands, audiences fragment into smaller and smaller segments.

The result is that new combinations of media vehicles and marketing communications disciplines will be required to achieve marketing success.

The Growth of Database and Direct Response.

Advertisers and their agencies have learned a lot about account ability from improved database management techniques and the direct response disciplines.

Consequently, agencies will continue to be held more accountable in measuring performance and cost control.

The Need for Integrated Brand Images.

With this increasing market complexity, central integrated brand management by clients and agencies will become more important. A unifying strategic vision will become more important.

Companies will need to concentrate on ideas and strong brand images that can be integrated into the various marketing communications disciplines and the many forms of new media.

More Mergers and Mega-Agencies.

The agency acquisitions and mergers that started in the late 1980s continue today. The mega-agencies are committed to providing integrated services on an international and global scale. In 1996, the Interpublic Group purchased the Chicago-based direct response agency, Draft Direct now Draft Worldwide. Now Draft is purchasing other agencies.

Omnicom acquired Ketchum Communications, a \$1 billion firm with advertising and public relations entities.

In 1997, True North Communications acquired ad agency Bozell, Jacobs, Kenyon & Eckhardt with billings of over \$4 billion, creating the sixth-largest agency network in the world.

There is no end in sight for agency mergers or for the new and emerging technologies that are affecting the structure of advertising agencies and the industry.

E-mail, "Virtual Offices," and Web Sites.

The e-mail capabilities of the Internet and online communication services have a number of influences.

E-mail- A New Channel.

Today, almost all affluent Americans have a new media channel that they check almost every day - at home or at work - e-mail.

Throughout this book, you've seen that every new communication channel has changed marketing communication.

E-mail is already making its own unique impact.

E-mail as Communication.

It is changing the way all agencies (and clients) work. Good e-mail skills will join strategic thinking and presentation ability as necessary for agency success.

E-mail as Media.

It is changing the way people use information - they can receive it differently and they can interact with it differently

While e-mail still all too often operates at the "spam" level, it's easy to see that the time is coming when it will become a vital and effective form of direct marketing.

Going Virtual.

E-mail, along with voicemail and wireless communication, has also helped to make possible "virtual offices."

It has facilitated changes in the way agency staffers interact with their "offices." And it has affected the way agencies staff. Much has been written about the remodeling of Chiat/Day's offices in California. The agency office went "virtual," using technology to let staffers complete work without assigned office work spaces.

When they weren't in the office, staffers were connected by the Internet and e-mail. People were free to work at home or out of their car and encouraged to spend more time at their clients' businesses.

This way, according to Chiat/Day, the company's assets are more likely to be working 24 hours a day.

The experiment ended, but there is no doubt that future advertising professionals will spend increasingly more time using database and information services as well as going online to connect with their offices, clients, and the media.

Internet Opportunities.

The Internet, its Web site "storefronts," and the various online services such as America Online, are creating new media vehicles and new forms of interactive marketing.

Andy Grove, CEO of Intel, the world's largest semiconductor maker, observed, "The Internet is like a 20-foot tidal wave coming thousands of miles across the Pacific, and we are in kayaks." ¹⁵

Established agencies are just beginning to organize specialized interactive marketing groups, and new agencies that specialize in the Internet are being founded almost daily, thus creating employment opportunities and industry growth.

The Account Planning Revolution.

The traditional agency organization is being affected by a trend called **account planning**. This approach to advertising development started in the United Kingdom during the 1960s at two rivals London agencies, BMP and J. Walter Thompson.

In 1982, Chiat/Day introduced the discipline of account planning to the United States. "Account Planners are a new breed of researchers, skilled in personal interviewing, and the understanding of social trends, who are charged with being the consumers representative in the development of advertising campaigns." ¹⁶

Account planners work closely with the account managers and creative teams, advising both on consumers' perspectives and buying behavior. Charles Channon, former president of the Institute of Practitioners in Advertising, describes the account planner as "the consumers champion on the account team."

Chiat/Day credits account planning for helping it grow from \$50 million in billings in 1981 to \$700 million by 1991.

Other agencies have taken notice, and today many reorganized to adopt the account planning function - some call it by a

different name, such as consumer insight, but they all have pretty much the same objective - insights that help develop better advertising and marketing and stronger brands.

The Reason For Account Planning's Success Is Quite Simple.

The most effective advertising connects with consumers in a meaningful way. It stands to reason that a discipline that focuses on what is meaningful to consumers will be tremendously useful in the development of effective advertising.

While there is good and bad planning, just as there are good and bad marketing strategies, the overall trend toward developing a better relationship with consumers and brands makes planning a tool that will be used more and more by smart marketers.

Most of the well-regarded creative shops – Chiat/Day, Goodby Silverstein, Fallon, and Wieden & Kennedy – use account planners.

Reengineering.

Another trend gaining momentum is the reengineering of the agency organization. Historically, agencies have “solved” integrated marketing communications by acquiring companies with complementary services.

The general consensus, however, is that the conglomerate approach doesn't work very well. Companies often have their own cultures and perspectives that don't always blend well.

Service Cluster Teams and “Coaches.”

Consequently, many agencies are attempting to break down the walls between departments and the communications disciplines in order to form service-cluster teams.

Strategically, the cluster has one function - to serve the client with the flexibility to change with the client's needs.

Thus, if promotions are relatively important to a client's brand strategy, the team is more heavily weighted with sales promotion experts.

Example: Sullivan Higdon and Sink

In Wichita, Kansas, the area's leading agency reengineered and reorganized into teams with a specific client-oriented focus. They began with three teams.

The Blue Team specializes in aviation marketing (Wichita is a leading airplane manufacturing center).

The Green Team specializes in consumer products.

The Red Team is a major part of the new Kansas City office.

Does it work? Business is up 38%, and they've formed three new teams: The Neon Team is specializing in pharmaceutical products, the Chrome Team is into communication and navigation products, and the Black Team works for all the other teams (and their clients) with interactive services.

Top management expertise takes the form of “coaches,” who bring their experience to bear as needed. However, they do not supervise with the traditional top-of-the-pyramid structure. The teams run themselves.

New Challenges. New Opportunities.



As you can see from the discussion above, there are a number of major trends affecting the ad industry and agency organization.

These changes will lead to new challenges and opportunities for future advertising professionals.

Advances in computers and communication technologies will continue to provide many new career opportunities as new media forms and interactive communication evolve into the mainstream of the advertising industry.

The Green Team - consumer services.

Summary

HAVING READ THIS CHAPTER, you should have a clearer understanding of what advertising agencies do, how they are organized, and the career opportunities available today and in the near future. The role of an agency is to generate business-building ideas, provide brand stewardship, and build perceived value for its clients' brands. Advertisers and agencies use a promotion mix of various communications disciplines and strive for an integrated marketing communications (IMC) campaign.

- Professionals with a range of experience in more than one communications discipline are valued for their ability to contribute to the IMC effort.
- The modern agency began to develop in the mid-1800s.
- A full-service agency provides four departmental functions: account management, creative services, media planning and buying, and research.
- Agencies charge for their services three ways: media commissions, markups, and fees.
- There is a good deal of job description similarity and career mobility between advertisers, agencies, and the other marketing communications disciplines: sales promotion, public relations and direct response.
- While agency acquisitions and mergers continue worldwide, there always will remain a large number of specialized and local agencies and freelancers.
- The major trends affecting the advertising industry and agency organization are: integrated marketing communications, accountability, acquisitions and mergers, account planning, and reengineering. In the long term, the Internet may have the greatest effect of all on agency organization and interactive marketing.

Assignments

1. If you were to start an agency of your own, what structure would you have?

LESSON 20: AGENCY ORGANISATION

Topics Covered

The Ad agency, dimensions of agency business, the creative services, account services, marketing services, administrative services, media services, what does working with an agency mean and retail advertisers, selecting an agency.

Objectives

1. To be aware of how an agency is organized.
2. To understand what are the roles and functions of the different departments.

Many people are engaged in the various specialized activities that make up the field of advertising. Where do they work? How are they organized? How do they interact? How do they fit into the total scheme of American business? To answer these questions, this chapter will focus on three types of organizations: the advertising agency, the national advertiser, and the retail advertiser.

The Advertising Agency

Planning and executing successful advertising campaigns call for people who have specialized knowledge and skills; who are well informed in all aspects of marketing and consumer behavior; who are sensitive to people and communication; who know the media and markets; and who are skilled writers, artists, television producers, researchers, and managers. The organization that brings such people together in a single business enterprise is the advertising agency. The agency provides the environment in which the various specialists can interrelate and combine their talents to create effective advertising for the agency's individual clients.

The advertising agency offers a quality and range of service greater than any single advertiser could afford or would need to employ. Operating outside the advertiser's own organization, the agency is in a position to draw on the broad experience it gains while handling the diverse problems of different clients. Also, as an outsider the agency can approach the advertiser's problems from an objective point of view.

The agency has come to represent the core of the advertising profession, and "Madison Avenue," an area in New York where several large agencies are located, has become a symbol of advertising to the world.

Dimensions of The Agency Business

While there are some 5,000 firms in the United States listed as advertising agencies, the volume of business is highly concentrated in relatively few firms. Advertising Age estimated that 50 agencies accounted for a total of \$4.2 billion in gross income or \$28.5 billion in billings in 1981.¹ In other words, 6 percent of the agencies accounted for 78 percent of the gross income reported by all 822 agencies in the Advertising Age survey. To highlight the concentration further, the top 20 agencies accounted for 63 percent of the income. Five agencies, Young &

Rubicam, J. Walter Thompson Co., Ogilvy & Mather, McCann Erickson, and Ted Bates & Co. reported worldwide billings of more than \$1.5 billion each.

As a personal service business, the advertising agency's primary asset is people. Typically, 65 percent of gross income goes for salaries, employee benefits, and retirement plans. The 547 member agencies of the American Association of Advertising Agencies employed 53,000 people in 1982. This represented an average of 3.17 employees per \$1 million of billings which perhaps is the low point of a trend beginning in 1960 when there were 10 employees per \$1 million of billings. This trend suggests that agencies have become more efficient. They have been getting along with fewer people, who in turn have been enjoying higher incomes. A partial cause of this trend also must be the inflation in media costs. When media costs were adjusted for inflation, Leonard Matthews president of the 4 A's reported in May 1982 that the ratio remained at 10 people per million in billings. As one would expect the ratio of employees to billings is lower for large agencies (3.7 where billings exceed \$90 million) and higher for small agencies 00 where billings are less than \$1 million).

Large agencies serve large advertisers. Large advertisers are concentrated in relatively few product categories: food and beverages, drugs and cosmetics automotive, tobacco, soap and detergents. With the exception of automobiles, all the above categories are packaged goods, which have high volumes of sales are purchased frequently and are sold primarily in self-service stores. The manufacturers advertise nationally to presell consumers and build preference for their particular brands. Advertising is the dominant element in their marketing mix. Therefore the business of large agencies is concentrated in these same product categories.

Small agencies of course are not able to offer the same breadth of service as large agencies. On the other hand, the large agency seldom makes its services available to small advertisers who ordinarily are industrial trade, professional and retail advertisers. The formation of agency networks has given some small agencies the opportunity to extend the scope of their services. A network is a group of agencies that pool research operations, exchange market data, share costs of production facilities, and set administrative practices.

With the growth of world advertising expenditures, it is expected that advertising agencies both those based in the United States and those from other countries, are increasingly involved in international marketing: In fact the 10 largest U.S. agencies in 1981 derived 47 percent of their total billings outside the United States. Of the 40 largest agencies in the U.S. today, 29 have billings in foreign countries. Many companies whose products are distributed internationally prefer to use the same agency throughout the world.

The increased involvement of agencies in international advertising is likely to continue. Many of the top U.S. agencies will get at least half of their advertising volume from abroad and most of these agencies will get even a higher percentage of their profits from foreign billings.

Functions: What do advertising agencies do?

As previously noted advertising agencies range in size from a one-person firm to a large organization employing more than 2,000 people. All agencies are engaged in planning, preparing, and placing advertising. The range and depth of their services however differ considerably. In as much as the volume of business is concentrated in the larger agencies, generally referred to as "full-service" agencies, we will focus on these.

Their central function is to create advertising; that is their specialty, their reason for existing. However, the advertisements they create are end products of a complicated problem-solving process requiring consideration of all elements in the client's marketing mix. Planning functions include researching the consumer, the product and the market; developing creative and media strategies; and budgeting expenditures. Preparing functions include writing, designing, and producing the ads. Placing functions include contracting for media time and space, delivering the ads in appropriate form to the media, checking and verifying insertions, auditing and billing clients, and paying the media.

A detailed review of how agencies go about performing these functions would include most of the subject matter covered in this book, which itself is organized in the tradition of campaign planning. To summarize, let us assume that an agency's client requires a marketing/advertising plan for introducing a new grocery product. Here is what the agency will do:

1. Consumer research to determine the strengths and weaknesses of the product in household use.
2. Market research to describe the, best prospects.
3. Development of marketing strategy and budget.
4. Help in naming and packaging.
5. Development and pretesting of the creative concept.
6. Media planning to reach target markets efficiently.
7. A plan for launching the product to the trade.
8. Application of the creative concept to promotion and point-of-sale material.
9. Publicity plan for exploiting the product's news.
10. A plan for generating enthusiasm within the sales force.

In an effectively integrated plan, all these elements have a bearing on one another, and progress in one area needs to be communicated to people working 'in the other areas. The major responsibility for this communication and coordination is borne by the agency.

To prepare a plan for an established brand, which may not require a new creative strategy, the agency performs similar functions. There is a planning cycle, usually a year, for every brand. The cycle begins with an analysis of the brand's performance, knowledge of how it is faring against competing brands, research on consumer usage and perceptions of the

brands in the product category, and development of strategy and tactics for the next year. As soon as one series of problems is solved, there is another series to be tackled.

In as much as full-service agencies are likely to offer their clients services in fields others than advertising, such as public relations, consumer and trade promotions, merchandising, sales literature, and sales meetings, it is apparent that their range of expertise embraces the entire field 'Of communications. Such firms might appropriately be called "communications agencies." While many agencies offer the same services they do differ considerably in their style of operation. To set the tone for their own employees and set themselves apart in the eyes of their clients some agencies proclaim their guiding philosophy. For example, Benton & Bowles says:

We have a strong point of view about the best way to create advertising. We are convinced that the road to successful advertising lies in single-mindedness. We build every campaign every advertisement, every commercial around a single idea. We distill the creative strategy into one simple relevant idea that we want to communicate to the target audience.

There is no Benton & Bowles "formula" for advertising execution. We believe that each product or service demands its own tone of voice and method of presentation. Each of our clients is different; each needs his own style of advertising. Thus, the kind of advertising executions we do for Texaco are very different from those for Crest.

Most of all we feel a deep sense of responsibility for the productivity of the advertising we create. Advertising is a serious-and expensive-business tool. It is not an entertainment medium. Its purpose is not merely to attract attention, but to persuade and sell. This is why we say "It's not creative unless it sells."

Agency Organization

Agencies organize themselves in different ways. The larger agencies have a greater need to group their various specialists into departments and require more clearly defined areas of responsibility. The four functional groupings are (1) creative Board of Directors services, (2) account services, (3) marketing services, and (4) administrative services. This chart locates the specialists, but it does not show how they work together. Ordinarily, they work in account groups composed of individuals from each area: creative, research, media, and account management. The account group works as a team for a particular client. Its plans are reviewed and approved within the agency by a group of senior managers variously referred to as a plans board, a strategy review board, or a creative review committee. Then, of course, the plans must be approved by the client. Once the plans are firm the process of producing the ads gets under way.

Creative Services

David Ogilvy says: "The creative function is the most important of all. The heads of our offices should not relegate their key creative people to positions below their salt. They should pay them, house them, and respect them as individual stars." The copywriters, artists, art directors, and graphics specialists are referred to as creative people. While it is true that these people

are directly involved in creating the advertising messages, it should not be inferred that they have a monopoly on creativity. Account managers, media planners, and researchers also work creatively in their own areas.

Copywriters generally are grouped under a copy supervisor who in turn reports to a creative director, who in turn may report to an executive creative director. Whereas a writer may work exclusively on one account creative directors spread their attention over several accounts. A creative review board at the top oversees the creative work on all accounts. The number of layers of supervision increases with the size of the agency and the size of the account. To stimulate interaction, a writer often is teamed with an art director and a television producer. Working together on the same problems, they experience the enterprising spirit of a small agency.

Agencies pride themselves on their creative work. Some set forth a philosophy or guidelines to be adhered to. Others develop a style that is reflected in the ads they do. A 1977 Wall Street Journal article commented on the creative work done by the Leo Burnett Company:

Burnett's ads personify products with a single character, often in a gently humorous vein. Some of its characters have become stars in their own right, such as the Jolly Green Giant, Tony the Tiger, Charlie the Tuna, Morris the Cat, the Pillsbury Doughboy, the Keebler Elves, and the lonely May tag repairman. . . . The agency excels at creating distinct images for its clients. It gave United Air Lines its "friendly skies," Schlitz beer its gusto, and RC Cola a sassy country image. Burnett's Marlboro campaign is considered a classic.

Account Services

Account management is handled by people with titles such as account executives, account supervisors, or management supervisors. Account executives are closest to the client in terms of day-to-day contact. They are likely to be assigned full time to one of the client's brands. They represent the agency to the client and, in turn, represent the client within the agency. These executives must be competent in both worlds. They must have a thorough knowledge of their client's business and must understand all operations within the agency. They organize and control the flow of work on the account through all stages from initial planning to final executions. Account executives assemble all relevant facts bearing on the brand, analyze and interpret them, develop strategy, present the agency's plans including creative work to the client, obtain all necessary approvals, oversee the execution of those plans, and monitor the results.

To do all this well account executives have to build good business relations with those they work within the agency and a good rapport with the client. When they need cooperation, they must be able to get it. They must be able to synthesize the thoughts of all involved and communicate them well to others. As leaders, the account executives must take the initiative and generate enthusiasm among those who work with them.

At the larger agencies, account executives are responsible to an account supervisor who brings greater experience to strategic planning and client relations. At the next higher level manage-

ment supervisors function similarly but are more likely to also be concerned with policy matters and the agency's own plans for its future.

Marketing Services.

Media, research, and sales promotion are grouped under marketing services. The media department is staffed with analysts, planners," and buyers. The analysts keep abreast of changes in media audiences, costs, and competitors' spending. They test alternative plans for reaching the clients' best prospects most efficiently. The planners work closely with other members of their respective account groups in developing media strategy, allocating the clients' dollars, and planning the schedule. The buyers execute the plan. Those who buy spot television and radio time look for the best rates and place the orders. Because a detailed knowledge of the media situation in each market area can be such an advantage, television and radio spot buyers in some agencies are assigned particular markets and buy time in those markets for all of the agency's clients. In other agencies these buyers concentrate on assigned clients and buy for those clients in all markets. Because of the large investment involved when buying network television time, most agencies assign that responsibility to a person who specializes in negotiating with the networks. Other buyers specialize in the print media-magazines, newspapers, and outdoor.

The research department is involved in all phases of agency planning testing product concepts, defining market targets, developing marketing and advertising strategies, selecting creative concepts, testing creative executions, test marketing, and measuring results. Research has its specialists in questionnaire construction: sampling, focus-group interviewing, statistical analysis and experimental design. Research supervisors are assigned to particular clients and serve as the department's representatives on those account groups. The supervisors focus on the problems to be solved and marshal the resources of the research department to help solve those problems. People in the research department design the projects, interpret the data, and present the findings. Field work, including large-scale interviewing and data collection and tabulating, ordinarily is farmed out to outside firms specializing in those operations.

Sales promotions directed to consumers and the trade are highly important in the marketing of packaged goods. Therefore, large agencies are likely to have specialists in planning and managing promotions. Typical consumer promotions are sampling, couponing, premiums, contests, and sweepstakes. Trade promotions include trade allowances, cooperative advertising, and point-of-purchase displays.

Administrative Services

Advertising agencies are in business to earn a profit. To do so they, like any other successful business, must be well managed. Therefore, in addition to the bookkeeping functions now largely performed by the computer, there are people who plan and control the agency's financial future, budget revenues and expenses, set operating policies, and function as administrators from the president or chief executive officer to the various department heads. Being a people business, the agency's success largely depends on its personnel practices, on how well it hires, trains, inspires, and rewards its people. Strong leadership at the

top often is the key. There is no better example of this kind of leadership than David Ogilvy, who when he was chairman of Ogilvy & Mather International said:

"I want all our people to believe that they are working in the best agency in the world. A sense of pride works wonders.

The best way to "install a generator" in a man is to give him the greatest possible responsibility. Our management should devote more time to this than routine salary reviews.

Of course salaries must be reviewed at regular intervals and "routine" raises must be given out; they are expected.

But the most effective way to use money is to give outstanding performers spectacular rewards at rare intervals. Nothing is too good for our make or-break individuals.

It is virtually important to encourage free communication upward. Encourage your people to be candid with you. Ask their advice—listen to it."

Ogilvy and Mather offices should not be structured like an army, with over privileged officers and underprivileged subordinates. We are all fellow professionals, dedicated to the service of our clients.

The Agency-client Relationship

Today's advertising agencies work for and are paid by their advertiser clients. This was not always so. The early agents worked for and were paid by the media. The first agent on record was Volney B. Palmer, who in 1841 organized a newspaper advertising and subscription agency. By 1849 he had established offices in New York, Boston, Baltimore and Philadelphia. At this early date, there were no directories of newspapers and no published rates. Operating as an independent salesperson, Palmer sold space in the newspapers he represented to advertisers who wanted to reach those newspapers' readers. The publishers paid him a commission of 25 percent on his sales. The publishers found this method of selling more efficient than selling direct through their own sales representatives, and advertisers wishing to reach people in several cities found value in such service.

In 1865 George P. Rowell opened an agency that started the practice of wholesaling space. Rowell contracted with 100 newspapers to sell him a column of space each week for a year. For such quantity purchases he received a discounted price plus the 25 percent agency commission. He resold space to advertisers in one-inch units at prices much higher than he paid.

In 1876, with the founding of N. W. Ayer & Son, the agency business changed from space selling for publishers to space buying for advertisers. Ayer launched an open-contract-plus-commission plan in which Ayer would act for advertisers, trying to get the lowest possible rates from media, and then add a commission for its services. The commission ranged from 8 to 15 percent. In establishing the agency as a servant to advertisers, Ayer started the agency functions of planning, preparing, and placing advertising. The main difference between the early Ayer organization and today's agencies is in the range of quality of services that obviously have increased with the development of new media and expanding markets.

Because of the way the advertising agency evolved there is an important difference between this type of agency-client relationship and the traditional agency-client relationship such as exists between lawyers and their clients. In its classical definition, an "agent" acts on behalf of a principal. However, the advertising agency contract with media contains a waiver which in substance holds the agency solely responsible for the payment for the space or time despite the fact that the advertiser may default on payment to the agency for any reason.

The formal contract that normally exists between advertiser and agency usually specifies in a general way what the agency is expected to do, often by function: media, creative, research, billing, etc., details the compensation arrangement between the parties; discusses ownership of material provided by the agency; and spells out the basis upon which the agreement can be terminated. As William Weilbacher notes in his book, *Auditing Productivity*, "although the purpose of the contract is to spell out the legal relationship, it rarely specifies the exact way in which the relationship is to be implemented. Nor should it, since its purpose is to define the legal relationship between the parties rather than the professional relationship which the legal relationship, envisions anti permits."

Whatever advertising an agency places for its client becomes the property of the client and is copyrighted in the client's name. However, the agency is jointly liable and must defend itself against claims for libel slander, copyright infringement idea piracy, plagiarism, violations of the right of privacy, deceptive advertising, and unfair trade practices. Therefore, most agencies carry liability insurance against such claims.

When a prospective client invites a number of agencies to present creative ideas on how they would handle the account the question arises about ownership of the ideas presented by the losing agencies. If the client pays the agencies for making their presentations as Hallmark did in 1982, the client is likely to retain the ideas. Whether payment is offered or not it would be to the agency's advantage to have a clear understanding with the client about who will own the ideas before making a speculative presentation.

It is rather obvious why many firms turn to full-service agencies. Most firms are too small to hire such a pool of talent as employees. However, one might wonder why the larger firms that can afford to hire top-flight people to do their own advertising and buy direct from the media do not do so. The preponderance of firms prefer to use advertising agencies. Why? Independence is one reason. The advertising agency works for several clients. While it is responsible to each client it is not exclusively so. While it aims to render the best of service to each client it is subservient to none. The independent agency is in a stronger position to bring an outside point of view and objective judgment to the client's problems. The agency is freer to follow its own standards in producing effective advertising and less likely to succumb to the whims of senior officers in the client organization.

Another reason is the breadth of knowledge and experience agency people get from working on different accounts. The knowledge gained in one industry often proves helpful to advertisers in other industries.

A third reason is that the best professionals in the business are concentrated in the agencies. Even the largest clients find it advantageous to share that pool of talent with others.

A fourth reason is that whatever dollar savings the client might gain from operating a house agency have generally been considered less than the value of the superior service they lose by not using independent agencies.

How Do Agencies Get Paid?

There are two basic systems of agency compensation: the commission system and the fee system.

The commission system is a carry-over from the early days when the agency sold space for the media. They were paid a commission on their sales. Even though agencies now work for advertisers and buy space and time from the media, the old system persists. It works like this: An agency places a full-page advertisement for one of its clients in a magazine. The rate for a full page in the magazine is \$30,000. After the ad has run the magazine bills the agency for \$25,500 (30,000 less 15 percent or \$4,500). The agency then bills the client the full amount of \$30,000 pays the magazine \$25,500 and keeps \$4,500, which becomes part of the agency's gross income. Out of gross income the agency pays the costs of planning, preparing, and placing the ad, leaving a contribution to overhead expenses and profit. Most media grant a 2 percent cash discount if the agency pays within 10 days of the billing date. The discount usually is passed along to clients that pay promptly.

In effect the 15 percent commission operates as a functional discount granted to agencies for performing functions that benefit media. Agencies promote advertising as a marketing instrument, develop new business, increase the productivity of advertising, centralize the servicing of many accounts, reduce the media's cost in mechanical preparation, and reduce the media's credit risk.

Prior to 1956, media granted commissions to only "recognized agencies," those that met certain standard qualifications set by the various media trade associations. On May 12, 1955, the Department of Justice filed a civil antitrust suit challenging the recognition procedure, with particular reference to the uniform standards for recognition, the withholding of commissions from agencies not recognized, the charging of gross rates to direct advertisers, and the fixing of the commission at 15 percent of the gross rate. In 1956, the 4 A's and the media trade associations agreed to stop the practice. To qualify for the 15 percent commission today agencies have to meet the usual credit standards required by one firm doing business with another.

Actually, of course, the media do not pay agencies. The money agencies deduct from advertisers' payments is never in the hands of a medium. The medium simply allows the agency to make the deduction. It is the advertiser who pays the agency.

Agencies paid on the commission system also receive direct payments from their clients for materials and outside production services, such as engravings, finished art, television storyboards, and television production. Usually, the agency bills the client the cost plus 17.65 percent for these materials and services. The commission system has been the subject of controversy because of: (1) the fixed percentage of media costs

and (2) the client's lack of control over services paid for through the commission.

A fixed percentage of the cost of space and time provides the agency with compensation that may or may not be related to the cost of services performed. The agency's cost of producing an advertisement to appear in space costing \$40,000 would probably not be 10 times the cost of producing an ad to appear in space costing \$4,000. Yet, the agency's compensation would be 10 times greater for the former than for the latter. Also, on a fixed percentage basis, the more the client spends, the more the agency makes. This creates the suspicion that the agency has no incentive to hold down the cost of advertising.

Lacking control over the services covered by the commission, advertisers are compelled to negotiate for so-called free services. Are they getting all of the services to which they are entitled? Are they being forced to pay for services that they would not order if they controlled the amount and kind of work done on their account? Are the fees that they pay over and above the commission justified? Many advertisers feel that they do not have a large enough part in planning what the agency is to do for the commission it receives.

Supporters of the commission system claim that it is a means of rewarding agencies in direct proportion to the use that is made of their creative work. This is a "box office" approach to determining the value of an agency's service. It assumes that the value of an advertisement depends on the size of the audience it reaches, not on the cost of producing it. However, most agencies would be quick to point out that they allocate more time and higher-salaried creative people to producing advertisements for big audiences than for small audiences, thereby also adapting the cost of production to the size of the audiences to be reached. To further reduce possible inequities arising from a fixed commission on media expenditures, agencies generally include more free services on big billings than on small billings.

Other arguments in favor of the commission system are that it places agency competition on a creative service basis instead of a price basis; that it has worked satisfactorily, though imperfectly, through the years; and that it will have to do until a better system comes along.

Under the free system the agency estimates the total cost of handling the client's advertising for a year and collects the fee in equal monthly installments. To determine the fee, the agency estimates the total number of hours of services that will be required in all the various departments-creative, media, account handling, and so on; multiplies the hours by average hourly rates; and adds 25 percent to cover overhead and profit. Commissionable media purchased by the agency are billed to the client at the published rates minus 15 percent. Costs of materials and services from outside suppliers are billed to the client at actual cost. During the course of the year or at the year's end; the fee is adjusted to compensate for any difference between estimated and actual cost.

Advantages of the fee system are that (1) the agency tailors its services to fit the client's needs, (2) each fee account pays its own way with none being subsidized by others, (3) the client has greater assurance of getting what has been paid for, (4) the agency is less likely to be biased in favor of commissionable

media, (5) the agency's income is more stable throughout the year, and (6) a more professional relationship between agency and client is attained. Disadvantages are that (1) agencies might be tempted to compete on the basis of price instead of quality, (2) the client might become too involved in the agency's internal operations; and (3) the agency might over service by doing more work for the client than is needed.

Another kind of fee system is the monthly fee. The hourly charges for all time-reporting employees working on the account are totaled monthly a percentage of 25 percent is added to cover overhead and profit commissions are credited to the account and the resulting amount is billed to the client each month.

Most agencies use both commission and fee systems, with the trend moving toward greater use of fees.

Future of The Full-service Agency

In recent years smaller organizations specializing in a single function have challenged the full-service agencies. Independent "media buying services," by concentrating at first on spot television ads were able to negotiate lower prices and get better buys. For their service they charged a 5 percent fee. Gradually, they expanded to include all media. Some clients turned to these services because they did not care who did the buying as long as it was done well at reduced costs. Full-service agencies have responded by increasing the efficiency of their own media buying by having their own buyers specialize in particular media and markets.

Closely related to the development of independent media buying services has been the emergence of specialists in the creative function—"creative boutiques." These organizations limit their client services to creative planning and execution. Creative-only agencies got their start because it was assumed that a few creative people could do better work if they were isolated from the day-to-day routines and diversions of the full-service agency. In their splendid isolation they would interact and concentrate on the creative problem and come up with a better solution. Another assumption was that some clients wanted professional creative work without having to pay for other agency services—that they could get the work done faster and have a better chance of getting the big creative idea. In any event, such specialized services continue to have a place although they remain small in scale. The original creative boutique is now Wells, Rich, Greene, Inc., the 21st largest full-service agency.

The growth of media buying services, creative boutiques, and specialized research services has caused much soul-searching among full-service agencies. Some have strengthened their services within the conventional organization. Others have modified their organization to offer clients service on an a la carte or "modular" basis. The advertisement for the Gardner Agency in Figure 17-2 describes this development. Other agencies have expanded through mergers and acquisitions to add to their roster firms specializing in public relations, sales promotion, retail advertising, and corporate communications.

The Advertiser Organization

Ranging in size from the owner of the village hardware store who places one ad a week in the town's weekly newspaper to

Procter & Gamble with advertising totaling \$650 million a year, it is pretty obvious that there are vast differences among advertisers. One difference is their need for a division of labor or assignment of individuals to specialized tasks. The larger the advertiser, the greater the need for an organizational structure that delineates the tasks of the people responsible for the firm's advertising. Therefore, our discussion of advertiser organizations will focus on large advertisers, especially those manufacturers in the packaged-goods field.

Functional Organization

In a functional organization, the various marketing specialists holding the titles advertising managers, sales managers, and research managers report to the marketing vice president who coordinates their activities. This type of organization is appropriate for companies that have a relatively simple product line with only a few items that are sold to relatively few markets. Advertising managers have line authority to plan and execute advertising strategy in conjunction with the company's agency. They communicate the company's objectives, provide relevant information, participate in the planning process and review and approve the agency's recommendations. If collateral materials such as catalogs, sales literature, and point-of-purchase displays are prepared internally, the advertising managers supervise their preparation.

A functional organization has the advantage of simplicity. However, as a company grows and adds new products, a point is reached at which a single marketing director and a single advertising manager cannot effectively supervise the entire line.

Product Manager Organization

To concentrate managerial attention on each product or brand, most packaged-goods manufacturers have adopted the product manager system (also called a brand management system). Each product has its own manager. The product manager has line responsibility for planning strategy, working with the agency to develop advertising and promotions, stimulating support of the company's salespeople, and monitoring the product's performance. The advertising manager, if there is one at all, assumes a staff or advisory role to the product managers. Large manufacturers marketing several brands in several product categories place several brand managers under a group manager. For example, at General Foods' Post Division there are group managers for the various brands of cereals, beverages, and pet foods.

In a sense, the company's product manager is counterpart to the agency's account executive. Both are involved in all marketing functions, but to differing degrees. The agency's account executive is more heavily involved in creative and media planning, whereas the product manager has greater responsibility for product development, packaging, and pricing.

The product manager system offers several advantages:

1. Each product has its own champion competing for company support.
2. There is quicker response to problems and opportunities as they arise.
3. Lines of communication between client and agency are shorter.

4. The wide range of product manager's responsibilities offers excellent training for future executives.

There are weaknesses, too. The product manager is given responsibility without authority. He does not have control over essential support functions including product design, manufacturing, pricing, and selling. He is accountable to higher levels of management where decisions on most major issues are made. Criticisms of the entire advertising approval process, partly directed at the product manager and partly at the entire management hierarchy, can be summarized as follows:

1. As the principal contact with the agency, the product manager retards the development of creative advertising because of his or her:
 - a. Relative inexperience.
 - b. Lack of aptitude for judging creative work.
 - c. MBA training in financial and analytical skills but little or no training in advertising.
 - d. Over reliance on copy testing.
 - e. Personal insecurity with respect to advertising, which leads to selection of safe rather than creative approaches.
 - f. Nitpicking, resulting in reworks of ads, slowdown of the development process, and added costs.
2. High turnover, which places emphasis on short-term results and deem-phases on long-term, solid building of market position
3. The hierarchy of decision levels beginning with the product manager which:
 - a. Slows down the approval process.
 - b. Results in so many changes that the effect of the original creative proposal is lost.
4. As managers with MBA training are promoted, management's ranks become filled with executives who, while they have gained experience, do not necessarily become good judges of advertising.

To overcome some of these weaknesses the product manager's role has been redefined to play down the role of advertising decision maker and emphasize the role of product planner and coordinator. The manager assists the agency and higher management in developing effective advertising with the decisions being made at higher levels. To speed up decision making and to reduce the risk of tampering with the agency's creative work, agency submissions often are made to two or three management levels (including the product manager) at the same time.

Selecting the agency

One of the most important decisions an advertiser makes is selecting the agency to handle an account. While there is no standard procedure for doing this, it behooves the advertiser to establish criteria for evaluating the candidates. The General Electric Company uses the following criteria:

1. **Growth.** Have growth and billings been sound and consistent or have billings been up one year and down the next? Why?
2. **Experience.** In what fields of industry do its accounts lie? Has it demonstrated extreme versatility in all product areas or does it have particular strength in an individual product classification area?
3. **Account history.** What is its average age of service to its clients; what has been its account turnover?
4. **Man power.** Here we look at the depth of experience and the number of people on second and third levels as well as the top level; here, too, we look at turnover.
5. **Marketing concept.** Here we ask for the agency's philosophy of business operation. Is it progressive or conservative? Does it treat each problem individually or does it stick pretty close to a rigid formula? Does it reveal a keen appreciation of the place of business in its economic, social and political environment?
6. **Campaign planning.** Here we judge the ability of the agency to secure, analyze; and interpret all the facts and conditions affecting the marketing problem and their ability to develop advertising objectives and competitive strategy that form the essence of the campaign.
7. **Creative.** 'This is the judgment of the agency's ability to create essentially good ideas-applying imagination to the problem and developing sound ideas of unique value with great competitive impact.
8. **Media.** Here we are judging the evidence of thoroughness and soundness in media research, the preliminary media recommendations, relative cost compared to budget, and so on.
9. **Sales Promotion.** As used in this appraisal this is that part of the campaign plan designed to stimulate, persuade, and inform all people who sell the product; department salesmen, wholesalers and their salesmen, retailers and their salesmen.
10. **Research.** This means primarily evaluating the resources to collect and interpret facts for a campaign plan that will determine and achieve the sales and advertising objectives. Here we evaluate the abilities of the agency in the many forms of research such as copy research, motivation research, product planning research, package research, and others.
11. **Merchandising.** This is an evaluation of the ideas and materials that an agency can provide to make all forms of selling payoff at the point of purchase.
12. **Product publicity.** This service need not necessarily be performed by any agency, especially if other means for clearing news of company operations is maintained.
13. **Production.** This is an evaluation of the agency's resources to produce or supervise production of all types of advertising, promotional and merchandising material. This will include slide films, motion pictures, radio and television programs, and commercials, if they should be an essential part of the advertising campaign.
14. **Personnel.** This is the number and quality of the people who will be assigned full time to the account-the most important factor in agency service. In a sense, we want to

regard these people as being a part of our organization and thus their personalities and attitudes, as well as their planning and creative abilities, should be of a nature that will work well in harness with our people.

15. **Technique.** Here we evaluate the mechanics of getting a job done. Who does what, when, and how, must be planned, controlled, and communicated to all who are affected both within the client's organization and that of the agency.
16. **Contact.** This means the availability of agency personnel for personal contact with the frequency desired; the convenience and speed of contact for both regular and emergency purposes.

Working With the Agency

Several factors complicate the advertiser-agency relationship. The division of functions and responsibilities between the two parties is seldom, if ever, clearly defined. Advertising is an intangible product. Predicting and measuring its productivity is highly subjective. The contributions of the various individuals and departments to the end product cannot be readily isolated. People on each side of the relationship have different commitments. Advertising is not the only thing on the client's mind and a single client's advertising is not the only thing on the agency person's mind. Approval of advertising plans on both the client's and the agency's sides, takes place at several levels with the attendant possibility of contradiction from one level to another.

Weilbacher's recent study of advertiser-agency productivity, listed the following factors that hinder a productive relationship.

Quality of staff factors:

- 100 many unproductive/unnecessary meetings.
- Doesn't give agency enough lead time.
- Inability to plan ahead.
- Unwilling to experiment/take risks.
- Inability to adhere to schedules.
- Company unfamiliar with agency cost constraints.
- Too much reliance on research/not enough use of judgment.
- Company unwillingness to take a position.
- Unwillingness to listen to other points of view.
- Too much "change for change's sake."
- Lack of candor.
- Failure to show initiative.
- Failure to ask the right questions.
- Unable or unwilling to set priorities.
- Failure to operate with agreed-upon strategy.
- Too many "make work" projects.

Organization Factors:

- Company has too many levels of approval.
- Too many important decisions made by "juniors."
- Unnecessary duplication of agency work at company.
- Management participation factors:
- Client unwilling to commit sufficient funds.

Too much personnel turnover.

Not enough senior management involvement.

Communication factor:

Failure to follow established lines of communication.⁴

To provide a more productive relationship the same study recommended that advertisers periodically review and evaluate the agency's performance across a broad spectrum including:

Does the agency organize itself effectively to work with the advertiser? Does it staff the account with compatible, productive people?

Does the advertising process with its attendant work flow move smoothly ahead?

Does the agency remove irritants in the relationship as they appear?

Is there evidence of agency involvement in and powerful thinking about the client's business?

Does the agency's creative and media work respond to the needs and perceptions of the client organization?

Does creative and media work proceed smoothly through advertiser review processes, or is there continual bickering about and acerbity in the presentation of the agency's work?

Do all of the agency's departments make a distinct contribution to the advertiser, or are some departments inept or ineffective?

Retail Advertisers

Small retailers are likely to turn to the local media, the, newspapers, television, and radio stations, for help in planning and preparing their advertising. Large retailers, especially the major department stores operating several branches in metropolitan areas, have their own advertising departments with a full complement of skilled professionals-writers, artists, media buyers, and promotion planners.

As the last link in the channels of distribution, the retailer is closest to the consumer and is sensitive to the changes in consumer needs and wants. To succeed, the retailer must offer the kinds of merchandise in the assortments and at prices the customers want. The primary function of retail advertising, therefore, is to keep the store's customers informed about the various items currently featured. From the consumer's viewpoint retail advertising functions as a shopping guide telling where to go to get the best buys. The retailer advertises those items that are expected to sell in sufficient volume to recover the cost of advertising and make a profit and also advertises items that build traffic. These would include special purchases offered at sharply reduced prices, regular sales events, seasonal items, and new fashions. Item and price advertising accounts for nearly all of the advertising of supermarkets, mass merchandisers, and drug chains.

Most retailers, especially department stores and specialty shops, have a dual advertising job to do. They must not only sell specific items, but also sell the store as an attractive place to shop. The store's location, its architecture, fixtures, interior design, and displays communicate much about its character. The store's advertising should project its character (image) to current and potential customers. Newspaper ads, through the use of

What an individual retailer cannot do individually can often be done through some form of cooperative advertising. Horizontal cooperative advertising is the joint effort of independent retailers in the same category, such as hardware stores and realtors, whom we have come to know as your True Value Hardware Stores and Century 21. Within metropolitan areas, auto dealers selling the same make of cars form dealer associations and advertise as one. Through such cooperative ventures individual retailers get the benefits of professional agency service. They also get exposure to the larger media audiences of metropolitan newspapers, television, and radio stations at a cost they could not otherwise afford. A significant extension of this kind of cooperation is the advertising done by and for franchise outlets, most notably those in fast-food services such as McDonald's, Burger King, and Kentucky Fried Chicken.

Vertical cooperative advertising is a joint effort between manufacturer and retailer. The manufacturer offers the retailer an allowance for advertising the manufacturer's brand in the store's advertising. The amount allowed may vary from the full cost of the brand's space to 50—50. The manufacturer may or may not require proof of performance in the form of a tear sheet to prove that the ad that was paid for actually ran. Ordinarily, the retailer gets a lower rate than the manufacturer gets from the local media. This, in itself, could be considered a break for the manufacturer. Theoretically, both parties gain; both benefit from the ad while sharing the cost.

Unfortunately, the co-op advertising allowance has become part of a more general promotional allowance. The manufacturer offers retailers an allowance of so much per case (case allowance) to be used in a variety of ways—end-of-aisle display, shelf talker, more facings, cents-off retail price, co-op advertising, and others. The retailer's mayor may not advertise the manufacturer's brand. They may use the allowance simply to augment their gross margins. With the greater margins, they may order cases and do some form of promotion to increase volume and total profit. The manufacturer benefits from the extra volume, although at a lower profit per case, which he is willing to endure because it helps build goodwill with the dealers who probably have come to expect the allowance anyway because it has become a practice of the trade.

Retailers generally have not used advertising agencies. Their scale of operation has been too small and their day-to-day selling activities have required more quick-changing tactical maneuvers than long-range strategic planning. The small or medium-sized store does not generate enough billings from commissionable media to become a profitable client for an agency. Billings of \$100,000 would gross only \$15,000 a year in commissions, which would hardly be enough to cover the agency's cost of preparing the many ads required throughout the year. If paid

The giant retailers such as Sears, Roebuck, J. C. Penney, and A&P, operate as both national and retail advertisers. They have their own brands and institutional advertising. Most of their day-to-day store advertising, however, is handled internally.

Summary

In this lesson we examined the ad agency, dimensions of agency business, the creative services, account services, marketing services, administrative services, media services, what does working with an agency mean and retail advertisers, selecting an agency.

1. Visit a local advertising agency in your town or city and write an account of the organizational structure, with all the roles defined. Also state which are their main clients and which are the brands they advertise for.

[illegible]

LESSON 21:

NEW CREATIVITY TRENDS THE CREATIVE SIDE OF ADVERTISING.

Topics Covered

What is Creative Advertising? Creative Roles, The Creative Person, The Creative Process, Creative Strategy and Execution and Effective Creativity.

Objectives

1. Define creative advertising.
2. Describe the work of art directors and copywriters.
3. Outline the key characteristics of creative people.
4. List the stages of the creative process.
5. Identify the key elements in a creative strategy and execution of that strategy.

Creative ideas, such as the award-winning “Gopher Talk” campaign developed by the Fallon McElligott advertising agency for the University of Minnesota football team, aren’t limited to advertising. People such as Henry Ford, the father of the Model T; Steven Jobs, cofounder of Apple Computer; and Lucille Ball of I Love Lucy fame are highly creative. They are idea people, creative problem solvers, and highly original thinkers. Creative people are found in business, science, engineering, advertising, and many other fields. But in advertising, creativity is both a job description and a goal.

In this lesson we’ll investigate how some ad agencies define creative advertising, the different approaches advertising people use to stay creative, the creative concept, characteristics of creative people, and the process of creative thinking and creative strategy.

What is Creative Advertising?

Different agencies define creative advertising in different ways. The creative philosophy of DDB Needham, for example, is ROI: relevance, originality, and impact. These three characteristics help explain what makes ideas creative in advertising. In addition, creative ideas must support the advertising and marketing strategy.

Advertising tries to deliver the right message to the right person at the right time. In effective persuasion, ideas have to mean something important to the audience. In other words, they must have relevance. No matter how much the creative people or the client or the account executive may like an idea, if it doesn’t communicate the right message or the right product personality to the right audience, then it is not effective.

An advertising idea is considered creative when it is novel, fresh, unexpected, and unusual. Original means one of a kind. Any idea can seem creative to you if you have never thought of it before, but the essence of a creative idea is that no one else has thought of it either. In classes on creative thinking, a teacher will typically ask students to come up with ideas about, for example, what you can build with ten bricks or buy with a nickel. Some ideas—such as a wall—will appear on many people’s lists. Those are obvious and expected ideas; the original ideas are those that only one person thinks of.

In an industry that prides itself on creativity, copycat advertising—that is, using an idea that someone else has originated—is a concern. Advertising expert John Eighmy estimates that about 50 percent of the advertising in the United States falls into this category. Despite claims of unoriginal ads, those in the ad business believe ads have gotten more, not less, creative. A recent study found that the overwhelming majority of top-level creative people believe that advertising is more creative now than when they entered the business.

To be creative, the ideas must also have impact. Many advertisements just wash over the audience. An idea with impact helps people see themselves or the world in a new way. The Golden Gopher campaign, for instance, is intended to change perceptions of fans who think the football games aren’t fun anymore. A commercial with impact has the stopping power that comes from an intriguing idea, something you have never thought about before. The Gophers campaign emphasized how the rituals, rather than winning, make football fun.

The Creative leap

So originality that is relevant creates impact. But how does it do that? Let’s look first at the idea of ideas and a Big Idea. An idea, according to advertising legend James Webb Young, is a new combination of thoughts. Young claimed that “the ability to make new combinations is heightened by an ability to see relationships.”³ An idea, then, is a thought that comes from placing two previously unrelated concepts together. The juxtaposition sets up new patterns and new relationships and creates a new way of looking at things. It makes the familiar strange and the strange familiar.

A **Big Idea**, which expresses an original advertising thought, involves a mind shift. Instead of seeing the obvious, a creative idea looks at something in a different way, from a different angle, as in an ad for British Airways that associates an airplane lounge with a green oasis in the middle of a desert.

Juxtaposition became a common theme in many ads after the release of the anti-impotence drug Viagra. One double-page ad for Wired magazine showed four Viagra pills and a cocktail glass filled with scotch on top of a stack of Forbes and Fortune magazines with the headline “Old CEO.” On the right a handful of M&Ms and a glass of amber beer sits on a pile of Wired magazines with the headline, “New CEO.”

Practical tips # 1 **CREATING ORIGINAL IDEAS** To create an original and expected idea, use the following techniques:

- **An unexpected twist.** An ad for Amazon.com used the headline, “460 books for Marxists. Including 33 on Groucho.”
- **An unexpected association.** An ad for Compaq used a visual of a chained butterfly to illustrate the lack of freedom in competitors’ computer workstations.

- **Catchy phrasing.** Isuzu used “The 205 Horsepower Primal Scream” for its Rodeo headline.
- **A play on words.** Under the headline “Happy Camper,” an ad for cheese showed a picture of a packed sports utility vehicle with a huge wedge of cheese lashed to the rooftop.
- **Analogy and metaphor.** Harley-Davidson compared the legendary sound of its motorcycles to the taste of a thick, juicy steak
- **Familiar and strange.** Put the familiar in an unexpected situation: UPS showed a tiny model of its familiar brown truck moving through a computer cord. To prevent unoriginal ideas, avoid the following:
 - **The common.** Avoid the obvious or the predictable, such as a picture of a Cadillac on Wall Street or in front of a mansion.
 - **The look-alike.** Avoid copycat advertising that uses somebody else’s great idea.
- **Clichés.** They may have been great ideas the first time they were used, but phrases such as “the road to success” or “the fast track” become trite when overused
- **The tasteless.** In an attempt to be cute, a Subaru ad used the headline, “Put it where the sun don’t shine.”

The Creative Concept

Behind every effective advertisement is a Big Idea, a creative concept that implements the advertising strategy so that the message is attention-getting and memorable and serves as an umbrella for a series of ads in a campaign. In the award-winning California Milk Board campaign “Got Milk,” the big idea is that people drink milk with certain foods such as cookies. If milk is unavailable to drink with those foods, they are to say the least uncomfortable. Finding the brilliant creative concept involves what advertising giant Otto Kleppner called “the creative leap. To come up with the Big Idea, you have to move beyond the safety of the strategy statement and leap into the creative unknown.

In the Golden Gophers campaign, Fallon McElligot created Marge and Barb, two smartmouth senior citizens, a pair of unexpected pigskin junkies who celebrate the essence of football. The Big Idea in this campaign is that even if the team isn’t winning, attending games can still be fun. Marge and Barb, parodying the blue-haired stereotypical Gopher fans, demonstrated in Saturday Night Live fashion how games were entertaining whether the team won or lost.

Advertising has to be creative, but it also has to be strategic. However, there is a big difference between the strategic language used in the marketing plan’s creative platform, which assesses the marketing challenge, and the language of the creative concept, which is used in ads to get attention and spark interest. If the Golden Gophers advertising had relied on the creative platform language—announcing that the fans were disillusioned with Gopher Football—those ads would have served no good purpose. The difference between the marketing statement and the creative concept—the smart-mouth “Gopher Talk” of Marge and Barb—represents the creative leap, which is not merely a step away from marketing language, but miles away.



The idea that some moments require a glass of milk is the creative concept behind the award-winning “Got Milk?” campaign. Besides cereal, cupcakes and chocolate chip cookies what other foods or situations demand milk?

Strategy and Creativity

A creative concept in advertising has to dance to the tune of two different masters: originality and strategy. To be creative, an idea must be both original (different, novel, unexpected) and strategic (right for the product and target). Cleverness is not enough.

What do we mean by strategic creativity? First, it has to be targeted, but it also has to be well positioned. For the creative person, targeting means being able to identify with the target audience. Creativity in advertising requires empathy, a keen awareness of the audience—how they think and feel, what they value, and what makes them take notice. This ability to identify with the target audience delivers consumer insights that often lead directly to the creative idea. Lisa Fortini Campbell calls that “hitting the sweet spot” in her book on consumer insights.

The audience must be at the heart of the strategy and copywriters have to be able to identify with this consumer and their experiences using a product. One way to learn to connect with a real member of a target audience is to write a personal letter to someone you know about the product. The creative people behind the “Got Milk~” campaign, copywriter Harry Cocciolo and art director Sean Ehringer, spent a week without milk to learn to identify with their target audience. The “Matter of Effectiveness” feature shows how Bell Helmets concentrated on its audience to develop an award-winning campaign.

A consumer insight about people’s frustration with not being able to get online led to the creative approach Southwestern Bell

used for its second-line campaign discussed in chapter 4. The insight about the target audience for the Gopher football campaign-identified as a lost generation of disillusioned fans-is that these fans weren't lost forever. They were waiting for a reason to change their attitudes about Gopher football.

Positioning is as important as targeting. Under the guidance of the BBDO agency, Pepsi advertising has evolved strategically over the years as a reflection of its generational positioning. BBDO developed the "Be Young. Have Fun. Drink Pepsi." slogan to reaffirm its connections with its youthful target audience. The previous "Gotta Have It" slogan replaced the "Choice of a New Generation" theme that had worked so well since Michael Jackson and "The Pepsi Generation" began in the early 1980s. The slogans have changed but the positioning has stayed the same.

Creativity and Strategy in the Message Design

The Leo Burnett agency has developed an approach for analyzing the message design that keeps both strategy and creativity working together. This method, called structural analysis, relies on these three steps:

1. Evaluate the power of the narrative or story line.
2. evaluate the strength of the product claim.
3. Consider how well the two aspects are integrated-that is, how the story brings the claim to life.

The creative team checks to see whether the narrative level is so high that it overpowers the claim or whether the claim is strong but there is no memorable story. Ideally, these two elements will be so seamless that it is hard to tell whether the impact occurs because of the power of the story or strength of the claim.

Creative Thinking

How do you make the creative leap and get creative ideas?

Creativity is a special form of problem solving and everyone is born with some talent in that area. In advertising, creativity is not limited to the writers and art directors. Media planners and market researchers are just as creative in searching for new ideas and innovative solutions.

A lot of what happens when you get an idea comes from just letting the mind wander. The most common structured techniques that creative thinkers use are free association divergent thinking, analogies and metaphors, and right-brain thinking.

Creative aerobics is a thought-starter process that works well in advertising because it uses both the head and the heart. Developed by Linda Conway Correll, a professor at South east Missouri State; it is a four-step idea-generating process.

1. **Facts.** The first exercise is left brain and asks you to come up with a list of facts about a product (an orange has seeds, is juicy, has vitamin C).
2. **New names.** In the second exercise you create new "names" for the product (Florida, a vitamin supplement, a kiss).
3. **Similarities.** The third exercise looks for similarities between dissimilarities objects. (What are the similarities between the new names and the product-for Florida

sunshine and oranges both suggest warmth, freshness, sunshine fountain of youth).

4. **New definitions.** The fourth exercise, a cousin of the pun, creates new definitions for product-related nouns. Peel (face peel, peel out), seed (seed money, bird seed), navel/naval (navel academy, contemplating one's naval), pulp (pulp fiction), C/see/si/sea (C the light). Headlines derived from those definitions include the following: "Seed money" (the money to purchase oranges), "Contemplating one's navel" (looking at oranges), "Peel out" (when your grocer is out of orange), "Navel intelligence" (information about an orange), "Pulp fiction" (a story about an orange), "C the light" (the orange is a low-calorie source of vitamin C). The new definitions provide ideas for the ad copy.

Creative Ways of Thinking Technique Description

Technique	Description
Free association	Creates the juxtaposition of two seemingly unrelated thoughts. In free association you think of a word and then describe everything that comes into your mind when you imagine that world
Divergent thinking	Differs from rational, linear thinking used to arrive at the "right" conclusion. Divergent thinking, which is the heart of creative thinking, uses association and exploration (playfulness) to search for all possible alternatives.
Analogies and metaphors	Used to see new patterns or relationships. William J. J. Gordon, a researcher in the area of creative thinking, discovered that new ideas often were expressed as analogies. His program, called synectics, trains people to approach problem solving by applying analogies.
Right-brain thinking	Intuitive, nonverbal, and emotional thinking On contrast to left-brain thinking, which is and controls speech and writing). A left-brain dominant person is presumed to be logical orderly, and verbal. A right-brain dominant person tends to deal in expressive visual images emotion, intuition, and complex interrelated ideas that must be understood as a whole rather than as pieces.

Creative Roles

All agencies have copywriters and art directors who are responsible for developing the creative concept and crafting the execution of the advertising idea. They often work in teams, are sometimes hired and fired as a team, and may work together successfully for a number of years. Broadcast producers can also be part of the team for television commercials. The **creative director** manages the creative process and plays an important

role in focusing the strategy of ads and making sure the creative concept is strategically on target.

Because advertising creativity is a product of teamwork, copywriter's and art directors must develop teamwork skills. Usually both members of the creative team generate concept, word, and picture ideas. Their writing or design specialties come into play in the execution of the idea. The concept may come to mind as a visual, a phrase, or a thought that uses both visual and verbal expression. If it begins as a phrase, the next step is to try to visualize what the concept looks like; if it begins as an image, the next step is to develop words that express what the visual is saying.

Words and Picture

The two most important creative tools in the creative person's tool kit are art and copy. In well-integrated advertising the words and pictures work together to present the creative concept. Within the frame of the creative concept, however, keep in mind that words and pictures do different things and accomplish different message effects.

People respond to words and pictures in different ways. When you think of a car, do you think of an image or a word? Some people are highly visual and automatically think and remember in images; others are more verbal and would respond with a word like Ford or Ferrari.

In most advertising, however, the power lies with the visual. Print advertising research has found that more than twice as many magazine readers are captured by a picture in an ad as by the headline. Ads with pictures also tend to pull more readers into the body copy. In other words, initial attention is more likely to turn to interest with a strong visual. Furthermore, the bigger the illustration, the higher the attention-getting power of the advertisement. People notice ads with pictures more than ads composed mostly of type.

Similar research with television, which by its nature is mainly a visual medium, has found that the pictorial elements of a television commercial are better remembered than are the words. Even radio can evoke mental pictures through suggestive or descriptive language and sound effects.

To learn how and when to use visuals effectively, advertisers must focus on six key points: attention, instant communication, memory, demonstration, brand reminder, and distinction. First, visuals generally are better at getting attention. Second, pictures communicate faster than words. A picture communicates instantly, whereas verbal communication must be deciphered word by word, sentence by sentence, line by line. IBM used a chick and an egg to demonstrate the smallness of its new hard disk drive. Third, research suggests that visuals are easier to remember, although slogans are also important. Many people remember messages as visual fragments, as key images that are filed easily in their minds. Fourth, seeing is believing so visuals that demonstrate add credibility to a message. Fifth, reminder advertising or advertising trying to establish a brand image often put more emphasis on the visual impression and the associations that spring from it. Sixth, to distinguish undifferentiated products with low inherent interest, advertisers often emphasize the visual message.

Advertisers often use words in five situations. First, if the message is complicated, words are useful because they can be more specific and can be reread. If the ad is for a high involvement product and the purchase is deliberate and well considered, then the more information the better, and that means using words. Information that needs definition and explanation is better delivered through words too. If a message tries to convey abstract qualities, such as justice and quality, words tend to communicate these concepts more easily than pictures. Finally, slogans and jingles help lock in key phrases that cue a brand image or remind of a brand feature.



To dramatize the small size of its lightest hard disk drive, which is about the size of a large coin, IBM depicted the drive next to a newly hatched chick and its eggshell.

Art Direction

The person who is most responsible for the graphic image of the advertisement is the art director. The art director composes the visuals in both print and video and lays out the ad elements in print. Artists may do the specific illustrations or renderings, but the art director is the chief designer. Because advertising is so dependent on visuals, the art director has a huge responsibility in the development of an effective advertisement.

In particular, the director is in charge of the visual look of the message and how it communicates mood, product qualities, and psychological appeals. Specifically, the art director makes decisions about whether to use art or photography in print (film or animation in television) and what type of artistic style to use. Because of the importance of this look, art directors are also part of the creative team for television. This team also includes a television director or producer.

The use of color is another important design decision. Color association can be an important part of a brand image. IBM uses the color blue so extensively that the company is often referred to as "Big Blue."

Color also has a psychological language that speaks to moods and symbolic meanings. Warm colors, such as red, yellow, and orange, are bright and happy. Pastels are soft and friendly. Earth tones are natural and no-nonsense. Cool colors, such as blue and green, are aloof, calm, serene, reflective, and intellectual. Yellow and red have the most attention-getting power. Red

may symbolize alarm and danger, as well as warmth. Black communicates high drama and can express power and elegance.

Copywriting

There is good writing and there is bad writing in advertising, just as there is in every other area of expression. The person who shapes and sculpts the words in an advertisement is called a copywriter. Copywriters are preoccupied with language. They listen to how people talk. The “Gopher Talk” campaign plays with the way people talk, particularly folks in Minnesota, as an excerpt of dialog from one commercial demonstrates:

“It’s the kind of defense where you hit a guy so hard snot bubbles come out of his nose,” Barb chirps gleefully. “Oh, you bet,” Marge chuckles. “And you know, Barb, Coach Mason has just the boys to execute that kind of defense.”

“Oh, sure,” Barb answers. “They’re real good boys. Why, they’ll know how to come right up to a guy, say, ‘Hi. How are you. Good to see you.’ And then, rip his head off. Rip it clean off.” “Oh, yeah,” says Marge. “They’ll know what to do.”

Advertising has to win its audience, no small task given that it usually competes with some other form of programming or editorial matter. For that reason, the copy should be as simple as possible. Unless the rewards are worth it, most people tune out cumbersome advertising copy. Simple ads avoid being gimmicky or too cute; they don’t try too hard or reach too far to make a point.

Advertising copy is tight. Every word counts because both space and time are expensive. Ineffective words waste precious space. Copywriters revise copy a hundred times to make it as concise as possible. The tighter the copy, the easier it is to understand and the greater its impact. The “Practical Tips # 2” feature summarizes some characteristics of effective copy.

To develop the right tone of voice, copywriters move away from the general target audience description and concentrate on a typical user. If they know someone who fits that description, then they write to that person. If they don’t, then they may go through a photo file, select a picture of the person they think fits the description, and develop a profile of that personality. Copywriters may even hang these pictures above their desk while writing the copy.

Formulaic advertising copy is so well known that comedians parody it. This form of formula writing, called **adese**, violates all the guidelines for writing effective copy that we described in “Practical Tips # 2.” Adese is full of clichés, superlatives, stock phrases, and vague generalities. For example, can you hear yourself saying things like this to a friend? “Now we offer the quality that you’ve been waiting for—at a price you can afford.” “Buy now and save.” Another type of adese is brag-and-boast copy, which is “we” copy written from the company’s point of view. It usually is pompous in tone, and research has consistently found that this is the weakest form of ad writing.

Consider an ad by Buick for Somerset. The ad starts with the stock opening, “Introducing Buick on the move.” The body copy includes superlatives and generalities such as, “Nothing less than the expression of a new philosophy,” “It strikes a new balance between luxury and performance; a balance which has

been put to the test,” and “Manufactured with a degree of precision that is in itself a breakthrough.”

The problem with adese is that it looks and sounds like what everyone thinks advertising should look and sound like. Because people are so conditioned to screen out advertising, messages that use this predictable style are the ones that are the easiest to avoid.

Practical Tip # 2

WRITING EFFECTIVE COPY

- **Be succinct.** Use short, familiar words, short sentences, and short paragraphs.
- **Be specific.** Don’t waste time on generalities. The more specific the message, the more attention-getting and memorable it is.
- **Get personal.** Directly address your audience whenever possible as “you” and “your,” rather than “we” or “they.”
- **Keep a single focus.** Deliver a simple message instead of one that makes too many points. Focus on a single idea and support it.
- **Be conversational.** Use the language of everyday conversation. The copy should sound like two friends talking to one another, so don’t shy away from incomplete sentences, thought fragments, and contractions.
- **Be original.** To keep your copy forceful and persuasive, avoid stock advertising phrases (known as adese), strings of superlatives and brag-and-boast statements, and clichés.
- **Use variety in print and TV ads.** To add visual appeal, avoid long blocks of copy in print ads. Instead, break the copy into short paragraphs with subheads. In TV ads, break up television monologues with visual changes, such as shots of the product, sound effects, and dialogue.

The Creative Person

You probably know people who are just naturally zany, coming up with crazy, off-the-wall ideas. In terms of creativity, these people start off with a little advantage. But that’s all it is. And it may be a disadvantage if they can’t tame their craziness to fit into a business environment. Creative advertising people may be zany, weird, off the wall, and unconventional, but they are not eccentric. In other words, they are still very centered on creating effective advertising.

Research by the Center for Studies in Creativity and the Creative Education Foundation, 60th in Buffalo, New York, has found that most people can sharpen their skills and develop their creative potential. First, let’s explore what makes a person creative. Then let’s see how people develop creative skills.

Personal Characteristics

Although everyone has some problem-solving abilities, certain traits seem to be typical of creative problem solvers. Research indicates that creative people tend to be independent, self assertive, self-sufficient, persistent, and self-disciplined, with a high tolerance for ambiguity. They are also risk takers with powerful egos that are internally driven. They don’t care much about group standards and opinions and typically have inborn skepticism and strong curiosity. Creative problem solvers are

alert, watchful, and observant and reach conclusions through intuition rather than through logic. They also tend to have a good sense of humor and a mental playfulness that allows them to make novel associations.

The Ability to Visualize

Most copywriters have a good visual imagination as well as excellent writing skills. Art directors are able to visualize, but they can also be quite verbal. The heart of the advertising concept team is “writers who doodle and designers who scribble...,”¹⁴

Writers as well as designers must be able to visualize. Good writers paint pictures with words. They describe what something looks like, sounds like, smells like, and tastes like. They use words to transmit these sensory impressions. Most of the information we accumulate comes through sight, so the ability to manipulate visual images is crucial for good writers. In addition to seeing products, people, and scenes in his or her mind’s eye, a good writer is able to visualize a mental picture of the finished ad while it is still in the talking, or idea, state.

Openness to New Experiences

One characteristic that identifies creative people is that they are open to new experiences. Sheri Broyles, professor at the University of North Texas, looked at people in advertising to test that idea. Agency creative directors must not only be creative themselves, but they must also be able to recognize and inspire creative work in their copywriters and art directors. When given the Openness to Experience questionnaire, part of which is shown in table below, Broyles found that these creative directors were more open than most over people. A second study showed a similar pattern with students in a creative advertising class. A comparison between the two studies showed that the advertising students scored higher than established norms and the advertising professionals scored even higher than the students did.

According to Broyles, it’s easy to see how someone who agrees with this last statement might develop innovative advertisements and commercials. Such fantasies lead to Michael Jordan and Larry Bird playing an outlandish game of horse and the award-winning “Nothing but Net” spot for McDonald’s. In advertising agencies, those in the creative department are paid—and paid well—to fantasize every day.

Over the course of a lifetime, openness to experience may give you many more adventures from which to draw. Those experiences would, in turn, give a novelist more characters to write about, a painter more scenes to paint, and the creative team more angles from which to tackle an advertising problem.

Let’s Get Personal: The Creative Personality Did you ever wonder whether you are creative? Does that have anything to do with your personality? And what is personality anyway? Your personality is your own distinctive and consistent pattern of how you think, feel, and act. A current view of creativity suggests that the area of personality most related to creativity is how open you are to new experiences. According to researchers McCrae and Costa, how open you are to experience can be measured by survey questions such as these: Do you agree or disagree with the following statements?”I enjoy working on

‘mind-twister’ type puzzles:”“Once I find the right way to do something, I stick to it:”“As a child I rarely enjoyed games of make-believe:”“I enjoy concentrating on a fantasy or daydream and exploring all its possibilities, letting it grow and develop. “

The Creative Process

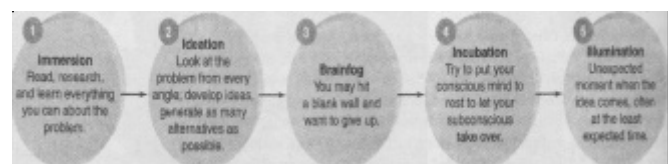
People tend to think of a creative person as someone who sits around waiting for an idea to strike. In comic books that is the point where the light bulb comes on above the character’s head. Rarely do great ideas just come from out of the blue. In reality, most people who are good at thinking up new ideas will tell you that it is hard work, as the “Inside Story” suggests. They read, study, analyze, test and retest, sweat, curse, and worry, and sometimes they give up. The unusual, unexpected, novel idea rarely comes easily—and that’s as true in science and medicine as it is in advertising.

Steps and Stages

The creative process, called ideation, usually is portrayed as a series of steps. English sociologist Graham Wall as usually is credited with identifying the steps in the creative process: preparation, incubation, illumination, and verification.¹⁸ Alex Osborn, former head of the BBDO agency and founder of the Creative Education Foundation, suggests a more comprehensive process. His list of seven steps includes a creative process starting with orientation, then moving to preparation, analysis, ideation, incubation, synthesis, and finally ending with evaluation. These various approaches to ideation share a number of the key steps shown in figure below.

Many creative people admit that often their creative ideas just don’t work and sometimes the idea they thought was wonderful does not seem so great a day or week later. Part of evaluation involves the personal go/no go decision. Craig Weatherup, Pepsi president and CEO explained, “You must have a clear vision. . . and have the nerve to pull the trigger.” BBDO’s president, Phil Dusenberry says, “On Pepsi, the kill rate is high” He explains, “For every spot we go to the client with, we’ve probably killed nine other spots.”

Stages in The Creative Process.



Brainstorming

An ideation technique known as brainstorming uses associative thinking in a group context. In **brainstorming** a group of 6 to 10 people work together to come up with ideas. One person’s ideas stimulate someone else’s, and the combined power of the group associations stimulates far more ideas than anyone person could think of alone. The secret to brainstorming is to remain positive and defer judgment. Negative thinking during a brainstorming session can destroy the informal atmosphere necessary to achieve a novel idea.

To force group creativity against a deadline, some agencies have special rooms and processes for brainstorming, with no distractions and interruptions (such as telephones and access to

e-mail) and walls that can be covered with sheets of paper on which to write ideas. Some agencies rent a suite in a hotel and send the creative team there to get away and immerse themselves in the problem.

Creative Strategy and Execution

The two dimensions to the creative side of an advertisement are the message strategy and its execution. Message or **creative strategy** refers to what the advertisement says and **execution** refers to how it is said.

Creative strategy identifies the general problem the message faces and suggests how it can be solved. For example, in the Maytag campaign the objective of the ads was to add a new dimension to the May tag dependability message conveyed for years through the “The Lonely Repairman” brand character. John Thomas, May tag director of advertising, explained that “We’re really trying to extend the dependability message into more product performance.”

Because effective advertising is built on strategy, it is important to understand how the creative idea mirrors the message strategy. In the May tag refrigerator campaign, for example, executives knew that gaining consumer attention was problematic. The “Dual Cool” campaign used offbeat presentations to overcome this problem. Leo Burnett associate creative director Susan Thurber Jones explained that her team had to “create some new excitement for the brand.”

The “Keep Your Cool” ads introduced an element of humor to grab attention. In one offbeat spot called “I scream,” a mother is shown trying to remove ice cream from a carton taken out of a too-cold freezer. The ice cream with a frozen spoon stuck in it, goes flying around the house and through a window, landing on a plate next to a bewildered-looking toddler.



Maytag’s “I scream” commercial demonstrates in a humorous way what happens when a refrigerator keeps ice cream too cold. What other humorous situations might arise because of a refrigerator that keeps things too cold or not cold enough?

Product Category Strategies

Creative strategy is first of all a reflection of the product category. Some kinds of products such as clothes, jewelry, and cosmetics are fashion items, and their advertising makes its own fashion statement. For example, in a long-running campaign by New York’s Goldsmith/Jeffrey for Everlast, one ad targets serious fitness fanatics who wear Everlast clothing and takes punches at those in the lightweight fitness crowd who are more comfortable drinking a cup of cappuccino.

Some products are just naturally difficult to advertise, such as hemorrhoid treatments and feminine hygiene products. Other kinds of advertising are for products used in the home (cleansers, light bulbs), for personal care (toothpaste, toilet paper and tissue, laxatives, cold remedies), or for sustenance (food of all kinds, including snacks and soft drinks). In Europe these are described as fast-moving consumer goods (FMCG). In the United States they are called packaged goods. Advertising for these products can range from the basic problem solution (ring around the collar, toilet bowl, or sink) to fun (the Pepsi Generation and the Pillsbury Doughboy).

Head and Heart Strategies

In addition to communicating the product category, advertisements are designed to touch the head or the heart. **Hard sell** is a rational or informational message that is designed to touch the mind and create a response based on logic. The approach emphasizes tangible product features and benefits. **Soft sell** uses an emotional or image message and tries to create a response based on attitudes, moods, dreams, feelings, and emotional appeals.

A soft sell can be used for hard products. NAPA auto parts ran an emotional ad that showed a dog sitting at a railroad-track crossing, forcing a truck to break hard to avoid hitting him as a train bears down on the scene. The slogan puts the heart-stopping visual story into perspective: “NAPA because there are no unimportant parts.”

Most advertising messages use a combination of two basic literary techniques to reach the head or the heart: lectures and dramas. A lecture is a serious, structured instruction given verbally by a teacher. Lectures are a form of direct address. The speaker presents evidence (broadly speaking) and uses such techniques as an argument to persuade the audience. Assuming they aren’t dull, the advantages of lectures are many. They cost less to produce, and are more compact and efficient: A lecture can deliver a dozen selling points in seconds, and get right to the point and make the point explicitly, whereas drama relies on the viewer to make inferences.

A drama is a story or play built around characters in some situation. In a drama the characters speak to each other, not to the audience. Like fairy tales, movies, novels, parables, and myths, advertising dramas are essentially stories about how the world works. Viewers learn from these commercial dramas by inferring lessons from them and by applying those lessons to

their everyday lives. When a drama rings true, the viewer joins in, draws conclusions from it, and applies those conclusions to his or her own life.

There are many other ways to formulate message strategies. These techniques combine notions about the product category with a basic understanding of the head and heart dimensions of most advertising messages.

The Selling Premise

The sales message, or selling premise, can be characterized as either product or prospect centered. A product-centered strategy focuses on the product and its features or attributes. A **claim**, for example, is a statement about how the product will perform. Torture tests, comparisons, and before-and-after demonstrations are used to prove the truth of a claim.

Prospect -centered (or consumer- focused) strategies stress the needs and wants of consumers through the use of emotional appeals, entertainment, and rational appeals. Emotional appeals highlight the psychological attraction of the product to the target audience with such emotional hot buttons as fear, love, pride, status, appetite, sex, guilt, safety, responsibility, nostalgia, convenience, and economy. Entertainment uses dramas, humor, and song-and-dance messages to reward the audience with an engaging message.

Rational prospect-centered selling premises include benefits, promises, reasons why, and unique selling propositions (USPs).

Support

Support, which is used in both product and prospect strategies, is the proof or substantiation needed to make the selling premise believable. Regardless of which selling premise an advertiser uses, consumers should be able to analyze the logic behind the premise. Most selling premises demand facts, proof, or explanations to support the sales message. Support is important because it lends credibility to the premise. To illustrate, suppose Hubba Bubba wanted to support a unique selling proposition that its gum is the only chewing gum that lets you blow great big bubbles that won't stick to your face. The support for that USP could be that Hubba Bubba uses an exclusive nonstick formula.

The Creative Brief

The creative strategy and the key execution details are spelled out in a document called a creative brief (also called creative platform, worksheet, or blueprint). The account manager or account planner prepares the brief, identifies the basic creative strategy ideas, and gives some direction to the creative approach. Account planners are particularly useful because of the consumer insights they bring to the strategy. Planners are the bridge between account service and the client, consumers, and the creative team.

The "Gopher Talk" creative brief is shown in table below. The format of these briefs vary, but most combine the basic advertising strategy decisions (the problem to be solved, the objectives, the target market, and the positioning strategy) with the critical elements of the message strategy (the selling premise, the creative strategy, and details of the ad's execution). The briefs typically are in outline form.

Gopher Football Creative Brief
Problem To Be Solved? The Gophers are coming off six consecutive losing seasons. They play in the Metrodome and struggle to draw large groups of students. During the losing seasons, old traditions linked to Gopher Football as a tradition-rich event began to die.

Who Are We Talking To? Primary Target: Students Many of these students have attended Gopher Athletics and probably even a football game, but for some, interest is still only latent. They have a positive disposition and respect tradition, but don't necessarily see anything attracting them to Gopher football games.
Secondary Target: Recent Alumni and the Lost Generation of Gopher Fans. These groups represent the people who have become disillusioned with Gopher football. "The team doesn't win and the games aren't fun anymore." These fans want to support the team, but are waiting for something to change their perceptions.

What We Expect The Advertising To Accomplish? Compel students to rediscover Gopher Football by demonstrating that everything about Gopher Football (the games, the pregame events, the parties) is an exciting, entertaining and unpredictable source of fun.

Key Idea On the field or off the field, with Gopher Football, anything can happen!

Why Should They Believe This? U of M will sponsor events and activities that make the game a three-day event (on-campus treasure hunts, Maroon & Gold nights at local bars, band and Alumni band events, pre-game parties, tailgating parties on Metrodome Plaza).

- With a new coach, the Gophers are committed and could start winning.
- Students and season ticket purchases are the highest since Lou Holtz was coach.

Brand Personality? Enthusiastic. Unpredictable. Slightly Irreverent.

Evictional Considerations The administration is committed to Coach Mason and his vision for the team. Fortunately, Coach Mason understands that students and their traditions help make games more exciting. The advertising needs to be edgy enough to appeal to students, but cannot be offensive to the general public. "Anything Can Happen" should not be used as a tagline.

Decisions about the Message Execution

How the creative message is executed contributes to the relevance, originality, and impact of the advertising. The execution details are the specifics about how the message will look, read, and sound in its finished form—all the details and decisions involved in the message format, its tone, and its production.

Consider how GM used two different execution styles to create radically different images for two trucks that are built on essentially the same body. For the Chevrolet Silverado, GM's "macho" campaign is peopled with rugged cowboys and steelworkers. For the Pontiac-GMC Sierra truck, a "snob appeal" campaign targets a fussy group of white-collar types. Those ads feature shipyards and hydroelectric dams and the clean-cut men

(and women) who run them. Even though both trucks are built on the same platform, the two campaigns target their market segments in ways as different as night and day.

Message Formats

Advertisers use a number of common formats for advertising messages. In a way these are formulaic, but they also are useful in explaining to bosses and clients the plans for message delivery. Common formats include straightforward messages, demonstrations, comparisons, problem solution, slice of life, spokesperson, and teaser, which we summarize next.

Straightforward

A factual or informational message conveys information without any gimmicks, emotions, or special effects. For example, in an ad for www.women.com the Web site advertises that “It’s where today’s educated, affluent women are finding in-depth coverage on issues they care about” and that more than two million women visit each month, “the highest composition of professional/managerial women of any network.”

Demonstration

Straightforward in tone, the demonstration focuses on how to use the product or what it can do for you.

Comparison

A comparison contrasts two or more products and finds that the advertiser’s brand is superior. The comparison can be direct, with competitors mentioned, or indirect, with just a reference to “other leading brands.” In comparison, as in demonstration, seeing is believing, so conviction is the objective.

Problem solution/ problem-avoidance

In a problem solution format, also known as “product-as-hero,” the message begins with a problem and the product is the solution. A variation is the problem avoidance message format, in which the product helps avoid a problem. A form of threat appeal, problem avoidance is often used to advertise insurance and personal care products.

Slice of life

This format is an elaborate version of a problem solution staged in the form of a drama in which “typical people” talk about a common problem and resolve it.

Spokespeople/endorsers

In this format, the ad uses celebrities we admire, created characters (the Energizer Bunny), experts we respect, or someone “just like us” whose advice we might seek out to speak on behalf of the product to build credibility.

Teasers

Mystery ads that don’t identify the product or don’t deliver enough information to make sense. Teasers create curiosity and appeal to the anti-hard sell attitudes of young people.

Tone and Attitude

Because ad copy is written as if it were a conversation, it can also be described in terms of tone of voice. Most ads are written as if an anonymous announcer were speaking. Even with anonymity, however, the tone of voice may be identifiable. Some ads are angry, some are pushy, some are friendly; others are warm or

excited. Message tone, like your tone of voice when you speak to someone, reflects the emotion or attitude behind the ad. Ads can be funny, serious, sad, or fearful.

The creative messages for the Columbia Bank campaign (see chapter 8) were designed to give the bank a friendly but confident tone of voice. The photography and the impact of the placement created the impression of a solid hometown financial institution. Using the campaign theme “Banking Is What Banking Was,” the ads celebrated local, old-fashioned service, in contrast to the impersonal megabanks that were moving into town.

Recently attitude has become a synonym for a style of advertising that is in-your-face, outrageous, or even abrasive. Although most of the 1980s and early 1990s were fairly serious, in the 1990s attitude began creeping into advertising as a way to reach Generation X. Some, like the “Gopher Talk” ads, are designed to be edgy to appeal to the student market’s sports fan’s sense of outrageous humor. Finding the right balance is difficult. An ad for Rib Ticklers barbecue sauce has a cynical attitude that is sure to offend animal rights activists and vegetarians. With a children’s choir singing in the background, the commercial begins with an ode to the cow, the chicken, and the lamb. Then a barbecue grill appears silhouetted against a brilliant blue sky and the announcer says, “Let’s eat them.”

Advertisers use humor because it is attention getting and they hope that people will transit the warm feelings they have as they are being entertained to the product. Humor is hard to handle, however, as the Rib Ticklers ad demonstrates: Some people will love it but others hate it. For a humorous ad to be effective, the selling premise must reinforce the point of the humor. Humor should never be used to poke fun at the product or its user. One campaign character that consistently scores well with the public is Louie the Lizard and his various schemes to upstage the Budweiser frogs.

Product Decisions

A creative platform may also outline the production decisions that bring the creative idea to life. These involve such details as the casting, staging, setting, action, lighting, props, colors, sounds, and typography all of the elements that can give an advertisement a distinctive feel and look. These details are crucial. The casting decisions, for instance, helped make the Golden Gopher campaign more effective.

Effective Creativity

Advertisers must evaluate advertising before they can consider it effective. The most common evaluation approach is to test the ad against its objectives. Another method is to assess the effectiveness of the ad’s creative features. Research firm McCollum Spielman determined the characteristics of effective creative messages based on 25 years of research and 25,000 copy tests.

Creative people sometimes are more interested in winning awards than in achieving sales objectives. The legendary Bill Bembach reminds the creative person to make the product-not the author-shine:

Merely to let your imagination run riot, to dream unrelated dreams, to indulge in graphic acrobatics and verbal gymnastics is

not being creative. The creative person has harnessed his imagination. He has disciplined it so that every thought, every idea, every word he puts down, every line he draws, every light and shadow in every photograph makes more vivid, more believable, more persuasive the product advantage.

Another problem is the risk-averse nature of many large organizations, both agencies and clients. Evaluating a new idea is hard because there are no benchmarks. It is much easier to evaluate ideas that have been used before because advertisers can see the effects of the past performance of similar ideas. Consequently, a manager will use a proven formula for an ad, knowing that the approach is safe and the ad probably won't fail, even though it may not be highly successful either. A new approach is always a gamble. Most copy testing focuses on recognition (awareness), recall, comprehension, and persuasion (attitude change). Another factor, likability, surfaced in a study by the Advertising Research Foundation that found liking may be just as important, if not more so, than persuasion and recall in predicting sales response. It opened the door to a broader view of what makes an advertisement effective and makes it possible to better evaluate what the creative dimension really contributes to advertising effectiveness.

Integration and Creativity

The most important principle of effective creativity is unity. That means ads must to integrate the words and pictures, as well as the strategy and execution. As expert James Marra explains, "Without unity an ad often fails to solidify a meaning in the audience's mind." The development of the integrated marketing communication approach has made unity even more important because of the need for consistency across a variety of marketing communication tools.

Nike advertising is a classic example of creative work that incorporates this concept of unity. Nike's Air Jordan campaign was the first example of a sports brand that created a fully integrated marketing program around an athlete. The brand had a unique look, from product design to the "Jump-man" logo, that carried through all the advertising, promotion, and merchandising. Jordan's performance on the court was a key element.²⁹ In other words, the message is executed in product design as well as in all forms of marketing communication to create a coherent and unified brand.

Twelve Tested Creative Hot Buttons

What makes a creative message effective? Here are the 12 recurring qualities found in the most sales-effective advertising as measured by research firm McCollum Spielman.

1. Brand rewards/benefits are highly visible through demonstration, dramatization, lifestyle, feelings, or analogy.
2. The brand is the major player in the experience (the brand makes the good times better).
3. The link between the brand and execution is clear (the scenario revolves around and highlights the brand).
4. The execution has a focus (there's a limit to how many images and vignettes the consumer can process).
5. Feelings (emotional connectives) are anchored to the needs and aspirations of the targeted consumer.

6. Striking, dramatic imagery is characteristic of many successful executions, enhancing their ability to break out of clutter.
7. An original, creative signature or mystique exists in many of the best commercials to bond the consumer to the brand and give it a unique personality.
8. In food and beverage advertising, high taste appeal is almost always essential.
9. The best creative ideas for mature brands often use fresh new ways of revitalizing the message.
10. Music (memorable, bonded tunes and lyrics) is often a key to successful executions for many brands.
11. When humor is used, it is relevant, with a clear product purpose.
12. When celebrities are used, they are well matched to brands and have credibility as users/endorsers, and their delivery is believably enthusiastic.

The Creative Side of the Web

Online marketing is still so new that what was considered creative last year may be passé this year. Creativity often is confused with novelty. Is an animated ad creative or simply a technological demo?

Creative development on the Web has often been what is considered good design in traditional media both pushed and limited by evolving technology. For example, although typography is an important part of graphic design, Web designers don't have free rein because many Internet browsers can't display a full range of fonts. Similarly, as important as graphics are to design, they take much longer to transmit than text, so they should be used judiciously.

Some design experts have criticized Internet advertising for its poor quality. According to Jakob Nielsen, who runs Nielsen Norman Group, a user-experience consulting company, "Most advertisers have no clue about the true fundamental nature of the Internet or how to make use of interactive media. Ninety percent of the time you click on a banner ad and you arrive at a horrible Web site. People are learning they can't trust these things."

In recent years several competitions have been set up to recognize the best in Web page design such as the Clio awards (www.clioawards.com). One Show Interactive (www.oneclub.com). the DX Award for Design Excellence by the Internet Professional Publishers Association (www.ippa.org) and the Momentum Awards for "propelling the Internet forward as a powerful new communications and marketing medium" (www.momentumawards.com). Some of the winning sites from these award shows have included Apple's e-Commerce site, Honda, L'eggs, and Rockport.

Summary

In this lesson we'll investigate how some ad agencies define creative advertising, the different approaches advertising people use to stay creative, the creative concept, characteristics of creative people, and the process of creative thinking and creative strategy.¹ Define creative advertising. Creative advertising can be defined in terms of relevance, originality, and impact (ROI). The

advertising implements a strategy built on creative concepts that make a creative leap and dramatize the strategy in an attention-getting, memorable way.² Describe the work of art directors and copywriters. Art directors and copywriters work together to develop the creative concept. Art directors are responsible for the images and copywriters are responsible for the words.³ Outline the key characteristics of creative people. All people are born with creative skills but people who are particularly good on the creative side in advertising are visual thinkers and open to new experiences.⁴ List the stages of the creative process. The stages in the creative process commonly include immersion, ideation, brainfog, incubation, illumination, and evaluation.⁵ Identify the key elements in a creative strategy and in the execution of that strategy. The creative strategy, which is outlined in a creative brief, refers to what the advertisement says and execution refers to how it is said. Creative strategy is different for different types of products and can be characterized as head or heart strategies that use lectures or dramas to communicate a selling premise. Execution decisions involve the message format, the ad's tone, and the production decisions.

Assignments

1. Has any creative campaign impressed you by its sheer creativity? Describe this giving all reasons on why the creativity is impressive.
2. Talk to one creative person in an advertising agency and list what are his/her tips to create highly effective campaigns. What are the skills he/she possesses that has helped in developing his/her career?

Notes -

LESSON 22: THE UNIQUE SELLING PROPOSITION (USP)

Topics Covered

Developing a Unique Selling Proposition (USP), the art of finding your own USP, Developing the Positioning Statement and the Tagline, Key elements of a great USP, Top 7 Ways To Design Your USP, the Levi's story, Budweiser as Buddy, identifying and building USP on the Internet.

Objectives

1. To learn the process of developing a USP for a brand.
2. To compare and study USPs of brands in different product lines.
3. Identify if USPs have been successfully developed or not.
4. To understand importance of developing USP on the Internet.
5. In developing your marketing message, it's very helpful to develop a Unique Selling Proposition, or USP.

What is a USP? The USP very clearly answers the question, "Why should I do business with you instead of your competitors?"

The USP may be used repetitively in your marketing literature to build the customer's or client's identification of your company with your product or service.

There are two major benefits in developing the USP. First, it clearly differentiates your business in the eyes of your current and potential customers or clients. Second, it focuses your team on delivering the promise of the USP, helping to improve your internal performance.

For example, who do you think of when you hear the phrase, "Fresh, hot pizza delivered in 30 minutes or less, guaranteed"?

Dominos virtually took over the delivered pizza market with that USP. Notice Dominos didn't even promise the pizza tasted good.

How do you think a Dominos delivery person would behave compared to a delivery person who works for a competitor without this USP? Do you think the team at Dominos made a considerable effort to develop systems to assure the USP was met?

Beware of the "cutesy phrase." The USP does not need to be expressed in 25 words or less. It could be a detailed set of performance standards. It should be tested to assure the USP addresses a need that is truly important to the buyer.

Would you like some assistance in developing your USP? We would glad to act as a facilitator for you and your team in this process.

Unique Selling Proposition

What is a unique selling proposition or USP? Very simply stated, your USP is what differentiates your product from your competition's product.

What a USP looks like:

1. It's one sentence.
2. It is clearly written, so that anyone can understand it.
3. It should be believable.
4. It is composed of one benefit that is unique solely to your company or product

Develop a USP using one or more of the following strategies:

1. Focus on a niche. In other words, before you develop the USP, find your target market. Who exactly are you selling to?
2. Fill a void. This is similar to finding a niche. Look for a void in the market and fill it with your USP.
3. Concentrate on "pain" or "pleasure."
4. State how your product will solve a problem.
5. Look at your competition.
6. Tell the customer what they are going to get - what's in it for them.
7. Make it "measurable." Time and price are measurable qualities.

More Tips:

1. Sit down with a piece of paper:
 - a. Brainstorm.
 - b. List all the benefits your company or product can offer.
 - c. Prioritize those benefits in order of what is the strongest, and most unique to your business.
 - d. Write one sentence that conveys the first benefit on the list.
2. Every employee should know your USP and be able to state it. (Especially if you are a small business.)
3. Your marketing campaigns, your marketing plan, and your business plan should surround your USP.

Fulfill the Needs and Desires of Your Prospects

The key to a great marketing campaign starts with understanding how the needs of your prospect relate to your product or service. It's basic, but most business owners never consider the thought. Until you know what they need and determine how you can satisfy those needs, you can't really plan a meaningful campaign.

Get a pen and paper out and ask yourself these questions:

- If I were a prospect getting solicited by my company, what would it take to get my attention?
- What promise would I want fulfilled?
- What needs would I want to have met?

Now ask yourself:

- What needs and desires are my competitors not fulfilling?

The best way to find out where you need the most work is to list all the needs and desires your competitors are already fulfilling. Maybe you are fulfilling these desires too, but is it possible that you could articulate it better than they can? Sure!

A good USP (unique selling proposition) is one that fulfills a void in the marketplace. It is communicated clearly and concisely so that your prospects “get it.”

It's also known as your “big promise.” So, it's important that not only do you communicate it in everything you do and say... but that you stand by it - always!

To formulate your marketing campaign, along with the lines of your USP, I suggest asking yourself the following questions.

- How can I show more interest in my customers than my competition?
- How much more service can I offer than my competitor does?
- What are my specific added or extended service benefits?
- When I have used similar services from competitors, where have I been most impressed — or most disappointed? And, why?
- How can I make my customers understand how important they are to me?
- How can I persuade them they are being treated with professional interest and courtesy?
- What specific needs should my product or service fulfill?

As you are aware, without a customer your business doesn't exist. Stop running your business the way YOU want it, and start running it the way YOUR CUSTOMERS want it.

It's all about **them**. It's never about you.

Treat your customers like dear and valued friends. Give them what they want. Treat them with respect and courtesy. Communicate with them often. Let them know you care about their wants, needs and desires.

If you've asked yourself the questions above, you are 1000 percent better than your competition. Rarely will ANY business ask themselves these questions. It shows in their poor revenues.

Always remember: **It's all about their needs, wants and desires. It's never about yours.**

The Art of Finding Your Unique Selling Proposition

Positioning is about making your offering different from, and more valuable than, your competitors' offerings—and placing that idea in the minds of a target group of customers. Positioning attracts customers by creating a positive and unique identity for your company and its offerings. Positioning is vital for distinguishing your offering from everybody else's.

In a world where there are more and more products and services every day, your customers are on advertising overload all the time. So they pick something to believe and hold that notion until a message breaks through and persuades them to change.

People can't hold warring ideas in their heads. They can't believe that the Norton Anthology is the best study guide for English

literature, then study from a set of Cliffs Notes and believe they're doing the best they can to pass their exams. They can't believe that all paper towels are pretty much alike, buy one that costs more than most, and think that they are wise shoppers. The point is, positioning is your effort to claim a high ground in that overloaded prospect's head and hold it against competition.

Perception of your Business

How will your business be perceived as different from your competition in the minds of your targeted customers? To figure this out, you must look for your best customer and then design a position that matches his or her wants and needs to an advantage that only you can offer. Remember, you can't be all things to all people, but you can be the vendor of choice for a group of them.

Positioning Affects Every Aspect of Your Communications- and Your Business

Positioning is the basis for all your communications—your packaging and product design, sales promotions, advertising, and public relations. Everything you do must reinforce that position—otherwise you just undermine your marketing efforts and sow confusion instead of confidence. Positioning is serious business. You must choose the right position, for now and down the road.

Do the work now to develop a clear position for your business vis-à-vis your competitors. You'll ensure that you get the most from your advertising budget. The truth is that with enough money, you can buy success in advertising. Mediocre, unfocused messages from a company without a clear position will generate sales surprisingly well if that company buys enough time or space to pound the message home. But think how much farther that budget could take you if you had a focused message, a unique selling proposition, and a target audience for your offering. Positioning - and the creative approach that grows from it—make the difference.

Developing the Positioning Statement and the Tagline

To begin creating your own sense of positioning for your business, answer the following questions with short, articulate answers that relate your offering to your customers' needs.

1. What does your business do?
2. For whom?
3. What is your biggest benefit to them?
4. Prove your claim. To what do you attribute that benefit?
5. How will your customers perceive this benefit, relative to the competition?

Don't tell them what you do. Tell them what you do for them.”

As a small business owner, service provider or medical professional, one of the biggest challenges you will face is telling others what you do. The challenge comes from the fact that most people are only interested if what you do fits what they need or want. Otherwise they are not interested. You must tell the listener how your product or service can benefit him, and how you can do it better than others who do what you do.

This is your unique selling proposition (USP).

Your unique selling proposition is the core of your marketing message. It tells suspects, prospects and customers about the value you provide in a clear, concise format. It is not a job description – “I wash windows” but a statement of purpose with a benefit – “I improve your view of the world outside your window.”

A great USP has these key elements:

1. **Outward Focus.** Instead of talking about you, your offering or your credentials, your USP should focus outside, on the prospect or customer.
2. **Targets a specific group or niche.** The best USP statements are personalized to the group or individual you are addressing. For example, when speaking to a doctor, I would say
 “I help medical professionals find more profitable candidates for their elective procedures.”
 When speaking to a diverse group (such as the chamber of commerce) I would be more general:
 “hot communications designs hair-on-fire marketing programs that help you attract more clients and earn more money.”
3. **Easily understood and retained.** Detailed discussion of process should be reserved for a sales presentation, and are not appropriate for an introduction.
 Stating your USP clearly and quickly makes it easy for your prospect to remember you when you follow up. What you do should be self-explanatory.
4. **Offers an obvious benefit.** Tell your prospect how you can ease his pain. This presupposes that you understand the problems of your target market, and have a solution.
 Some people get this backward, and create a solution in search of a problem (or create a problem in search of more problems!).
5. **Avoids jargon.** Engineers and purveyors of technical services love to talk the talk. Here’s one I heard recently:
 “We create enterprise software for core competency implementation.” (Huh?)
 Even if your target market is highly specialized, you should assume that you share only one common language – English.
6. **Integrates easily with your marketing materials.** Your USP should become of your branding efforts, and should appear on all your marketing materials, including your business cards, stationary, and website and brochures. In some instances, your USP becomes your brand:

“Have it your way. At Burger King.”

Ultimately, your USP becomes your primary marketing message, your elevator speech.

Much like scriptwriters who are coached to sum up the plot in one sentence, your unique selling proposition provides a clear, concise benefit statement that positively represents you and your company, and leaves a memorable and favorable impression in the mind of your prospect.

Top 7 Ways To Design Your USP (Unique Selling Proposition)

1. Your USP must be one sentence.
2. Every person on your team needs to be able to articulate it easily.
3. Your USP is either Pain or Pleasure oriented. Since most people will do more to avoid pain than to gain pleasure, you might want to model your USP around the pain that your product or service removes.
4. Make sure your marketing theme, campaigns, and business plans evolve around your USP. Did you ever see a business whose marketing pushes had nothing to do with their USP, and it made it look like that company had a values conflict?
5. “Do you know how [state the pain or problem the prospect has]” “What I do is [state the solution your product/service solves]”
6. Your USP should address a void in the marketplace, with a promise your firm can honestly fill.
7. The true test of whether you’ve designed a good USP or not, is if sells for you in the marketplace. Does it define your edge and is or does the marketplace value it with their pocketbook?

And don’t sweat it if you don’t have one yet, because there is always time. Most businesses are rudderless, shifting and moving to market momentum without a plan or defined niche.....BUT it doesn’t have to be that way. Write down RIGHT now what makes your business unique, and get started.

Your Unique Selling Proposition

In developing your marketing message, it is very helpful to develop a Unique Selling Proposition, or USP.

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What is a USP? The USP very clearly answers the question, “Why should I do business with you instead of your competitors?”

The USP may be used repetitively in your marketing literature to build the customer’s or client’s identification of your company with your product or service.

1. The multi-faceted personality of Levi’s advertising
 Based primarily on Fuller K, “The Levi 501 Campaign, ADMAP, March 1995

Until quite recently, a view prevailed that brand campaigns achieved the most impact by being one dimensional. At the extreme the brand was still conceptualised as a product that was best supported by a Unique Selling Proposition (USP). This did have the virtue of management simplicity, but truly powerful brand organisations now direct personalities with more intriguing breadth and depth.

Whilst Levi’s has always thought of its friendship with consumers in more broadly empathic terms, than purists of the USP school, it was only in the great Levis 501 campaigns that the brand fully visualised the multifaceted personality it wanted to be. As the figure below shows, Levi’s used seven dominant character traits.

No advertisement can meaningfully portray all of these. So Levi's marketers and advertising agency Bartle, Bogle, Hegarty rotated through selection of traits embedded in nine commercials that made up the epic Levi's 501 Serial.

Figure 1 : Levi's Personality traits (rows) triggered by commercials in the campaign series (columns)

	Launderette	Fridge	Parting	Beach	Pawn broker	Pool Hall	Swimmer	Procession	Creek
Romance		X	X	X					
Sexual Attraction	X	X	X				X	X	X
Physical Prowess	X								X
Resourcefulness	X				X	X		X	
Rebellion						X	X		
Independence				X	X				X
Being Admired	X	X	X		X	X			

2. Budweiser as Buddy

WCBN file (1995) featuring extract from Randazzo Sal (1993), "Mythmaking on Madison Avenue", Probus (Chicago)

In the US Budweiser brand, we have an intricate example of how identifiers can be threaded together as consumer codes to portray a national institution. This analysis of Budweiser's identity draws on a book by Sal Randazzo in which Budweiser is called archetypal of a male mythology brand. Says Randazzo: "The unique power of advertising goes beyond its ability to build and maintain successful, enduring brands by creating perceptual entities that reflect the consumer's values, dreams and fantasies.

The following inventory of US consumer codes helps to explain "Budweiserness" by suggesting seven of the brand's most significant consumer codes (together with an Anglo Saxon's attempt to translate meanings for non-American readers).

Brand Identifier => context as American consumer code

Clydesdales => these are shire horses used by Budweiser at promotional events and previously in delivering beer. They fascinate Americans and connote macho images of power, strength and working pride.

Cvolski => most famous execution of a long running series of slice-of-life ads featuring blue collar workers as America's real heroes

This Bud's for you => Budweiser's long running brand slogan

Red, White & Blue => brand's packaging colours (corresponding to America's national colours)

American eagle => the company's oldest trademark modelled on the bald eagle (America's national symbol)

Beechwood ageing => Budweiser's product legend inscribed on every pack with the proposition that "this proprietary process "produces unique taste, smoothness and drinkability - we know of no other brand of beer that costs so much to brew or age"

Genuine article => the heritage of being America's number 1 brand of beer

Some points to digest from this partial inventory of Budweiser identities are:

Each identifying code is a valuable property right as a contributor to Budweiser's image bank. Each code has required a large and continuous marketing investment to imprint its association of Budweiser on American consumers' minds.

Each identifying code is intimately related to Budweiser's essence as a leader - namely being the product hero of the American working male by portraying the American male as (unsung) hero. Budweiser's inventory of identities are engineered to work with each other in developing an integrated picture. It links product connoisseurship with images of working males with the integrity of traditional American values and overall pride in belonging.

Once you have examined how intimately a brand's vital reserves depend on its inventory of identities in consumers minds, it is difficult to attach credibility to any analysis of brand positioning, brand valuation or brand 'anything' unless it includes an integrated analysis of brand identity.

Exercise: which of Budweiser's identifiers do you think was being used in which of these varied communications goals?

- General recall of brand as top of mind
- Specific recall of brand as top of mind (e.g. occasion of use, calendar of mind)
- Heighten visibility/recognition of brand (e.g. impact in a specific media or on a new platform)
- Badge brand with personality or other image to wear
- Extend a brand
- Endow a brand with a stereotype bringing instant cosmopolitan appeal
- Local buy-in to a globally branded phenomenon
- Develop architectural strengths of high level brands (e.g. corporate/banner brands)
- Build linkages between brands (e.g. corporate brand and product sub-brand)
- General reminder of brand essence
- Pre-emptive (e.g. symbolic) ownership of brand essence
- Souvenir of brand essence (or other empathy translator)
- Connect up values of flagship brands to benefit other brands
- Seed a brand's cachet
- Brand a word-of-mouth legend
- Identify a brand's own PR platform
- Transition a brand through evolution of its identity system
- Translate essence into lifestyle or service guarantee
- Express a corporate tone of voice; a cultural style.

Positioning Is Important

Al Ries and Jack Trout coined the term "positioning" in the early 1980s in their book, "Positioning: The Battle for Your Mind." Although a few years have passed since the book was released, the core ideas they express are just as true today.

Positioning refers to the way a product, service, or person is presented to the buying public. To properly position yourself on the Internet, you must consider many factors:

- Your name
- Your Web address (URL)
- The benefits of what you offer
- Your personal strengths and weaknesses
- The strengths and weaknesses of your competition

How people generally perceive the category in which you seek an impact

Ries and Trout contend that positioning is not something you do to a product, service, or to yourself. It's something you do to a human mind. It's all about perception and how you fit in — especially when compared to the other perceptions that already exist in each potential fan's brain.

Crafting the best identity for you should be based on what already exists within you. In other words, you shouldn't conjure up an image you feel would be cool and then mold yourself into that identity.

The brand you create should be based on who you truly are as a human being. It should reflect your real skills and personality. Remember the pop duo Milli Vanilli and the fallout that occurred when it was discovered they didn't actually sing on their best-selling album? Faking it doesn't work.

The same goes for the person on the other end of the positioning equation: your potential fan. A person's preferences and view of the world are influenced mainly by the memories and attitudes that already exist in his or her mind, which explains why most people aren't easily swayed by dazzling advertising blitzes and publicity campaigns. If they were, every dot-com company that ran a Super Bowl ad would be prospering today. The truth is, they're not.

Remember the Pets.com sock puppet? The company used the mascot in a flurry of television ads in early 2000. Nine months later, when the Web site shut its doors, it was just another stray dog that had lost its way.

The mistake Pets.com made was assuming that, since consumers were spending millions online buying books and airline tickets, people would also buy pet supplies in the same manner - if only the company got the word out on a grand enough scale.

So ... how can you make sure that your personal brand image makes an impact on the Internet?

What is your USP?

We know many things about ourselves, including the clients in our CRM system, whether our time zone is EST or CDT, and if our favorite show is on ABC or CBS. We know this information like our own DNA. Otherwise we'd have to send out an SOS.

But many law firms don't know their USP. Even if they didn't they would have difficulty articulating it. Yet it's something that clients look for. It makes all the difference in whether your firm is chosen. Certainly your USP is an important point to put on your Web site. Yet it rarely appears.

What I'm talking about is your Unique Selling Proposition. What exactly is so special about your law firm?

Have you figured out your USP?

I can tell that many law firms have not figured out their USP. Their web sites pronounce that the firm "has a tradition of excellence and adherence to the highest ethical standards." Others say that the firm is "committed to building a seamless network of offices staffed by locally qualified lawyers who are indigenous to the business communities in which they and their clients operate."

That's a lot of words, but they don't say anything. You could take these grand phrases and apply them to any law firm anywhere. They may be selling propositions, but there's nothing unique about them.

Still other Web sites don't give any USP, they make no claim to uniqueness at all. The Web sites just list the firm name and a set of practice areas. Like a billboard that's been in the weather to long, it's merely there, and no one pays attention.

A Variety of Claims

Take a look at your Web site - where is your USP set forth? Here are a variety of claims, none of which are USPs:

We are big. You'll see this on sites that say "500 lawyers in 20 cities" or something like that. The statistics may be accurate, but the claim is generic. Headcount numbers will separate the 3,000-lawyer firm from the 3-lawyer firm, but that doesn't sell a firm well. Clients don't buy lawyers according to quantity. Clients hire individual lawyers for their legal matters, and the firm Web site should show how incomparable each is.

We are old. I'm never impressed by this claim. What difference does it make to a client if the firm has been around since 1840 or 1940? Give or take a century, it doesn't matter. What clients are concerned with are current legal events, new legislation and timely changes in the law. A law firm Web site should demonstrate that a law firm knows what's going on right now, not that it helped the commander of the fort deal with the gold rush.

We are smart. Yes, law firms love to state that they hire the smartest law grads and boast that they went to the finest schools. Web biographies never fail to mention that the lawyer was Order of the Coif and got a degree magna cum laude. But this doesn't bring in new business. Clients can't tell a bad law school from a good one, and they already presume that the lawyers are smart. Smartness is not a differentiator.

We are honest. Other versions of this statement are "we have integrity" and "we are ethical." This claim is no help at all. Clients already expect a law firm to be honorable, moral and trustworthy. Nothing could be more basic. Furthermore, how can the Web site prove this point? There's no sincere way to support this assertion.

We do good work. Again, clients expect this. If I found a site that said "we have a reputation for successfully managing complex legal matters," I would guess this is better than a reputation for bungling them. In any event, clients have no way to measure the quality of legal work. All they can tell is how long it took to get and how much it cost.

We practice in many areas. Law firms love to list every possible area of law they know. Not that it matters to clients, but they'll list real estate, real estate tax, real estate transactions and commercial real estate practices. There will be securities litigation, commercial litigation and plain vanilla litigation. Typically these reflect organizational distinctions within the firm, but they don't mean anything to clients.

What clients look for

In many marketing conferences, and the best part is always when a panel of general counsel tell the audience what they look for in law firms. They will go through their pet peeves and their special favorites, but eventually they'll disclose what they are looking for in a law firm. These items are the **unique selling propositions** that matter to clients:

What industries do you have experience with? It matters to a client if the law firm knows their industry. Clients see themselves as a member of an industry, and they follow the trends that affect it. They do not see themselves as a member of a law firm practice group. Client are impressed if the lawyer has knowledge of what's going on in their industry

Do you represent similar businesses? If the client is a retail clothing store, they want to know if you've represented other similar businesses. It makes clients comfortable if you have, because you'll know how their business works and what's important to them.

Have you handled similar cases? Clients want to look at a law firm Web site and find examples of transactions and cases you've handled. It demonstrates that you know what you're doing, you've gotten results and you've been through the issues before.

There are many more elements to a unique selling proposition. Your USP is going to be different from your competitors'. The sooner you define what it is, the easier it will be for clients to choose your firm.

Summary

In this lesson you learnt what is Unique Selling Proposition (USP), how important it is in the marketing matrix, what are the factors to consider while planning for a brand's USP even on the Internet.

Assignments

1. Study a brand's USP and write an account of how the brand communication has been built around this. Also refer to competition and the USP they have developed.
2. What are the key elements involved in the Unique Selling Proposition of any brand? Give an example of a brand where all these elements have been incorporated. Has this been done successfully and has it benefited the brand ?

Notes -

LESSON 23: MEDIA PLANNING AND BUYING

Topics Covered

How Media Planning Fits in the Advertising Process, Setting Media Objectives, Developing Media Strategies, Media Selection Procedures, Media Buying Functions, Media buyers' Special Skills, Global Media Buying, Staging a Media Plan.

Objectives

When you have completed this lesson, you should be able to 1. Explain how media planning fits in the advertising process 2. Outline how media planners set media objectives 3. Describe how media planners develop media strategies 4. Explain the functions and special skills of media 5. Discuss the challenges and opportunities of global media buying 6. Summarize the process of staging a media plan

Media planning is a problem-solving process. The problem: How can the media choices help meet marketing objectives? The ultimate goal is to reach the target audience in the best possible way.

In this chapter, we examine the media planning and buying functions, where they fit in the advertising process, and how media planners set objectives and develop media strategies. We then explore the skills media planners need and explain how one company staged a media plan.

A word of caution before we begin: Some media terminology (and there's lots of it) is confusing to people outside the advertising business. If you plan to be involved in, marketing for any business, no matter what its size, familiarity with the terms is important. We also do some calculations. Try not to get bogged down. Media specialists generally do the number crunching. However, to read, understand, and evaluate a media plan, you need to know what the numbers in the plan actually mean.

How Media Planning Fits in the Advertising Process.

Media planning is a blend of marketing and mass communication skills because it deals with the biggest portion of the advertiser's budget (cost for space and time). As we see in this chapter, planners have two main roles: analyzing the market and evaluating media channel effectiveness.

Even though we examine media planning before creative planning, they are parallel processes that constantly influence one another. Ideally, the insights culled from the strategic research influence the creative and media plans for all aspects of marketing communication, not just advertising, so that the marketing communications work in concert.

Media planning is the process of determining how to use time and space to achieve marketing objectives. One of those objectives is always to place the advertising message before a target audience. A medium is a single form of communication (television, billboards, online media). Combining media (using TV, radio, and magazines) is a media mix. A media vehicle is a

single program, magazine, or radio station. Although these terms have specific meanings, people in the advertising industry typically use the term media in most situations. For simplicity's sake, we use that term, too.

Media Consolidation: A New Perspective.

The media planning field has undergone a metamorphosis because of the proliferation of new media such as electronic billboards, the Internet, and interactive media. Media department employees who once worked silently behind the scenes are now in the forefront directing marketing strategy.

Traditionally, media planning was essentially based on a client's media strategy. The ad agency was responsible for developing the media plan, which was usually devised jointly by the agency's media department, the account and creative teams, and the marketer's brand management group. Once the plan was formed, a media buying unit, sometimes attached to the ad agency, executed it.

Now, an advertising client is just as likely to outsource media planning to an agency as it is to develop its own plan. Because of these shifts, the line between media planning and media buying has become hazy.

Consider the media situation at Procter & Gamble. P&G shifted its \$1-billion-plus TV buying account to MacManus Group's TeleVest unit, claiming that the buying agency was responsible for tactical planning. In effect, P&G transformed TeleVest's media buyers into planning tacticians, a level of responsibility that falls between filling orders and creating media strategy. MacManus is using its expertise to contribute to and execute the media strategy.

Some in the industry challenge the P&G approach, claiming that when you give decision-making power to the media buyer, the strategy will be based on price rather than image. Practical Tips #1 emphasizes how price concerns can limit media planning effectiveness.

Other advertisers plan to follow P&G's move. Some expect to go even further, giving outside media agencies the full responsibility of developing and executing the entire media strategy. The question is, Who is best at developing the media strategy?

Practical Tips # 1

Media and Message Must Match

A common marketing communication mistake is to run ads that aren't tailored to the medium. Often the culprit is a limited budget that forces an advertiser to use the same ad in different types of media. But advertisers should know better. Their advertising is not working as hard as it could. At the start of the marketing communication planning process, advertisers should consider which advertising medium is most appropriate to meet the ad copy objectives. In the case of a business-to-business campaign, the following rules may apply:

- An awareness campaign in an article-oriented print publication, such as *Fortune* magazine, is a natural fit. It will reach readers thinking about their jobs, industries, careers, and other strategic issues in a general way.
- A lead-generation campaign in a product-tailored publication, such as a snowboarding magazine or a directory is another winning combination. Typically, readers want a specific fix to a specific problem immediately.
- A lead-generation campaign in an article-oriented publication tends to reach readers less likely to pounce on a specific product or service offering. Instead, the copy should build awareness about the kinds of solutions the advertiser offers.
- An awareness campaign in a directory or product-tailored publication is not likely to offer a strong fit between copy objectives and the medium. Readers are more likely to have purchase specifications, not brand imagery, in mind.

The Aperture Concept in Media Planning

Each prospective customer for a product or service has an ideal time and place at which he or she can be reached with an advertising message. This point can be when the consumer is in the “search corridor”-the purchasing mode-or it can occur when the consumer is seeking more information before entering the corridor. The goal of the media planner is to expose the target audience to the advertiser’s message at these critical points.

This ideal point is called an aperture. The most effective advertisement should expose the consumer to the product when interest and attention are high. As Figure 8.2 demonstrates, aperture can be thought of as the home run swing in baseball: The ball meets the bat at the right spot and at the precise instant for maximum effect.

Locating the aperture opportunity is a major responsibility of the media planner. The planner must study the marketing position of the advertiser to determine which media opportunities will do the best job. Finding aperture opportunity is a complex, difficult assignment. Success depends on accurate marketing research, appreciation of the message concept, and a sensitive understanding of the channels of mass communication.

The Concept of Aperture In Media

PLANNING Like a bat hitting a ball, for a home run, aperture is the point at which the advertising message connects with the consumer at the best possible time and place for maximum effect.

Media Planning Information Sources

Some people believe that media planners are the hub in the advertising wheel, the central point where all campaign elements (that is, the spokes of the wheel) are joined. This belief may stem from the sheer volume of data and information that media planners must gather, sort, and analyze before media decision making can begin.

In many ad agencies, account planners collect, gather, and analyze some of this market and creative information, especially if it relates to the target audience, message design, or brand image.

Setting Media Objectives.

Each media plan has a series of objectives that reflect some basic goals that can only be met if the advertiser implements a strategic plan of action. The basic goals that direct media strategy typically focus on whom to advertise to, which geographic areas to cover, when to advertise, what the duration of the campaign should be, and what the size or length of the ad should be.

Finding Target Audiences in Media Opportunities.

Two major challenges face media planners searching the media for target audience opportunities: discrepancies between the language of internal strategic research and external media research and the lack of reliable audience research for new media.

Company research often can provide profiles of the firm’s valued customers and prospects. These profiles often contain descriptions of people’s interests, activities, and attitudinal concerns-in all, a valuable insight into the company’s target audience. The problem for media planners is that these profiles are not used by the mass media in describing their audiences. This discrepancy forces planners to translate the company’s marketing research language into the language of mass media information sources-no small task!

Suppose you work for Biofoam, a small firm that sells biodegradable packing material to consumers and businesses. You want to look for prospects with strong ecological feelings. But mass media don’t profile audiences based on ecological concerns. With no media measurement of this attitude, you must find another indicator of environmental concerns. Instead, you look for media that tend to be read or viewed by people with environmental concerns. You must assume that such media attract certain people.

Another challenge is the lack of reliable audience research for the numerous new media for advertising and sales promotion. New traditional media (that is, magazines or cable networks that have just recently been introduced) must wait some time before research companies can supply audience estimates. For innovative media such as store-based advertising, special event promotions, and online media, the existing research firms do not have measurements available that are comparable to those for traditional media. Although these opportunities have marketing value, it is hard to judge their impact without research.

Sales Geography.

Sales geography is an important part of many advertising plans. As mentioned earlier, although companies may distribute goods and services in many cities and states, sales are seldom consistent across all areas no matter how popular the brand. Sales differences affect which markets the advertiser runs the campaign in and how many dollars to allocate to each geographic region. For the media planner a system is needed to distribute the advertising dollars accurately and fairly. Billboards are fairly inexpensive and serve as an excellent reminder vehicle, especially if located on the correct streets and highways. The Fitness Crunch ad shows an example of a regional billboard.

Timing.

When is the best time to place the message before the target audience? The concept of aperture suggests that advertising is

most effective when people are most receptive to the product information. Exposing consumers to the ad at this time is easier said than done. Media planners might have to juggle a number of variables to make correct timing decisions: how often the product is bought, whether it is used more in some months than in others, and how heavily it is advertised by competitors month to month. Each combination of influences makes the timing strategy unique to each company and brand. Timing decisions relate to factors such as seasonality, holidays, days of the week, and time of day.

Duration: How Long to Advertise?

For how many weeks of the sales year should the advertising run? If there is a need to cover most of the weeks, the advertising will be spread rather thin. If the amount of time to cover is limited, advertising can be concentrated more heavily. The selection of pattern depends on a number of factors, including the advertising budget, consumer use cycles, and competitive strategies.

Schedule and the Advertising Budget

If advertising allocations were unlimited, most companies would advertise every day. Not even the largest advertisers are in this position. Therefore advertisers must rely on shorter schedules with stronger levels of advertising.

Consumer Use Cycles

Continuity should match consumer use cycles (the time between purchase and repurchase), especially for products and services that demand high usage rates, such as soft drinks, toothpaste, candy and gum, fast-food restaurants, and movies. The advertiser views these cycles as chances to gain or lose customers.

Competitive Advertising

In crowded product categories (household products, food, and durable goods) few advertisers are willing to ignore competitors' advertising activity. In such situations media planners make scheduling decisions based on the amount of competitive traffic. The objective is to find media where the advertiser's voice is not drowned out by competitors' voices. This concept, often called share of voice (percentage of total advertising messages in a medium used by one advertiser), might mean scheduling to avoid the heavy clutter of competing advertising.

The Inside Story



Media: The Other Creative Department
Martha Garnica
Media Supervisor and Hispanic Specialist,

DDB Needham

Creative solutions are just as important in media buying and planning as they are in writing and designing ads. Martha Garnica describes how a creative idea made one media plan a winner.

"I began my career at DDB Needham as a media assistant on Discover Card and over the years have worked on accounts such as General Mills, Frito-Lay, Tyson Foods, and Sargento Foods. I currently work on McDonald's and US West as a media supervisor. I also specialize in media assignments that require knowledge of Hispanic media.

Keith Reinhard, DDB Needham's CEO and president, considers the media department the second creative department in the agency. You have to be creative to reach your audience in a world of fragmented media, skeptical consumers, and clients who expect the best value for money. When we received an assignment for one of our packaged goods clients, we were encouraged to think beyond the traditional way of media planning.

My team and I were challenged to maximize our client's media dollars throughout the year while maintaining a strong presence in its key markets. Because our client's products had limited distribution, we focused our efforts in the traditional local media vehicles, which were spot television and spot radio. However, the media schedule called for thinking out of the box.

We uncovered secondary research that stated that the majority of grocery store shopping is done on the weekends, particularly on Saturdays. We also learned that most shopping trips are scheduled when consumers have more disposable income (their paydays, for instance).

This research convinced us to schedule the TV and radio spots when consumers were more receptive to our message. We scheduled our media around the two key pay periods (the 15th and the end of each month). Then we focused our weight to lead up to Saturday, the key shopping day, so that our brand was "top of mind" as consumers drove to the grocery store for their weekly shopping trips.

We also had to think through the special characteristics in each local target market. Some markets that we planned for had large Hispanic populations. To capture that audience, we bought Spanish-language media in that market, further extending our reach.

The client was impressed with our strategic thinking and has continued to use our media plan as the cornerstone of its marketing plans. "

Martha Garnica started at DDB Needham in Chicago in 1992 after graduating from the University of Kansas

Developing Media Strategies.

To achieve the key plan objectives of who (target), where (location), when (time frame), how long (duration), and what (the size of the ad), media planners use a selection process of choosing the best alternatives and methods to satisfy the plan's needs. In all cases, the final media strategy must reflect the advertising objectives. This section discusses some common

strategies that companies use to meet business objectives: target audience, geographic, timing, duration, and size strategies.

Target Audience Strategies: New Technology of Measurement.

Media planners are limited by mass media audience research. However, future developments may help them overcome this limitation so that they can better execute their target audience strategies.

Retail Scanners

With the expansion of scanning at cashier stations and checkouts, marketing researchers are gaining extensive knowledge about the individual consumer's purchasing behavior. Efforts are under way to match buyer activity with specific media preferences. Thus, if you are part of the consumer panel at the local Safeway, we can assume that you saw the Starkist tuna ad on ESPN because you indicated that it was a station you watched regularly.

Database Developments

Software technology has revolutionized the old-fashioned customer list. Businesses can store an individual's product preference by name and address in a database. A database is a list of customers and their various characteristics, gathered with or without their knowledge and stored electronically. Businesses may be only a small step away from storing customers' media preferences regarding what they watch, hear, and read. These specific sources of data on individuals could eventually make the industry's use of demographics or psychographics obsolete. Of course, data are different from useful information.

Marketing Mix Modeling.

Marketing mix modeling enables marketers to determine the precise impact of the media plan on product sales. This science has been evolving gradually among packaged goods marketers since the emergence of supermarket scanner data, but it is now spreading throughout a wide array of product categories.

Recently, McCann-Erickson Worldwide, New York, had begun working with Media Plan, a leading developer of media planning software and systems. The first product to emerge from the McCann/Media Plan alliance was a media allocation system code-named MediaFX. The system incorporates a variety of modeling techniques to determine which media options deliver the highest number of specific users.

Internet Audience Measurement Problems.

The fast-growing Internet media segment presents new measurement issues. Finding out who's online and which sites they are visiting poses difficulties because there is no agreed upon standard for measuring traffic to a site. Some sites measure hits (how many URLs were opened), others measure unique visitors (how many different people visited a site during a given period), visits (how many times those people returned to the site), or page impressions (total number of pages those people looked at while at the site).

Several companies, such as Media Metrix, Relevant Knowledge, and @plan provide outside auditing services to verify Web site traffic, but they use a variety of measurements. Often the audience numbers the sites provide do not match the numbers

of the auditing companies, making advertisers suspicious and reluctant to buy advertising. Media planners and buyers must work with clients to plan for the interactive medium, often with the help of Internet media specialists, as the "Matter of Effectiveness" feature indicates.

Geographic Strategies: Allocating Media Weight.

When a regional or national marketer's sales patterns are uneven, the media planner often is responsible for balancing sales with advertising investment market by market. The formula planners use to allocate advertising dollars may rely on any or all of the following market statistics: target population, distribution, strength, media costs, and company sales results.

Geographic strategies can also help local businesses fight the power of national corporations. Columbia Bank used local media to deliver the bank's message that "Banking Is What Banking Was." Its underlying theme of national banks versus local banks was played out in the media selection. To counteract the large media budgets of the out-of-state banks, the Hadley Green agency recommended that Columbia use an in-your-face strategy of local media. The bank selected local newspaper, outdoor (billboard), transit, and radio advertising to saturate the community in a way that the national TV campaigns of the mega banks could not. The strategy was to make the message almost impossible to miss in the local community and present an image of a strong, confident financial institution.

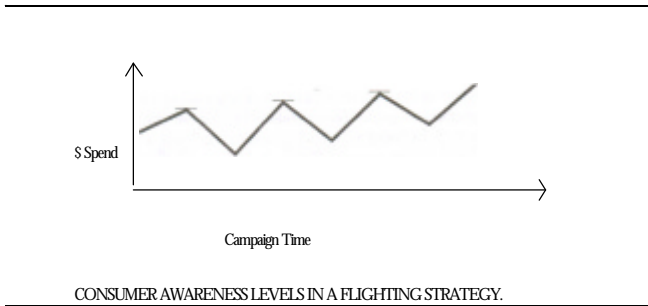
The planner's ideal advertising allocation provides enough budget to meet each area's sales objectives. Planners typically don't make heavy allocations in weak sales areas unless strong marketing reasons indicate significant growth potential. Conversely, strong sales markets may not receive proportional increases in advertising unless clear evidence suggests that company sales can go much higher with greater advertising investment. Successful allocation strategy entails the combined efforts of the media planner and marketing (sales) management.

Timing and Duration Strategies.

When to advertise can mean seasons, months, or parts of the day or week, but it all fits within the aperture concept. The strategy for meeting time and duration objectives involves a balance between the available advertising dollars and the length of the campaign. A continuity strategy spreads the advertising continuously and evenly over the length of the campaign. Planners who cannot afford or do not want continuous scheduling have two other methods to consider: pulse patterns and flight patterns.

A popular alternative to continuous advertising, known as pulsing, is designed to intensify advertising before an open aperture and then to reduce advertising to much lower levels until the aperture opens again. The pulse pattern has peaks and valleys.

Fast-food companies such as McDonald's and Burger King use pulsing patterns. Although the competition for daily customers demands continuous advertising, they will greatly intensify activity to accommodate special events such as new menu items, merchandise premiums, and contests. Pulsed schedules cover most of the year, but still provide periodic intensity.



The **flighting** strategy is the most severe type of continuity adjustment. It is characterized by alternating periods of intense advertising activity and periods of no advertising (hiatus). This on-and-off schedule allows for a longer campaign without making the advertising schedule too light. The hope in using non-advertising periods is that the consumers will remember the brand and its advertising for some time after the ads have stopped.

Figure 8.5 illustrates this awareness change. The jagged line represents the rise and fall of consumer awareness of the brand. If the flight strategy works, there will be a **carryover effect** of past advertising that means consumers will remember the product until the next advertising period begins. The advertiser will then have fewer worries about low share-of-voice conditions.

Size Strategies.

Timing of the media effort also involves determining the size and position of a particular message within a medium. Although researchers have studied this area a great deal, data on which size is most effective are inconclusive.

We do know that simply doubling the size of an ad does not double its effectiveness. Although a larger promotion creates a higher level of attraction and greater opportunity for creative impact, the extent of this effect is still undetermined. Equivocal results have been reported for print media of various sizes and for television and radio commercials of various lengths. Depending on what advertisers have to say and how well they can say it, a 30-second commercial may do the job much better than a 60-second commercial.

The size or length chosen should relate to the advertising objectives. If the objective is to educate the target audience through a great deal of technical information, a full-page ad or a 60-second spot might be necessary. However, a 10-second spot might be sufficient to create name recognition.

Positioning research is only slightly more enlightening. In general, some evidence suggests that within a print medium the inside cover and first few pages get a slightly better readership, placement of compatible stories adjacent to an ad may enhance its effect, and having many competing ads on the same page detracts from its effectiveness. Findings related to broadcast and interactive media are almost nonexistent.

Hadley Green adhered to key positioning guidelines for its Columbia Bank campaign. It launched the campaign in local newspapers, using both daily and community news. The ads

appeared full page to position the bank as big, strong, and competitive. The full page guaranteed that surrounding ads wouldn't compete for attention. The ads ran on Mondays to have a full week to work, and they always appeared on page A-3 for the greatest impact. Columbia Bank was the first bank readers saw when they opened the local newspaper. The intention was to make the bank look like a real player in the financial community.

Simply getting ready to select specific media is an arduous task that takes many hours. Although it would certainly be tempting to skip all this preparatory work and simply select the obvious magazines or TV programs, mistakes are costly. Assuming that Hispanics listen to a local Hispanic radio station may be correct until you look at the research and discover that non-Hispanic college students make up a large portion of the audience. Make one error in judgment in this initial investigation and it can have a domino effect for the entire media plan. In many cases, finding the optimum aperture point for a particular target audience is like finding a needle in a haystack. Media planning is very complicated; why not use the available technology to simplify the process and produce more effective results?

Media Selection Procedures.

Setting objectives and recommending strategies help focus the media plan, but planners must consider three other factors to select the specific advertising media for the message. These yardsticks measure the number of different people exposed to the message (reach), the degree of exposure repetition (frequency), and the efficiency (cost per thousand or CPM) of the selected vehicles. We investigate each of these major dimensions of media planning in the sections that follow. But first we look at basic methods planners use to measure media impact.

Audience Measures Used in Media Planning.

In the same way that a carpenter uses feet and inches and a printer uses points and picas, the media planner uses special terms to evaluate a media plan: gross impressions and gross ratings points. Even though a carpenter is building your home, it would still be important for you to understand her jargon so that you could discuss the project in an intelligent manner. Likewise, everyone working on an ad should understand the language of the media planner.

Gross Impressions

Impressions represent one person's opportunity to be exposed to a program, newspaper, magazine, or outdoor location. Impressions are a measure of the size of the audience either for one media vehicle (one announcement or one insertion) or for a combination of vehicles as estimated by media research.

If the David Letterman Show has an audience of 100,000 viewers, then each time the advertiser uses that program to advertise a product, the value in impressions is 100,000. If the advertiser used an announcement in each of four consecutive broadcasts, the total viewer impressions would be 100,000 times 4, or 400,000. In practice, planners discuss **gross impressions**—the sum of the audiences of all the media vehicles used in a certain time spot—when dealing with multiple vehicles in a schedule. The summary figure is called gross because the

planner has made no attempt to calculate how many different people viewed each show.

The term gross values simply refers to the number of people viewing, regardless of whether each viewer saw one, two or all of the shows. To get the sum of gross impressions, the planner finds the audience figure for each vehicle used, multiplies that figure by the number of times the vehicle was used, and adds the vehicle figures. The table provides an example of impressions.

Total Target Impressions Calculation

Media Vehicle	Target Impressions	Number of Messages	Total Target Impressions
Jeopardy	3,270,000	4	13,080,000
People Magazine	8,620,000	2	17,240,000
USA Today	1,700,000	2	3,400,000
			33,720,000

Gross Rating Points.

Gross impression figures become very large and difficult to remember. The rating (percentage of exposure) is an easier method of measuring the intensity of schedules because it converts the raw figure to a percentage. The sum of the total exposure potential expressed as a percentage of the audience population is called gross rating points (GRPs). GRPs are calculated by dividing the total number of impressions by the size of the target population and multiplying by 100. Alternatively, we can multiply the reach, expressed as a percentage of the audience population, by the average frequency. Note that in television, the total rating points (TRPs) that a certain media schedule achieves over a specified time period are known as TRPs or GRPs.

To demonstrate GRP calculations, let's revisit our David Letterman example. Letterman had 100,000 viewer impressions. Suppose there were a total of 500,000 possible viewers (total number of households with televisions, whether the sets are on or off) at that hour. The 100,000 viewers watching Letterman out of the possible 500,000 would represent 20 percent of viewers, or a 20.0 rating. The gross rating point total on four telecasts would be 80 (20 rating X 4 telecasts).

Total rating values are calculated just as total impressions are. Planners can use the sum of rating points to calculate the total of gross rating points for any schedule, whether actual or proposed.

Reach and Media Planning

An important aspect of an advertising campaign is how many different members of the target audience can be exposed to the message in a particular time frame. Different, or unduplicated, audiences are those that have at least one chance for message exposure. Most advertisers realize that a campaign's success is due in part to its ability to reach as many people as possible.

Reach is the percentage of the target population exposed at least once to the advertiser's message during a specific time frame. The media planner calculates the reach of a schedule according to research estimates that forecast the unduplicated

audience. Planners measure most mass media this way, although for some media the estimate is only a statistical probability. This means the reach is not based on actual data but is calculated from the laws of chance. Reach can be calculated only when the planner has access to media audience research or projections from statistical models. It is not guesswork.

To see how the reach calculation could work in television activity, we use a simplified situation. Our fictional television market of Hometown, U.S.A., has only 10 television households. Table below is a television survey that shows home viewing for David Letterman using a frequency analysis. The viewing survey is for 4 weeks, during which the commercial ran once each week.

Each week 4 homes viewed David Letterman. Because there are 10 homes in Hometown, the average program rating per week was 4 of 10, or 40.0. All homes except home 6 and home 10 did this viewing. To be counted as "reached," the household only has to view one episode, and 8 of the 10 homes did that. The reach is 8 of 10, or 80 percent.

This reach calculation can also be made for newspapers and magazines if the readership research can show the overlap or duplicated readers between two or more publications. If a planner wants to figure the target reach between Time and Newsweek magazines, he needs the sole readers (that is, the number of people who read only one of each publication) along with the total readers for each one. The addition of the sole readers for each divided by total target population will calculate the reach.

	Viewing Homes/Week for David Letterman				
Home	Week 1	Week 2	Week 3	Week 4	Total Viewers
1	TV	-	TV	TV	3
2	-	TV	-	TV	2
3	TV	-	-	-	1
4	-	TV	-	-	1
5	-	TV	TV	TV	3
6	-	-	-	-	0
7	-	-	-	TV	1
8	TV	TV	TV	-	3
9	TV	-	TV	-	2
10	-	-	-	-	0
Viewing/week	4	4	4	4	16

Frequency and Media Planning

As important as the percentage of people exposed (reach) is the number of times they are exposed. This rate of exposure is called frequency. Whereas the reach estimate is based on only a single exposure, frequency estimates the number of times the exposure is expected to happen. To measure the frequency of a schedule, planners use two methods: a shorthand summary called average frequency and the preferred frequency method, which shows the percentage of audience reached at each level of repetition (exposed once, twice, and so on). Reach and frequency

measures are the basis for most media planning and are terms familiar to everyone working in advertising.

Average Frequency

To figure the average frequency, you need only two numbers: the gross rating points (GRPs) of a schedule and the reach estimate. Media planners can also calculate the average frequency from the gross impressions and the unduplicated impressions if ratings are not available. Table below shows readership measures needed to plan the purchase of space in three magazines, including rating and impression values. The schedule involves three magazines: Today's Happiness, News Round-Up, and FastPaced Life. Each magazine is listed by its total readership, readers expressed as a percentage (rating), and the number of unduplicated readers (those who do not read either of the other two magazines). Note the formula calculations at the bottom of the table. Average frequency is calculated this way:

$$\text{Average frequency} = \frac{\text{Gross rating points}}{\text{Reach}}$$

or

$$\text{Average frequency} = \frac{\text{Gross audience impressions}}{\text{Unduplicated impressions}}$$

Frequency Distribution

Average frequency can give the planner a distorted idea of the plan's performance. Suppose you had a schedule that meant that the ad could be seen a maximum of 20 times. If we figured the average from one person who saw 18 and another who saw 2 exposures, the average would be 10. But 10 exposures aren't close to the experience of either audience member. Most planners who consider frequency tend to calculate frequency distribution whenever possible. The distribution shows the number of target audience members.

The frequency distribution method is more revealing, and thus more valuable, than the average frequency method of reporting repetition. However, frequency distribution data are expensive to obtain because they're available only from special research tabulations or from sophisticated math models.

Combining Reach and Frequency Goals

As we have just seen, the reach of an audience alone is not a sufficient measure of an advertising schedule's strength. Because of the proliferation of information and clutter, many media planners believe there should be a threshold or minimum frequency level before they consider an audience segment to have been exposed to the advertising message. In other words, for anyone to be considered part of the reached audience, he or she must have been exposed more than once. This theory essentially combines the reach and the frequency elements into one factor known as **effective frequency**.

What is this minimum threshold? There is no single standard in media planning today, and it is doubtful there will ever be one. Some observers say that two or three is the minimum, but to prove an ideal level, we must know the entire brand's communication variables (aperture, message content, consumer interest, and competitors' intensity).

Even without all the answers, planners can use their knowledge and experience to determine a probable range of effective

frequency. Many planners believe that effective frequency is the key planning dimension.

Cost Efficiency as a Planning Dimension.

Advertisers don't always evaluate the media plan in terms of audience impressions. Sometimes the decision comes down to cold, hard cash. Cost may determine the number of messages that can be placed and in which media or media vehicles those messages are placed.

Given cost constraints, media planners try to select the media that will expose the largest target audience for the lowest possible cost. The key to this notion is the target audience. After all, the advertiser wants prospects and not just readers, viewers, or listeners. Therefore, advertisers should compare the cost of each proposed media vehicle with the medium's ability to deliver the target audience. The cheapest medium may not deliver the target audience, so the selection process is a balancing act.

The process of measuring the target audience size against the cost of that audience is called efficiency or more popularly, **cost per thousand (CPM)** and **cost per rating (CPR)**. Typically, media specialists make these calculations and provide them to the account executive or the advertiser. Nonetheless, anyone working in advertising should understand the CPM variables and calculation process.

Cost Per Thousand

It is best to use CPM analysis to compare vehicles within a medium (one magazine with another or one television program with another). It is also important to base it only on the portion of the audience that has the target characteristics, such as women between the ages of 25 and 34. To calculate the CPM you need only two figures: the cost of the unit (page or 30 seconds) and the estimated target audience. We divide the target audience's gross impressions into the cost of the unit to determine the advertising dollars needed to expose 1,000 members of the target.

$$\text{CPM} = \frac{\text{Cost of message unit} \times 1,000}{\text{Gross impressions}}$$

Cost Per Rating

Some planners prefer to compare media on the basis of rating points (ratings) instead of impressions. The calculation is parallel to CPM with one exception: the denominator is the rating percentage rather than the total impressions.

$$\text{CPR} = \frac{\text{Cost of message unit}}{\text{Program or issue rating}}$$

(Note: Because CPR is not calculated on a per-thousand basis, we do not multiply by 1,000.) If the target audience rating for the program Inside Gossip was 12.0 and the cost was still \$850, the CPR would be 850/12, or \$70.83.

Although both efficiency calculations are used, planners favor the CPR because of its simplicity. Both the CPM and the CPR are relative values. The absolute numbers mean very little unless there are similar values to compare. A planner would not know whether Newsweek's CPM of \$27.89 for the target audience was good or bad unless she had comparable figures for Time and U.S. News & World Report.

Although we can use these efficiency analyses across media (comparing one medium to another), such comparisons should be made carefully. When comparing the CPMs for radio and television, for example, we are comparing very different audience experiences, and if the experience is totally different, it is difficult to say that one medium is more efficient than the other. CPM and CPR are more valid when used to compare alternatives within a medium.

Selecting and Buying Acceptable Media

Success in media planning depends on more than knowledge of the audience size, reach, and cost per thousand. Success also involves some intangibles that can influence the target consumer's reception of the advertising message. Intangibles include both positive and negative communication conditions. To many readers, viewers, or listeners, advertising is intrusive. Because audiences only tolerate advertising (with the exception of shopping ads in newspapers), planners should find the medium that consumers believe suits the message most effectively.

Media buyers need to be involved as early as possible in the marketing plan. The planning stage is the time to explain to advertisers who have their hearts set on a certain medium that it isn't feasible given their budget or product. It's also the time to plan for other marketing communication methods and merchandising. An experienced media buyer knows what it takes to make an impact and the equation involves more than a certain number of gross rating points. How and where messages are placed are just as critical as the overall media mix.

The media planners, along with their experience and knowledge, play a pivotal role in making integrated marketing communication work. They know, for example, whether a particular magazine is capable of delivering a coupon, or which network news show should be targeted for a publicity story, or whether direct mail can deliver a sample for a new product introduction. They also know which media mix is best at delivering a consistent message to a particular target audience.

In previous sections we examined where media planning fits in the advertising process, and media planning objectives, strategies, and selection procedures. Now we turn to media buying functions and special skills. The media buyer's role differs from the planner's because buyers execute, monitor, and evaluate the media plan.

Media Buying Functions.

A media buyer has distinct responsibilities (outlined in Figure 8.6) and must have specific skills to implement these duties. In this section, we examine the most important buyer functions: providing information to media planners, selecting the media, negotiating costs, monitoring the media choices, and evaluating the media choices after the campaign.

Providing Inside Information to the Media Planner .

Media buyers are close enough to day-to-day changes in media popularity and pricing to be a constant source of inside information to media planners. For example, a newspaper buyer discovers that a key newspaper's delivery staff is going on strike, a radio time buyer learns that a top disk jockey is leaving a radio station, or a magazine buyer's source reveals that the new

editor of a publication is going to change the editorial focus dramatically. All of these things can influence the strategy and tactics of current and future advertising plans.

Selecting Media Vehicles

One essential part of buying is choosing the best media vehicles to fit the target audience's aperture (the time and place at which the audience is most receptive to the message). The media planner lays out the direction, but the buyer is responsible for choosing the specific vehicles.

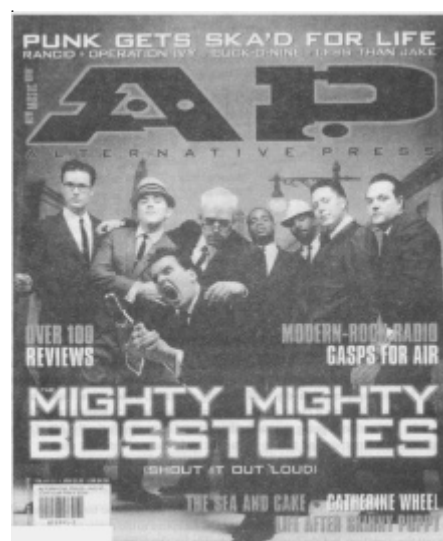
Armed with the media plan directives, the buyer seeks answers to a number of difficult questions. Does the vehicle have the right audience profile? Will the program's current popularity increase, stabilize, or decline? How well does the magazine's editorial format fit the brand? Does the radio station's choice of music offer the correct atmosphere for the creative theme? How well does the newspaper's circulation pattern fit the advertiser's distribution? The answers to those questions bear directly on the campaign's success. For instance, *Alternative Press* clearly matches Generation X.

Negotiating Media Prices

Aside from finding aperture-related target audiences, nothing is considered more crucial in media buying than securing the lowest possible price for placements. Time and space charges make up the largest portion of the advertising budget, so there is continuing pressure to keep costs as low as possible. To accomplish this, buyers operate in a world of transaction or negotiation.

Monitoring Vehicle Performance

In an ideal world, every vehicle on the campaign schedule would perform at or above expectations. Likewise, every advertisement, commercial, and posting would run exactly as planned. In reality, underperformance and schedule problems are facts of life. The buyer's response to these problems must be swift and decisive. Poorly performing vehicles must be replaced or costs must be modified. Production and schedule difficulties must be rectified. Delayed response could hurt the brand's sales.



Postcampaign Analysis

Once a campaign is completed, the buyer's duty is to compare the plan's expectations and forecasts with what actually happened. Did the plan actually achieve GRP, reach, frequency, and CPM objectives? Did the newspaper and magazine placements run in the positions expected? Such analysis is instrumental in providing the guidance for future media plans.

These five tasks are the highlights of media buying. For a better understanding of buying operations, however, we need to look at some of these duties in closer detail.

What types of ads do you think would fit this medium?

Media Buyers' Special Skills.

A buyer's knowledge and expert preparation are tested when he or she represents the client in the media marketplace. It is here that execution of the plan takes place. The key questions are whether the desired vehicles can be located and whether a satisfactory schedule can be negotiated and maintained.

Negotiation: The Art of a Buyer

Just as a labor union negotiates with management for pay raises, security, and work conditions, so does a media buyer pursue special advantages for clients. For instance, Liz Workman, vice president and regional media director for Europe for Leo Burnett, London, negotiated a deal for client United Distillers in Scotland. "We went to the big media owners and told them how much we were spending with them across 15 markets in Europe. I told them we deserved a discount." After some intense wrangling, she got it. 8 Here are some key negotiation areas.

Vehicle Performance

Selection through negotiation is especially important when the medium offers many options and when the buyers might need to use forecasted audience levels. One good example is network television.

Nighttime programming is particularly fluid or changeable. Because of the money at risk, networks are very quick to rearrange programs, to cancel them and replace them with new ones, and to make other sorts of shifts. Buyers of time in network television are usually faced with selecting programs that are new, are not new but have been scheduled on a different night, or have new lead-in programs. Under these conditions, little, if anything, stays the same. Selection must be made with little or no guarantee of audience popularity. Buyers deal with these uncertainties through careful research on the type of program (action, situation comedy), the rating history of the time slot, the audience flow patterns of competing programs, and other factors.

Unit Costs

Getting a low price has always been a goal for media buyers, but today it is mandatory. The published price is no longer acceptable to advertisers. Open pricing, in which each buyer or buying group negotiates a separate price for each vehicle, is gaining favor even though it is risky. The buyer must understand the balance or trade-off between price and audience objectives before pursuing open pricing. Some media experts fear that pricing will

replace all other values and media eventually will be treated like a bag of grain or a barrel of oil. These experts urge buyers to strike a balance between cost and value.

Preferred Positions

Media buyers must bargain for preferred positions: the spots in print media such as magazines that offer readership advantages. Imagine the value to a food advertiser of having its message located in a special recipe section that the homemaker can detached from the magazine for permanent use. How many additional exposures might that ad get? An ideal position in newspapers might be in the food section. With so many competing voices, buyers are anxious to find the most widely read sections.

Because they are so visible, preferred positions often carry a premium surcharge, usually 10 to 15 percent above standard space rates. In these days of searching for the lowest possible media prices, buyers are not hesitant about requesting that such charges be waived. Buyers will offer publications a higher number of ad placements if the special positions are guaranteed without extra cost.

Extra Support Offers

In this time of strong emphasis on other forms of marketing communication in addition to advertising, buyers often demand additional assistance from the media besides space and time. These activities, sometimes called value-added services, can take any number of forms, including contests, special events, merchandising space at stores, displays, and trade-directed newsletters. The "extra" depends on what facilities each media vehicle has and how hard the buyer can bargain with the money available.

Some media companies actively solicit marketers' budgets by integrating multimedia activities. That is, they will not only provide pages in their magazines, but they will also provide buys in related media. Advertisers who favor integrated marketing communication programs give these plans serious consideration. The ad for Meredith Company promotes a number of its available media service options.

Maintaining Plan Performance

Today a media buyer's responsibility to a campaign does not end with the signing of space and time contracts. Buys are made in advance, based on forecasted audience levels. What if vehicles under perform? What happens if unforeseen events affect scheduling? What if newspapers go on strike, magazines fold, or a television show is canceled? Buyers must fix these problems.

Monitoring Audience Research

When campaigns begin, the forecasts in the media plan are checked against actual performance. Whenever possible, buyers check each incoming research report to determine whether the vehicle is performing as promised.

Change is the foundation of broadcast buying. Forecasting future popularity or target audience interest is risky. Once the schedule is running, buyers make every attempt to get current audience research. It is the only way to ensure that schedules are performing according to the forecast.

Newspaper and magazine readership reports are produced less often than broadcast ratings, but print buyers are still concerned about changes in circulation. If a circulation audit shows a drop, it may indicate serious readership problems. Buyers also check the publication issues to verify whether advertisements have been placed correctly.

Major users of outdoor advertising understand that it is necessary to check sign and billboard positions. They must check the condition of the ad, the presence of obstructions (buildings or trees), lighting, and any other factors that would reduce the expected audience exposure.

Scheduling and Technical Problems

Temporary snags in scheduling and in the reproduction of the advertising message usually are unavoidable. Buyers must be alert for missed positions or errors in handling the message presentation and ensure that the advertiser is compensated appropriately when they occur. Most adjustments involve free replacement positions or refunds. A policy of compensating for such errors is called making good on the contract. The units of compensation are known as **makegoods**. Here are some examples.

- Program preemptions. Special programs or news events often interrupt regular programming. When this happens, the commercial schedule is also interrupted. Program preemptions occur nationally and locally. In the case of long-term interruptions (for example, congressional hearings or war coverage), buyers may have difficulty finding suitable replacements before the schedule ends.
- Missed closings. Magazines and newspapers have clearly set production deadlines, called closings, for each issue. Sometimes the advertising materials do not arrive in time. If the publication is responsible, it will make some sort of restitution. If the fault lies with the client or the agency, there is no restitution by the publication.
- Technical problems. Technical difficulties are responsible for the numerous goofs, and glitches, and foul-ups that haunt the advertiser's schedule. In an extreme case, the buyer for a new consumer brand learned that someone at the television station had inserted a "super" (an optical phrase superimposed on the film or tape) informing viewers that the product was available only in two small area towns. In truth, those towns accounted for less than 10 percent of the brand's distribution. The damage was serious, and the station did more than make good. It settled out of court.

Most technical problems are not quite so disastrous.

Bleedthroughs and out-of-register colors for newspapers, torn billboard posters, broken film, and tapes out of alignment are more typical of the problems that plague media schedules.

Now that we've examined the functions and special skills of media buyers, we turn to global media buying.

Global Media Buying.

The definition of global media buying varies widely, but everyone agrees that few marketers are doing it yet. But many are thinking about it, especially computer and other information technology companies that are being pursued by everyone from

CNN International to International Data Group. For some media planners, a schedule on CNN International counts as a global media buy. To others, a truly global media deal should not just encompass space, but give the marketer favored status with a media outlet. It should be a true partnership between media and marketer.

Today, the growth area is media buys across a single region. But as media become more global, some marketers are beginning to make the leap between regions. About 60 percent of ad buys on CNN International are regional and 40 percent are global, including campaigns by Eastman Kodak Co. and IBM Corp.

Marketers and media directors say there are some key stumbling blocks to global media planning:

- At the client end, deals can be scuttled by the lack of centralized budgets and turf battles with local managers who don't want to give up control over advertising decisions.
- Often no employee of the media owner has the power to enforce a centrally negotiated buy among unruly subordinates who resist discounts or other elements of the deal.

Europe tends to be the easiest region for placing an international campaign, as we see by the number of pan-European media providers in Figure 8.7, followed by Asia and trailed by Latin America. Japan is often treated as a separate market because of language and cultural differences.

Staging a Media Plan.

To control the flow of information and to ensure that each component makes a logical contribution to strategy, the planner uses a sequence of decision stages to form the media plan. The plan is a written document that summarizes the recommended objectives, strategies, and tactics pertinent to the placement of a company's advertising messages. Plans do not have a universal form, but there is a common (and logical) pattern to the decision stages. To illustrate a style of presentation in a real-life setting, we use an actual media plan (excerpted with disguised numbers) from Pizza Hut's national media plan for 1999.

Typical media plans begin with the general and work down to the more specific questions. Similarly, they begin with the most important decisions and work down to those of lesser priority. Let's briefly explore each stage in this planning process.

Background and Situation Analysis

The background and situation analysis is the marketing perspective we discussed at the beginning of the chapter. Pizza Hut's overview discusses media options and opportunities to narrowly target consumers using niche channels and programs. It also describes the target audience, their psychographics, and the best way to reach these audiences. Media

Objectives and Aperture Opportunities

A media objective is a goal or task the plan should accomplish. Objectives are relevant to the brand's strategy, are detailed, measurable, and have a realistic time frame. The objectives should be limited to goals that media can accomplish shows that the objectives concentrate on brand awareness, reaching the target audience, and integrating national and local media plans.

Some media plans discuss aperture opportunities. Pizza Hut's Media Plan Objectives spotlight research findings about aperture that shaped its media plan. Other aperture opportunity highlights include the following:

- Launches that will build broad reach for new products and big events using a strategy of 80 percent reach with a frequency of four times per week.
- Using national media during NFL and NCAA that ensures that the important male targets are reached.
- A balanced delivery between adults aged 18-34 and 35-49 through focus on network broadcast media and programs that target the echo boomers (children of baby boomers).

Strategy: Selection of Media

This section of the media plan explains why a single medium or set of media is appropriate for the campaign objectives. A sound strategy should be able to anchor each dimension to the recommendation.

Because planning typically occurs months before the campaign actually begins, some detail is omitted. For the television portion of the Pizza Hut campaign the planner cannot be assured of program availability or specific pricing in television, except for major events such as an NFL Pregame Superbowl sponsorship. As a result, the strategies deal with specifics where possible and omit detail when the specific media vehicle hasn't been identified. For simplicity's sake, we show excerpts from the TV and Internet media strategies and omit the print and co-op radio strategies with local franchisees.

The Flow Chart: Scheduling and Budgeting Allocation

In a concise fashion, a flow chart is the blueprint of the media plan.

The media plan is a recommendation that the advertiser must approve before any further steps are taken. In fact, planning is only the first stage in advertising media operations. Once the plan directions are set, media buyers convert objectives and strategies into tactical decisions. They select, negotiate, and contract for the time and space in media.

Pizza Hut Media Plan Overview.

Background/Situation Analysis

The turn of the century is seeing an explosion of media choices for consumers, from increased networks and cable channels to the Internet. On the positive side, Pizza Hut can now narrowly target its consumers using these niche channels and programs. The Pizza Hut 1999 strategy defines occasion-based marketing opportunities and the challenges realized through media ownership consolidation.

Occasion-Based Marketing

Research shows that Pizza Hut is a strong brand with the 40+ age group, who make "foodfocused" dinner decisions. The groups where Pizza Hut has not maximized its share of occasions are the Echo Boomers and Generation X groups, age 20-40, who make decisions based on functional needs. These needs are reflected predominantly by "Pressure Cooker" and "Hanging Out" occasions.

- "Pressure Cooker" occasions are driven by impulse orders, dominated by moms who are looking for a dinner solution that appeals to kids (cheese pizza) with <1 good price point. They make dinner decisions between 4 and 8 P.M., with 56 percent of decisions made within 1 hour of dinner. Solutions to her dilemma should be presented during dinnertime broadcast TV and family-focused cable. Because Mom is also found in her car coming home from work, going to soccer or piano practice, or running other errands, radio can put Pizza Hut in her mind at the right time.
- The "Hanging Out" occasion skews heavily toward the 18-24 group" who think of eating pizza as part of a social occasion. High-profile programming, late-night television, MTV, ESPN, and Sports capture the heart of the need-state. Alternative rock and young country radio are also important pieces of the media makeup of these young adults.
- Finally, Prime will continue to be a key component of any media buy. It's still the most effective opportunity for building reach quickly and it addresses the "Crave" occasion, the core of the existing Pizza Hut business.

Summary

In this lesson we have done the following :

1. Explain how media planning fits in the advertising process. Media planning is part of the advertising process. It requires marketing intelligence to choose the time, placement, cost, and specific choice of advertising messages. Planners rely on market, consumer, and media information to develop the media plan. Media planning runs parallel to the creative message design process. The media plan should coordinate all the elements of the marketing communication mix. The media planner's goal to identify and exploit the aperture, the time and place at which customer's purchase interest is the highest
2. Outline how media planners set media objectives. Media planning objectives are directed by a series of key questions including who (target), where (location), when (time frame), and how long (duration). Cost is also a key factor.
3. Describe how media planners develop media strategies. The selection of media for the campaign is based on a number of factors, including target size (impressions/reach), repeated exposure opportunities (message frequency), cost efficiency (CPM and CPR), and important qualitative features such as. content moods and other compatible message environments
4. Explain the functions and special skills of media buyers. Media buyers must be able to provide inside information to the media planner. They must also be able to select media vehicles, as well as negotiate media prices. Finally, they monitor media performance and conduct a post campaign analysis.
5. Discuss the challenges and opportunities of global media buying. Few companies actually engage in global media buying. Although there are significant opportunities, there are also serious stumbling blocks.
6. Summarize the process of staging a media plan. Media related decisions are presented in a systematically organized

document called a media plan. Plans are driven by the media goals to be accomplished and the strategies and tactics needed to achieve each goal. To stage a media plan, most planners provide a plan overview, media objectives, media plan specifics and strategies, and a flow chart of the planning process.

Assignments

1. Visit an advertising agency in your local area and find out what are the exact functions of the media department. Give the profiles of the people working in this department.
2. Identify one advertising campaign where unusual media options have been used effectively. Describe the brand involved and the entire process.

Notes -

LESSON 24: PUBLIC RELATIONS.

Topics Covered

Public Relations Function, Public Relations Resources, Marketing and Publicity, Systematic Public Relations, Publics, Public Relations Channels, Public Relations Planning, Evaluation, Corporate Identity, , Crisis communication.

Objectives

1. To give a bird's eye view of the public relations function.
2. To see how marketing and public relations fare.
3. To figure out who are the 'publics'.
4. How to plan public relations.
5. How to evaluate public relations.
6. What is crisis communications?

The credibility of a marketing message can be enhanced by good publicity. Public relations can improve the image and reputation of both a company and its products. This chapter examines how good public relations can help to build understanding between a company and a number of people with whom the marketer is communicating or may wish to communicate.

Public Relations Function.

Public relations practice is defined by the Institute of Public Relations as 'the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its public'. Public relations communication is two-way communication: effective public relations communication tends to be that which is highly selective, the tailoring of messages to the specific needs and interests of carefully defined audiences. Ideally, each recipient of a public relations message would receive an individually tailored communication.

An organization is likely to be simultaneously communicating with a variety of internal and external groups. Specific public relations specialisms such as public affairs, shareholder relations, employee relations, financial public relations, corporate image relations, and press relations have emerged. Public relations might be organized as a separate function within an organization or, alternatively, each functional area such as marketing could retain its own public relations experts. In some companies, those with public relations skills call themselves business communicators.

To some extent, public relations can be used as an alternative to other marketing communication techniques such as advertising. It is however distinct: advertising can be highly selective and tailored but in many companies tends to be concerned with reaching the maximum number of people at the lowest cost with a persuasive message by means of a one-way flow of a message along a channel of communication. Public relations can be used to persuade, and advertising is used as a technique when appropriate by public relations practitioners. More usually, practitioners. More usually, however, public relations is con-

cerned with two-way communication, using a variety of channels with the purpose of achieving mutual understanding.

Public Relations Resources.

Where public relations is organized as a separate function, the marketing specialist should be aware of the organization's internal and external public relations skills and resources. It should be remembered that public relations specialists will have many publics to communicate with, to her than those of prime concern of the marketer such as customers and distributors. The marketing specialist should make the public relations expert fully aware of the marketing opportunities in, for example, shareholder or local-community communication. Some companies enclose product information with annual reports and accounts. It should be remembered that, given the many objectives set for and commitments of a public relations department, only so much time will be available for specifically marketing communication activity.

The effectiveness of an organization's employee-relations practice can have a strong influence upon employee satisfaction. When particular problems emerge in this area, for example communication with salesmen, it may well be that public relations specialists will be able to help.

Marketing and Publicity.

Publicity can be free but need not be favourable. It is difficult to control, and it is usually easier to influence good publicity than bad publicity. Good publicity can spread a company or a product name, and make recipient groups more favourably disposed towards an organization and the purchase of its products. Having a name can itself be regarded as an indication of standing and quality.

Public relations activity can encourage good publicity and seek to minimize the damage done by bad publicity. It is not true that 'all publicity is good publicity'. The chances of failing to react to bad publicity and of missing opportunities for good publicity can be reduced by planned public relations activity. An organization can control to some extent the 'news' it itself puts out, and in the absence of an organization's own message an alternative message, possibly inaccurate and misleading, may be taken up.

'Publicity does require good stories. News is expensive to obtain and can be scarce. Good publicity is not going to be easily achieved by an organization that is both inactive and has little of interest to say. Publicity can however, when it occurs, be dramatic and reach large audiences. Greater consumer awareness, dealer interest, and requests for information can follow a news item. Consistent publicity on a particular issue can do a great deal to build or to harm an image or a reputation.

The 'Fit for Work' advertisement campaign of the Manpower Services Commission employed a series of full-page newspaper advertisements featuring such personalities from the past as Nelson, Beethoven, Julius Caesar, Milton, Leonardo da Vinci,

Sarah Bernhardt, and Franklin Roosevelt with the question: 'Did you know all these people were disabled?' The simple and effective message of the advertisements was that many disabled people who are not employed may well have considerable skills, which if used would more than compensate for their disability.

Public Relations Responsibilities.

The public relations department could have a great many tasks. An organization's strengths and weaknesses should be regularly analysed, the public relations area being specifically concerned with communication threats and opportunities. Problems will need to be identified which are susceptible to solution by public relations action.

At board level, directors and below them managers, need to be aware of internal and external developments that are likely to affect the reputation of the company. A public relations department might have a watching brief over the public relations implications of marketing area activity. The public relations department itself should be a repository or expertise upon all aspects of internal and external communication, maintaining expertise in techniques, and the facilities and contacts to enable them where appropriate to be used.

Contact should be made with important external decision-makers, opinion formers, and sources of information. Public relations staff should be the eyes and ears of a company. A public affairs specialist in contact with a politician could alert a marketing manager to a proposal to establish tighter product licensing controls, which could have traumatic consequences in a particular market.

Information should flow to selected publics and all parties with an interest in the organization by means of all appropriate channels of communication; specific research projects may be undertaken to remedy information gaps. Management will require regular reports on the evaluation of public relations problems and resulting activity.

A range of specific tasks can be delegated to a public relations department, such as the design of Annual Reports and Accounts, the organization of an event, or the running of a house organ. Such public relations skills as writing, publishing, speaking, audio-visual presentation and production, interviewing, press liaison, and monitoring could be made available to other departments as and when required.

Certain marketing activity will have public relations consequences. On occasions, a corporate reputation can be easily harmed: the public relations department should establish a system for dealing quickly and effectively with crisis occurrences. Not all the skills an organization requires will be found within the public relations area external advice can be sought and obtained. The public relations practitioner should arrange the mix of internal and external resources most appropriate to the needs of an organization.

Systematic Public Relations.

The effective public relations practitioner is sensitive to the needs of others. While there can be no substitute for drive, flair and personality, it generally pays to be systematic when tackling public relations or communications problems. The indiscriminate plying of drink and the mass mailing of standard press

releases which end up in wastepaper bins gave rise to the 'gin and tonic' image of the public relations person. Today's more skilled practitioner tends to adopt a more considered and logical approach.

In some situations, emergency 'off the cuff' reaction will be required but even the disaster can be anticipated with practiced crisis procedures. More usually, it is advisable to reflect, to think before acting. Firstly, the situation should be carefully analysed to find out what the problem really is. It may not be what first appearances might suggest; it is important to get to the bottom of a marketing appearances might suggest; It is important to get to the bottom of a marketing communication problem and not to confuse symptoms with underlying causes.

Once a problem has been identified, objectives according to resources and priorities should be defined. Time and money are less likely to be wasted by those who think carefully about what they are trying to achieve. Target groups or publics should then be identified, those with whom the organization is or ought to be communicating in respect of the problem concerned. Publics should be sub-divided wherever possible, in order to identify particular characteristics, needs, and interests.

Suitable messages need next to be drawn up which are appropriate to the problem, the organization's objectives, and the peculiarities of the publics to be communicated with. Having identified publics and drawn up messages, channels can be selected which appear to be most suitable for putting the messages to the priority publics. As resources are generally finite, a programme should be drawn up and carefully cost of which messages should be communicated to which publics with what channels, when, where and why, in order to achieve the objectives which have been established.

Once a programme is in the process of implementation, at intervals it should be evaluated in order to determine the extent to which objectives are being achieved. Such an evaluation enables the programme to be modified if need be, according to what has been learned from an assessment of feedback. Public relations activity should be carefully planned, and where significant in terms to money and/ or time cost, reporting procedures should be established to enable it to be carefully monitored and controlled.

Publics.

Publics should be identified and carefully classified. Major publics can be subdivided into smaller groups with common interests and needs. Not all of these groups will need to be communicated with. Bottlenecks, gaps, and gatekeepers might be identified. Where resources are limited some groups will have a higher priority than others.

A detailed analysis of publics can enable more tailored messages to be prepared and more suitable channels identified. Given time, it might be advisable to tailor communication to particular individuals who are known to be influential within target publics. Certain omnibus channels reach more than one public, and on occasion should be used with caution.

The public relations practitioner is aware of the factors to be considered when messages are drawn up and channels selected. The tone and structure of a message must be appropriate to the

recipient and the context. The public relations specialist is also likely to be familiar with a number of communication channels such as the press release, the facility visit, or the speech which may be rarely used by a marketer and which have particular message requirements.

Marketing Publics

Customers come in many forms and should be segmented into publics, and sales messages should be compatible with the needs and interests of the customer groups at which they are directed. Thus, convenience is more important to those without cars and to those who work and hence have less time to shop. Corporate image public relations activity can encourage potential customers to be favourable towards a well-known organization which it is thought has a reputation to keep up.

Messages that reinforce existing beliefs tend to be more successful than those which challenge them. A wide range of public relations activity can enhance an organization's profile and credibility. A careful analysis of marketing publics can result in more relevant messages being sent only to those likely to be interested in receiving them.

A marketer concerned about the state of communication with particular customer publics could order a communication audit from a public relations practitioner, with a view to the identification of barriers to effective communication.

To an extent reputation is indivisible. Publics will overlap and messages can reach these for whom they are not intended. A marketing communication can have implications for other areas of activity. Some channels such as news agencies can be used as a clearing house for reaching a number of publics. With printed and audio-visual material, the context in which the information is viewed and discussed cannot always be controlled.

A shop manager reflected on the variety of her customers. They appeared a far from homogeneous public with different groups getting in each others' way and expecting quite different forms of service. Socially the surrounding residential area was very mixed. The manager divided her customers into groups and listed their separate requirements. Each category of customer emerged as being only interested in a small proportion of the range of goods offered for sale. The manager decided to create sub-units, shops within a shop, to appeal to two important minority publics, a chic up-market 'Boutique' for the trendily interested in style, and in tile basement an economy area offering cut-price goods. Groups of customers were attracted by tile separate atmospheres thus created and new customers were attracted to the store. In time the shop owner negotiated a deal creating separate boutiques in the stores of other companies.

Interest in a Company

There are a number of publics with an interest in a company and able to harm a company in cases of inadequate communication. Shareholders, if not satisfied, can sell their shares and fail to subscribe to new issues. Employees who are unsettled will not give of their best. A creditor may in the absence of adequate information, call in a loan. A local community that is hostile can prevent the expansion of a local plant. A company can be hard hit by the implementation of legislation introduced by an

unsympathetic government. Rumours of a product defect can lead purchasers to take their custom elsewhere.

The board of a company has to arbitrate between a number of legitimate and competing interests. Each interest represents a key public with whom a company must communicate, and which must be satisfied.

A marketing and public relations manager met over lunch in the company canteen and discussed the company's falling sales. The public relations manager mentioned that in two months time there would be mass mailing of accounts to both shareholders and employees. The marketing manager had a thought. Product brochures and special offer vouchers were enclosed with both mailings of accounts and a significant increase of sales occurred.

Shareholder Relations

Marketing activity can be a prime determinant of a company's financial performance. Financial publics such as existing and potential shareholders, financial analysts, and financial journalists may seek periodic market and product information. Potential investors might be particularly concerned with the prospects for tomorrow's products.

While financial communication will be the prime responsibility of the company secretary, the financial director and the board, a marketing contribution will be made to the content of certain channel's messages. It takeover and new-issue situations, product and market information will be sought by a number of parties.

The marketing department could make a contribution at an Annual General Meeting. A presentation could be made of progress with a major project, a display arranged in a foyer, or product brochures placed on seats. The AGM itself and the results of an AGM could be marketed to shareholders.

A Chairman's statement could contain references to marketing activity, and personnel. Product and geographic analyses of turnover could be presented in an Annual Report and Accounts, along with product photographs and information. Financial publics interested in such information could include creditors, bankers, the media, the Stock Exchange, statistical services, financial analysts, employees, investment managers, treasurers, fund trustees, public bodies, key customers and suppliers, business partners, and opinion formers.

The Armitage Shanks Group Ltd. has incorporated a glossy brochure of the company's Bathroom products with its report and accounts. This explained how the recipient could plan and equip a Bathroom with Armitage Shanks Products. Geo. G. Sandeman Sons & Co. Ltd. have enclosed an actual order form with a set of interim accounts.

Employee Communication

A large organization can find its employees a significant marketing public. Employees have families, and outside of office hours move in many circles. Unlike many other publics, they are also likely to be well disposed towards the organization and a number of channels exist which could be used to make sure that they are also well informed.

The employee public will not be homogeneous. Different groups will have distinct needs and interests. Employee

communication may also have to take place against an unfavourable background of bitter wage negotiation or anticipated redundancy. There will also be office politics and minority issues to contend with. Some employees may consequently be relatively hostile while others are strong allies. Communication will be most effective where there is mutual confidence.

Employee reports and house journals can be consciously used to circulate marketing information to employees and to incentivate employees to marketing effort. In the case of an international organization, local-language versions of such documents may need to be produced. International publics can be very diverse and great care may need to be taken to avoid triggering local legal, moral, and political sensitivities.

Minorities

Racial and ethnic bias can creep into marketing communication and if picked up can lead to boycotts and a significant drop in sales. An international company can on occasions find itself having to maintain a difficult balance and having to calculate trade-offs between say trade with South Africa or Israel and that with Black Africa or the Arab World. An unnecessarily qualified description in a communication can reinforce a stereotype. The mentioning of minorities is best avoided.

In marketing copy, certain words with colour connotations should be avoided. A minority in one context can be a majority elsewhere. Adjectives and labels should be selected with caution. A terrorist to A can be regarded as a freedom fighter by B. A term such as non-white can be taken to imply that a standard exists.

Marketing communication should avoid patronising and token approaches. Members of minorities should not be hidden or drawn attention to in advertisements in an exaggerated way. An honest and open approach that seeks to avoid stereotypes and emotive terms should be employed.

The handicapped and women can be particularly sensitive to the use of certain terms. Words such as man power, founding fathers, man-made, and gentlemen's agreement have non-sexist substitutes such as workforce, forebears, synthetic, and informal contract. A noun such as 'lady' can imply a male norm. In visual images, care needs to be taken to avoid sexist labels and sexist assumptions concerning roles. What is acceptable in one context can cause problems in another. The term salesman used in this book could be regarded as sexist.

A press release on the first black or woman to be appointed to a certain position can backfire when taken as evidence of how little progress is being made or how behind competitors a company is. An organization operating internationally may find the relative prominence given to nationals and expatriates a sensitive issue. A management may have to bend over backwards in its communications to portray itself as a national rather than a foreign company. Certain forms of discrimination may be illegal and the marketing area may have to conform to a companywide anti-discrimination policy.

Public Affairs

The impact of the activities of government upon an organization can be considerable. A change of credit policy or the lifting or imposition of import restrictions can greatly affect a company's sales. Action to bring down the rate of inflation can reduce business activity for a long period.

Many government departments are substantial purchasers. For many companies to government is a major customer. Cutbacks in public spending in such circumstances can have a traumatic effect. Similarly the removal of a state monopoly power can, at a stroke, open up exciting new market opportunities.

The government purchasing system can be complex and hidden. Alert intelligence is needed to pick up changes of personnel and to determine the relative weights of the various influences contributing to the purchase decision. There may be a bevy of rules and regulations to contend with at a national and regional level. Local authorities will have standing orders. Tender arrangements, pricing arrangements, profit formulae, review procedures, and payment terms may all be formally set down in manuals.

The public affairs function will have responsibility for monitoring changes likely to have a significant influence upon a company's business.

Changes in laws must be complied with; influence may have to be brought to bear in the case of proposed changes in the pipeline. Within the public sector the location of power can be hidden. Access may have to be obtained to an influence network: a company will have to decide whether to act alone or to leave lobbying in respect of a particular issue to trade or representative bodies. In the case of the latter, a view point may have to be fed into appropriate trade associations.

Representation requires tact and caution. A great deal of effort can be expended to little effect. Political publics can be sympathetic to a reasonable case but crude lobbying can alienate. To influence a local authority, it helps to know the objectives of a committee or council and to be supportive, perhaps by suggesting a joint venture package that will meet the aims of both council and company.

So far as central government is concerned, on matters of technical detail it is often advisable to approach Whitehall rather than Westminster. Civil servants represent a continuing pool of experience while elected Ministers come and go. The civil servant often acts as a 'gatekeeper', in a position to control the information-flow to a Minister. considerable powers can be delegated in legislation to the executive branch on matters of detail, and in the implementation and the drawing up of regulations, civil servants at times welcome external informed advice.

Politicians themselves are a difficult public to cultivate. They are frequently distracted by the demands of constituents, their political machine, and their official duties. There is often insufficient time to examine anything in depth.

When negotiating with both civil servants and politicians, it is important to be aware of the constraints under which the other party is operating. Discretion and time will be limited. Many senior figures do welcome the opportunity of an informed and objective briefing. TQQ much store should not be placed in

contacts built up, as out of office and on the backbenches a politician can have little influence.

Most MPs will have particular interests. These can be identified through reference books and with the help of specialist Parliamentary consultants. An MP may be willing to act as a spokesman or consultant with or without a fee. A satisfactory relationship can result in opportunities for the putting of appropriate Parliamentary questions.

Effective lobbying is that which is co-ordinated, timely and systematic. There will be competing and hostile lobbies to contend with; credibility in the long run depends upon integrity.

In 1979 Shell oil estimated that its companies in the US spent excess of 500 employee-years of work at a cost of some \$25 million dealing with US federal regulatory agencies.

Public Relations Channels.

A company can obtain considerable media coverage of product developments by means of effective press releases, press conferences, and individual journalist contact. Editorial comment that is largely 'free' tends to be considered as more objective than paid for advertising.

Press Releases

The public-relations specialist should have a system for the cost-effective dissemination of press releases. Press release mailing lists should be kept up-to-date and used selectively. Releases should be tailored to the specific needs and interests of each recipient, crisp and concise with the 'story' summarized in the first paragraph, and preferably only issued on those occasions when the company has something interesting and useful to say. There should be a conscious strategy behind each issue of a press release.

Most organizations issue releases on distinct press-release stationery. There is also usually an authorization procedure that should be adhered to. Those with responsibility for the issuing of releases should ensure that adequate stocks of people and product photographs are available to accompany releases when required, and that background information such as product sheets and curricula vitae are filed. Journalists tend to become annoyed when they have to wait some time for a photograph of a newly launched product to be taken, developed, and delivered.

The timing of the issue of a press release can be crucial.

Messenger services can be used to hand-deliver releases in a large urban area such as London, where the media is concentrated. It is important to make sure that well-briefed staff are available in and out of office hours to provide further information on the telephone to those calling as a result of having received a release.

It is best to use press releases sparingly. Unless an item is 'hot', an embargo should not be used as some journalists find one off putting. Names, addresses and contact telephone numbers should also be put at the foot of a release.

Press Contacts

The press release is by no means the only method of obtaining press coverage. Relevant and interested journalists can be kept informed of product developments by means of individual contact, press conferences and briefings, visits and stands at

press shows. The marketing manager should be aware of the relevant trade press and should be prepared to use the resources of a public relations department to effect suitable introductions. In some cases, a story might be 'seeded' or a contribution to a forthcoming special report suggested.

'Letters to the Editor' should not be overlooked as a channel of communication. A short letter to a local newspaper on a matter of some concern can reach many local opinion formers such as councilors checking to see which of their colleagues have achieved a 'mention'. There may be an ongoing debate upon which a company can piggy-back. In such cases, a prompt response is desirable. Where a press date is imminent it might be a good idea to telephone an editor to provide some advance notice that a letter is on the way.

Internal Channels

A marketer should not forget a company's own internal journalists and the opportunities for obtaining news coverage in house journals. It is surprising how often in many large companies staff in one division are unaware of marketing activity in other divisions. A house-journal editor might be delighted to give editorial space to the launch of a new product or the winning of a large order. The achievement of a certain level of sales such as the 100th delivery or an anniversary of the first introduction of a product can be the occasion for coverage in the trade, local, and house press.

Communication of marketing news and information to employees can also be achieved at internal conferences and meetings, by display stands in foyers, notices on boards and by the internal circulation of information sheets.

Printed Material

Leaflets, handbills, and booklets can be used to put a message across to a great many publics. The marketing manager should check with a public-relations department for opportunities for the wider distribution of product information leaflets. In some companies, the public relations area will be able to advise on or take responsibility for leaflet copywriting, design, and production.

Many companies issue information booklets about themselves which analyse sales, set out a group structure, provide a guide to key people, products and facilities, provide a summary history and the address of registrars, a financial calendar, and details of directors and professional advisers. Such a booklet or brochure together with product information and a published Report and Accounts can be put into a folder to provide a usual information pack to a potential major customer or joint venture partner. Many people like to know something of the past history, performance, size, and standing of companies with whom they are proposing to do business.

Broadcast Media

In the event of major orders, perhaps for the export market and won in the face of stiff competition there might be scope for radio and television coverage. While national coverage might be limited to a mention, an interview could be possible, together with a visit to the works, on local radio and television. The broadcast media can be a minefield for the unwary and the unprepared. The public relations department should be able to

advice on the initiation of ideas for programmes and upon interview techniques.

Independent local radio tends to be overlooked. Advantage can be taken of phone-in opportunities, while a tape can be prepared. Producers of radio programmes are looking for two-minute tapes and such tapes can reach an audience of millions for a relatively small initial cost. Programme schedules should be monitored to identify opportunities.

Interview Techniques

Prior to live appearances and recordings, it is always wise to draw up a list of the main points to be made. While programme producers tend to look for a senior representative, preferably the chief executive, there is some advantage in putting forward a representative skilled in interview techniques. Interview training courses are available.

If contacts are made and kept with broadcast journalists interested in the company's area of operation, programme ideas can be initiated. On other occasions, a broadcast appearance will be a reaction to some event, perhaps a crisis of some kind.

Dress for television interviews should avoid check patterns and that which is likely to distract. Combing one's hair and a last-minute shave can also be advisable. Before accepting an invitation to be interviewed, it is generally advisable to note the subject, expected interview length, who else is to appear, and whether the programme is to be live or recorded, and to reflect for a couple of minutes before giving a definitive answer.

As time will be limited, it is best to concentrate upon putting over just a few main points. An early arrival to the studio and a last-minute visit to the lavatory can be advisable. A late drink should be avoided.

While an interview is in progress, the camera should be ignored and eyeball to eye-ball contact maintained with the interviewer. Television exaggerates eye movements. A robust approach to tricky questions makes for good viewing, but almost regardless of what is asked the main points should be put across. Once a point has been made it is wise to stop. An interviewer will on occasion allow a subject to ramble in the hope of a controversial comment emerging. A complex idea can best be put across by means of a story.

On television, the image that comes across is very important. Thus, if a product part is being produced more cheaply in order to economize, it is wise not to have the Chairman's Roll Royce in the background.

In a large company context, it should be remembered that closed-circuit television facilities might be available. If used, a programme should be carefully planned and produced to high professional standards. A programme that allows for two-way communication tends to be more credible to an audience.

Visits

In the marketing area, there may be occasions when the organization has something new or interesting it wishes to show to a group of visitors. The opening of a new plant or the introduction of a new model or service can be the occasion for inviting along customers, distributors, journalists, and opinion-formers.

If a visit concerns a news item and journalists are invited at short notice, communication facilities should be made available so that news reports can be feedback to base. On other occasions when a long period of notice is available, guests likely to have busy diaries should be given a couple of months' warning.

Guest lists should be carefully drawn up to ensure that relevant people are invited. A visit can backfire if at the end of the day guests feel they have been misled and have wasted their time. The purpose of an event must be clear and the venue and date planned with both access and availability in mind. Transportation and catering arrangements will need to be made.

A certain proportion of invitations will be rejected and a proportion of those accepting will not be able to turn up on the day for a variety of reasons. Thus invitations should be attractive and informative. Those not replying can be diplomatically followed up by telephone call.

On the day of a visit a reception area will need to cater for arriving guests. There may at this point be information to hand out. On certain occasions name badges, perhaps in different colours to distinguish publics, may be desirable. Press packs should not be too voluminous if they are to be read. There is usually no need to cater excessively: no amount of food and drink can compensate for a lack of intrinsic interest in an event.

Where speeches are to be made, a rehearsal may be desirable. If guests are not likely to know each other prior to arrival and latecomers are expected, it may be a good idea to start off with a drinks reception. An excessively long introduction can be avoided by sending an event programme along with a route map and other details sent shortly before an event is held.

Informality while desirable is often difficult to achieve. Careful structuring may be necessary if an occasion is to appear informal without seeming uncoordinated and confused.

With events of all kinds, some follow-up is usually desirable. There may be new contacts to be kept alive. Where interest has been shown, names can be added to mailing lists. Promises made at events should, where possible, be kept. Thank-you letters should be sent to all those who have contributed to the success of an event.

Channel Review

Channels of communication need to be kept up-to-date. A notice board can become cluttered and should be managed by one person. Exclusion from a mailing list can cause resentment. An audio-visual production that looks amateurish can be counter-productive. Printed material can soon become out of date. Timing can be crucial: communication that is too late can be an ineffective ritual. Too much detail can be self-defeating. Periodically, the effectiveness of each major channel of communication used should be reviewed.

Public Relations Planning.

The public relations plan will aim to close a perceived gap between gap between the state of communication between an organization and its publics, and how management would like it to be. The plan could begin with an assessment of the current state, for example, a company's image. Because of the need to react to crisis occurrences, public relations planning and budgeting should provide for some slack in the system. There will be

communication implications of activities likely to be undertaken as part of a wider company plan.

The public relations input to corporate planning would include identification and assessment of the likely reactions of various publics to proposed changes and the forecasting of major social, economic, political, and technological changes. In some cases, public relations and marketing objectives could be in conflict. A business proposal while profitable might be thought to compromise a company's image.

A twelve-month communication plan would incorporate more detailed costings, estimates of time allocation, and short-term objectives ranked in priority along with the required internal and external resources. Costs to be budgeted for would include telephone, telex, printing, stationery and audiovisual and other equipment, leaflets, handbills, booklets, tapes and films, conferences, visits, AGM's conventions, and press briefings.

A publisher identified a gap in a market for a new periodical. Contact with potential advertisers and forecasts of subscription levels likely to be achieved suggested that an extremely profitable publication could be introduced. Being a start-up situation, an initial investment was needed which required board approval. The board rejected the proposal. While it promised attractive commercial returns it was thought that a 'trade' paper would not be compatible with the company's image as a publisher of learned and professional periodicals.

Evaluation.

The measurement of the effectiveness of public relations activity can be achieved by routine monitoring of press cuttings and broadcast transcripts, letters in the press, the tone of comments, complaints received, sales and market reports, reports of speeches, and by special studies such as shareholder surveys, attitude surveys and image studies. Statements of the impact of an organization's communications on certain key publics can be compiled and communication audits undertaken.

A number of companies have undertaken social responsibilities audits. Others have commissioned detailed corporate image studies. Opinion research findings can be sought. Feedback can be obtained via employee communication channels. From time to time, there could be detailed external comments in digests, reviews, yearbooks, stockbroker, and analyst's reports.

Dealer and consumer surveys and an analysis of stock movements can yield clues about marketing communication effectiveness. In the case of programmes designed to change opinions or attitudes, surveys should be undertaken both before and after planned activity. Share price movements and trading levels, and the size and nature of the response to new issues can yield evidence on the relative success of financial public relations programmes.

Evaluation should be objective and honest. Often trade associations and consumer organizations undertake comparative surveys.

Corporate Identity

An organization's marketing effectiveness can be strongly affected by its overall image. The identity of an organization can derive from its tasks, technology, history, or the people within

it. A founder entrepreneur can personify a company, as did Colonel Saunders of Kentucky Fried Chicken.

The image or identity of an organization need not be taken for granted: it can be consciously built and modified. An identity focus can be shifted. The identity may be product-based: Marks and Spencer has a quality image based upon its efforts to achieve high standards in the products it sells. The reputation of Rolls Royce derives from technological excellence and has not been significantly affected by commercial failure and a split of motor car and aerospace operations. In the case of a financial intermediary such as a bank, building society, or insurance company or an oil or transportation company, considerable effort may be needed to distinguish an individual company's identity from the industry of which it is a part.

A favourable identity can be of commercial value. A muddled identity can be a source of confusion and misunderstanding. A major customer, a distributor, suppliers, and sub-contractors may all attach considerable weight to an organization's 'name'.

Pepsi-Cola introduced a new 'Come Alive with Pepsi' slogan for international use. In Taiwan the slogan was translated and initially promoted as 'Pepsi brings Your Ancestors Back from the Dead'.

Corporate Image Promotion

A corporate image advertising campaign can help to make a organization better known. In the case of a company producing products with strong brand names, the company itself may be little known. A campaign in such circumstances might involve introducing a company name at an appropriate point in brand advertisements in addition to a separate programme of company name advertisements.

A corporate advertising campaign can reach a variety of influential publics. An overseas government may be more willing to license a joint venture agreement with a company that has a 'name'. Where a company is under attack from say a consumer or an environmental lobby, a corporate campaign can help to put an organization's message across.

The credit granted by a financial institution or by suppliers, the eagerness of shareholders to take up a new issue or the willingness of a buyer to put an organization upon a tender list can all depend upon reputation. Potential employees or potential takers-up of a new product can also be attracted by a good name. Awareness can be crucial to reputation. Many organizations find that key publics are not aware of the full range of their activities.

A desired corporate image must be credible and realistic. A campaign may need to tackle a negative image. The returns to such a campaign can appear intangible but could be measured by means of before- and-after opinion surveys. The initial examination should be entirely objective, and returns should not be expected too quickly. Paradoxically, when times are hard and advertising budgets are cut, it is often the time when a boost to a flagging image is most needed.

The marketing manager may become closely involved in a companywide corporate image campaign. Such campaigns have been headed up by brand managers. A name can be an important part of an identity and an organization may have to choose

LESSON 25: SALES PROMOTION

Topics Covered

Sales Promotion, Sales Promotion Publics, Consumer Promotions, Point-of-Sale Promotion, Sales Force Promotions, Promotion Opportunities, Character Merchandising, Sponsorships, enhancing Brand image through Promotions.

Objectives

1. To examine the means of reaching customer publics which are normally considered under the general heading of sales promotion.
2. To examine how image can be enhanced through promotions.

Sales Promotion.

There are a number of techniques which are designed to encourage quick sales and impulse purchases. Sales promotion can be particularly important in contexts in which interpersonal communications between a sales person and a potential customer is limited as is the case in many supermarkets and self-service stores.

Some sales promotion techniques such as special offers and coupons will be primarily directed at purchasers of consumer goods while others such as trade shows and exhibitions and conferences will be aimed primarily at the business customer. The common thread that links the various techniques available is the offer of an extra benefit, inducement or incentive, some additional factor which will not usually be present and which may thus, on the spur of the moment, 'tip the scales' and influence the target group.

Sales Promotion Publics.

Not all sales promotion techniques will be directed at customers. Some may be used to motivate middlemen, external agents, and dealers, while others may be directed at a company's own sales force. Effective promotions have an urgent quality and may need to be dramatic to excite. If repeated too often, promotions may fail to be effective.

Some publics have become increasingly immune to certain forms of promotion. A customer may hold back purchases, waiting for a summer sale. A trade customer may buy while an offer lasts, and then revert to a previous buying pattern once an offer has closed. A promotion could encourage the habit of shopping around in the search for economy which could 'rebound' when competing promotions are staged.

A sales force attracted by a particular promotion may campaign for its continuance with the attendant risk of a choice between a price rise and a lower profit margin. A promotion could also affect the image and credibility of a product. The existence of a promotion could be taken as an indication of market failure, that stocks are building up and a company is anxious to sell or that a particular batch is defective in quality, or a model is about

to be replaced by a new version with more attractive features. Some publics may need reassurance.

Consumer Promotions.

The special rewards or benefits offered to consumers can take many forms, samples, coupons, special offers such as discounts, trading stamps, or the opportunity to win prizes in a competition.

A sample allows a free trial of a product. Samples could be direct mailed, inserted, delivered by hand, or made available at a point-of-sale display. Where products are complementary or brand extension is desired, a company could attach a free sample of one of its new products to an existing product. It would thus only be available to purchasers of the second product. By this means, some consumers might be encouraged to try both products for the first time.

Coupons are relatively easy to distribute. A woman's magazine might contain several to be clipped out and taken along to a shop to claim a saving on the purchase of a particular product. Coupons can be direct mailed, hand delivered, inserted, or attached to or incorporated in labeling or packaging of the product in question or other products. On occasion, retailers as well as manufacturers issue coupons. Couponing can be less expensive than sampling in the promotion of an existing product and can also be used more easily to promote a service. With a new product, sampling can be more effective in encouraging an initial trial.

Price reductions can be given in a number of ways and the marketer should be aware of legal restrictions relating to certain claims. A purchaser could be offered a return of all or part of the purchase price within a stated time, either automatically if so many labels are presented or in the event of not being completely satisfied with the purchase. An item could be simply reduced in price for a certain limited period, or extra quantity provided at the previous price or one or more products packaged and sold together at a reduced price.

A number of promotion techniques aim to give some benefit to quantity purchasers. This could take the form of a straight financial discount in the event of purchase within a stated time. A premium in the form of a small gift such as a plastic spoon or tablemat could be attached to larger packs or to all packs. The product could be packaged in a special container which could have some value after the product has been used. Thus, a glass jar might replace for an offer period the usual cardboard or plastic container.

Some gifts may be only supplied direct from the manufacturer on receipt of evidence of purchase. With the more substantial gift, a customer may have to save up a number of labels over a period of time. This is the principle behind the trading stamp offered by the retailer. The number and value of stamps given will depend directly upon the value of purchases. The stamps

may be stored in books and redeemed for goods selected from a catalogue.

In some cases, a special price is offered to those who buy straight from the manufacturer or supplier. Such a promotion enables the provider to recoup the 'cost' of a price reduction out of a retail commission 'saved'. This principle is the basis of mail-order selling. When a product is supplied direct it can be accompanied by promotional material.

Competitions exist in many forms. Some offer a low probability of winning an attractive prize while others offer a more certain reward of lower value. The form of competition selected will depend upon what is known about the target group. With a sweepstake, a customer has only to enter the name of scratch to disclose the number on a card, while with a contest some form of entry will be required to be submitted and judged. A game involves giving a customer, perhaps a bingo card or a number to complete a sequence, or a letter to complete a company slogan each time a purchase is made, prize being provided in the event of successful completion.

Point-of-sale promotions usually reinforce and remind when there may not be time to put across a new message. A point-of-sale technique can put a new message across which does not need to involve sales staff directly in the demonstration. A product's use or a process could however be demonstrated by sales staff and in some cases sample offered to those watching a demonstration.

An effective point of sale promotion can exert a strong influence upon a customer and can be used to back up other promotional techniques such as the use of coupons and premiums. A co-ordinated campaign will make use of complementary approaches which reinforce each other and build up as the point of purchase is approached. Thus, a banner or an external sign could attract the initial attention of passing motorist who recognizes an image from a television advertising campaign. A prominent window display may then present some further information on the product in question and draw attention to the existence of some special offer. Entering the store to obtain further details, the physical route to the shelf location might be 'flagged' by arrows or coloured signs. The full extent of the temporary advantage of purchasing on the spot could be clearly presented on a counter card.

Point-of-Sale Promotion.

A customer at the point of making a purchase and confronted by a brand choice is a particularly important target public. In addition to packaging, display stands and cards, special baskets, and cardboard figures can be used to attract attention. Suppliers of series of booklets, toys, and post-cards will often provide stores with swivel display stands upon which their goods can be arranged.

In addition to in-store displays, point-of-sale promotion can also be used to attract customers into a store. Theatres and cinemas make bold use of external point-of-sale promotion. Balloons and banners can attract attention; troops of uniformed young ladies could be used for a special promotion.

Point-of-sale promotion can influence the impulse purchaser. On hot days, the majority of ice-cream lickers may be impulse

purchasers attracted by the kiosk flag or the ice-cream van man's flag.

The way in which goods are displayed on a shelf or in a window can influence the rate of sales. A large window display may be professionally designed and periodically varied to retain interest among regular shoppers. Inside a shop, prominent signs and models may be used to attract attention to a counter display. The form a counter display can take, the attractiveness of counter cards or display stands will not only influence customers but the willingness of the retailer to stock a brand. A point-of-sale promotion that is compatible with a store's image and decor can create interest and colour and attract customers to buy not only the good in question but other goods as well, once they have been attracted to a particular retail point.

Coupons.

A coupon offers a certain reduction in price upon a specified product. Couponing can be used in isolation or in conjunction with other techniques such as sampling. Because a coupon usually has to be physically carried to the point of sale, as well as encouraging consumers to take advantage of a particular offer, it attracts customers into a store and can thus encourage a retailer to stock a brand in question. The retailer will not wish to disappoint a queue of eager shoppers with their coupons for redemption.

The coupon technique can be used to introduce shoppers to a new product or to give a boost the sales of a long running product which is thought to be losing ground to a competitor. In the case of habitual users of a brand, additional consumption may not result, merely a temporary speeding up of stocking. Couponing is thus the least attractive when an established product is largely consumed by a loyal following and brand switching is minimal.

In the early stage of a product's life cycle, where the product is of a nature that once tried there is a high probability of repeat purchase and groups of consumers likely to use coupons can be identified and cost-effectively reached, couponing when used selectively can significantly increase trial usage. It is important that retailers are given advance warning of a coupon campaign. Much goodwill can be lost among both consumers and retailers if shop staff appear unaware of the existence of coupons or of what to do when they are presented. Retailers should not be taken by surprise by coupons or consumers faced with redemption problems.

Cadbury's, the chocolate manufacturer, convinced of the relative pull of its dairy milk brand, issued a one page coupon advertisement in the daily mirror headed 'It's Your Choice'. The advertisement incorporated two coupon possibilities. The page could be cut to produce a coupon reducing the price of any bar of Cadbury's dairy milk or alternatively cut to yield a coupon giving the same price reduction on a bar of 'any old chocolate'. The consumer was given the choice of which coupon to cut but the advertisement suggested - 'You're sure to choose Cadbury's. Because - Cadbury's is chocolate. And a half'.

Sampling.

There will always be a group of potential consumers for whom seeing is believing. The promotional opportunities for showing

how a product works include demonstration to a group or putting a sample of the product into the hands of the consumer. The larger a sample is, the more expensive it will be to the producer but too small a sample may appear mean or not be regarded as a fair test. Sampling helps to encourage trial use of a new product and is most appropriate in the case of relatively cheap, easy-to-carry items that is adopted are likely to be frequently purchased.

Detergents, confectionery, toilet products, tobacco, and powdered drinks are suited to 'give-away' sample promotion. More expensive goods, such as consumer durables, could be provided on a 'trial basis' to be returned if not purchased within so many days. Many books, particularly series, are promoted on this basis. Philatelists have traditionally circulated schoolchildren with books of stamps on an 'approval' basis. Stamps not required are returned with a payment for those retained.

The cost of a sampling programme can be high, distribution can be complex, and the system is open to abuse. When used in conjunction with other promotional techniques, it can be cost-effective. Sampling can induce trial purchase, demonstrate an improvement or advantage that may not be apparent until a product is used, encourage stocking by middlemen, and reach those who tend to be cynical about a sales message not backed up by 'facts'.

Price Cuts and Premiums.

A reduction in price on an item can be funded out of a reduction in profit margins or by giving up a part or the whole of a contribution towards overheads. A substantial reduction may still allow direct costs to be covered. Certain retailers may make a business of the sale of reduced-price items, covering the loss of margins by volume of throughput or by obtaining significant economy of bulk purchasing. A recession in the publishing industry can result in the opening of 'remaindered' bookstores.

A premium that offers a substantial saving to the consumer can result in speeded up purchases and an additional quantity of purchase. A decision to introduce a premium will depend upon estimates of the long-term total increase in purchases compared with the immediate revenue foregone. A number of purchases may be necessary before a consumer can take advantage of a reduced price offer or a free product or gift given. Such an approach may help to instill a purchase habit.

A form of premium that may be less attractive to the retailer is that which requires a number of labels, coupons, or tokens to be collected and mailed direct to the manufacturer. Requiring the collection of too many labels may fail to motivate or bore, if the expected return appears too remote. Where a free gift is offered, then sufficient stocks should be available to meet the expected demand. The customer will be alienated if a long delay is experienced. It is an advantage if an incentive offered is related in some way to the product concerned. A transportation company could offer a free journey.

British rail introduced a special offer to annual season ticket-holders. A free cheap day return ticket to any destination voucher was offered covering two adults and children. The voucher could be used for stated periods during the summer

when children were likely to be on holiday from school. The scheme introduced some of the business travelers taking it up to the possibilities of family leisure travel by train.

Trading Stamps.

The trading stamp is an example of a sales-promotion device that has gained and fallen popularity on a cyclical basis. It is clearly an advantage to a retailer to join a scheme when it is expanding. Customers new to the trading stamp habit are likely to favour outlets offering their type of stamp and in an expansion period, the trading stamp company will be increasing the range of goods available for stamps redeemed and may well be running a media campaign to promote the stamp in question.

During the decline phase, the use of stamps becomes less attractive. Outlets wishing to drop them may fear alienating those customers 'close' to a good, they have been saving stamps some time for. Competitors may be offering price reductions as an alternative that is attracting those who do not like 'licking and sticking' stamps. The novelty of stamps can wear off but the method of promotion tends to be more long-term than others, with greater attendant 'crawl out' problems.

When the majority of retail outlets used trading stamps, the competitive advantage to any individual store was lost while all stores were faced with the higher costs of running the trading stamp system. A manufacturer of a widely used good of an oil company which provides a product which is regularly consumed could consider a company specific 'stamp'. The Cooperative Movement has used coupon stamps to distribute a dividend to its customers who are, in effect, 'owners' of the business.

Give-Aways.

The purpose of a give-away is to remind and hence to reinforce a message. The ideal give-away is relatively cheap, frequently used and, if possible, seen by others. A pen, pencil, calendar, wall chart, or clock will be often used by the receiver. When mass-produced, the plastic pen and the calendar can be relatively cheap. A younger target public might be more willing to sport a T-shirt or to put a sticker upon a car or bicycle, thus introducing a message to others of their age group.

The give-away could present a brand or a company name. A give-away could be related to a product, for example, a can or bottle opener. The purchaser of a camera could be given a free film in the hope of effecting an introduction to a store's film processing service. There may have been a reaction against the plastic spacemen in the cereal packet but in other contexts an appropriate use of give-aways can promote repeat purchase and brand extension.

A give-away that is pitched at the right level can create goodwill. One that is perceived as too 'cheap' or as a 'bribe' can be counterproductive. A recipient is likely to be more pleased with a give-away that is promoted as selectively given to favoured friends and customers than to one which is automatically given away to all consumers or visitors. Once given regularly, a give-away can be taken for granted. The distributor can come to expect the glossy calendar.

An agent presented a client with a large bottle of whiskey for Christmas and was somewhat surprised to receive an

unfavourable reaction. The client was a teetotaler and had felt that after five years of doing business together the agent did not seem to be aware of this fact.

Trade Promotions.

A high proportion of sales may be achieved through middlemen. Trade promotions can encourage middlemen to stock and aggressively market certain products rather than others. Incentives available include price reduction, sale or return arrangements, assistance with advertising and other promotion, or contests of various kinds.

A special price may be offered to encourage stocking of a new product or the stocking up of an existing product in readiness for a producer's promotional campaign. The buying allowance must be sufficient an incentive to cover the one-off costs of introducing an additional line, and be available for long enough to enable a middleman to act. More notice and a longer take-up period may be needed than is the case with direct consumer promotion. The middleman has a choice of taking an allowance as an increased margin, spending it on promotion or offering a price reduction, passing on the benefit to a final consumer.

An allowance could be based upon a calculation of the rate of stock turn in order to encourage the stocking of faster-moving items. A manufacturer could offer to 'buy back' unsold stocks of an old product on condition that a certain number of new products or of an improved version are stocked in return. Volume allowances can be given to favour larger customers. These could take the form of reductions in the price of future purchases. Such allowances could be available on a percentage basis, the percentage rising as a series of thresholds are reached, thus giving high-purchase middlemen a relative advantage which can improve their competitive position vis-a vis the ultimate customer.

Those who purchase a certain quantity of a good could be offered a free consignment of the same or another good. This could be done to secure stocking of a new good or to clear stocks of an old good. In the case of a good in the decline phase of its life cycle, or where competitors are offering an improved product, even a free consignment may be rejected when a middleman has relatively high storage and handling costs, and the prospects of significant sales are remote.

In return for stocking a good, a middleman might be offered physical or financial help in promoting the good. A manufacturer might pay an allowance for a 'mention' in local advertising or in a circulated catalogue. Display stands could be made available. The allowance could take the form of a percentage contribution to sums expended during an agreed period. The manufacturer's own advertising could carry the names and addresses of dealers and retailers who stock the good in the good in question. Joint advertising might be possible on a cost-sharing basis. A motor car manufacturer may put a great deal of effort into dealer promotion.

A company may offer a middleman's salesforce a direct incentive in the form of a specified sum for every unit of a product sold within a stated time. While effective at motivating a salesforce, this technique may not be appreciated by the employing middlemen where, as a consequence, sales staff switch their

efforts to the promotion of lines which, although more lucrative to themselves, offer the middleman a lower profit margin. A sales contest is in a similar position. The contest could be aimed either at middleman or the middlemen's salesforces. To motivate, a reasonable chance of winning must be perceived.

The incentive could be given to a retailer in the form of a cash sum, a discount for quantity, a special gift, or help with point-of-sale promotion. Effective promotions are those which meet the retailer's needs of encouraging turnover and customer throughput, making a maximum return per unit of space, and contribution to an acceptable decor or ambiance.

An incentive in the form of a prize could be offered in conjunction with another company. Thus, a prize to dealers of a holiday abroad could be promoted in such a way as to give publicity to a particular holiday or travel company and its services. Joint promotions allow complementary product producers to share costs.

A company whose products are handled by a large number of middlemen may employ direct mailings to inform them of new developments and new promotional schemes. A promotion will not work if it is not communicated to those it is intended to motivate.

Exhibitions.

At a trade exhibition, a company will be competing for attention with other companies represented. A stand will need to be eye-catching to attract, and interesting to retain attention. A moving or dynamic or an audio-visual element will often cause one stand to penetrate through a confusing haze of competing messages.

Having attracted the attention of an informed potential purchaser or middleman, it is important that the desire for information that has been

stimulated is satisfied. A stand should be manned by those knowledgeable about the product, and sufficient brochures and manuals should be available to meet an expected demand. It may be desirable not to have all the available information on display and to encourage those manning a stand to distinguish and discriminate between the 'professional' leaflet collector and the competitor's representative, and those genuinely interested in a potential purchase.

Some stands will be better positioned than others and will be correspondingly more expensive. The size and furnishings of a stand should match an organization's corporate image and the 'presence' it wishes to establish. There may be public relations as well as marketing objectives behind participation in an exhibition.

Sales Force Promotions.

Sales staff can be offered cash payments for the achievement of a certain level of sales. Their interest might be captured by a sales context that fosters and appeals to the competitive spirit. Periodic conferences could be held to introduce new products, explain consumer feedback, discuss the relative effectiveness of different sales techniques, and generally motivate and raise morale.

A bonus scheme could be aimed at all sales staff or be designed to consciously discriminate in favour of above-average performance. A scheme needs to take account of the fact that some sales territories are more promising than others. An award on the basis of a percentage or relative increase might be more acceptable than one based on absolute sales.

Promotion Opportunities.

A number of media hold competitions of various kinds. Considerable promotional mileage might be obtained from the donation of a prize. On other occasions, an organization might be able itself to take the initiative and establish and sponsor a prize or award in conjunction with a programme or event.

An anniversary may be the occasion to stage a number of events. Promotions can be built upon the achievement of an honour of award, exhibitions or shows, new products, plants or orders, a joint venture or innovative plan, a position change in a league table ranking or the visit of a VIP. An organization may find advantages in some kind of formal association with one or more popular personalities.

Promotional material could be enclosed in a shareholder letter. Direct mail can allow a variety of publications such as house journals to be sent to a variety of publics. A house or dealer journal could stage competitions.

Gifts should be employed with caution. They should relate to a company's products, and should appear both reasonable and appropriate. A gift that is not pitched at the right level can be counterproductive. A gift may be more acceptable in certain contexts and at certain times than at others. A Christmas voucher can be acceptable while a calendar can put across a simple message for the duration of a year. Special discounts can be an incentive. Consumer-good companies with relatively cheap products which are frequently bought, generally find it easier to issue vouchers.

Character Merchandising.

Character merchandising aims to build upon an established image or reputation by means of the halo effect. Attributes or qualities associated with the image or reputation in question may be associated with or ascribed to the products or services to which it is symbolically attached. The technique is rather similar to brand extension, which spreads a good name across a family of products.

The subject of merchandising should be acceptable in terms of a corporate image, be quickly and easily recognized and understood, and arouse favourable and appropriate emotions. Care needs to be taken in setting up merchandising arrangements. Subjects aware of their 'pull' are likely to seek to negotiate high 'prices' in the form of fees and royalties.

Merchandising takes many forms. A family of products may be conceived at the outset or 'spin-offs' introduced later following initial success. A strong visual identity makes for easier merchandising. Micky Mouse for example is readily recognizable in many cultures. Some products are more easily subjected to merchandising than others. It is relatively easy to attach an image to a T-shirt or an ice-cream or ice-lolly wrapper. Merchandising can be used to associate sports wear and goods with a particular sporting personality. The sportsman or woman concerned

might just allow a name to be used or go so far as to 'endorse' a product and actually actively promote it.

A successful film may give rise to a family of spin-off products. There will be the book of the film and the record of the film's music. An existing book may be brought out in a new edition, with a still from the film as a cover, in readiness for a film's opening. A particular style of clothing or a certain symbol could be used in clothes merchandising. A James Bond film could give rise to toy James Bond rocket-firing cars. A space adventure could give rise to a range of toy spaceships and plastic reproductions of film characters.

The possibility of merchandising income might be built into a project's budget and merchandising income actively sought. A major show or film production might involve positive approaches to manufacturers setting out the publicity and other spin-off advantages of having their name or products featured. A separate division or company may be established to market the merchandising exploitation of a popular cartoon character.

Swift action may be needed to take advantage of merchandising opportunities. The market for badges of a visiting pop star may be 'here today and gone tomorrow'. Fashion and entertainment are sources of opportunistic merchandising innovation.

Certain publics may be more susceptible to the merchandising approach than others. Merchandising can appeal particularly to the young and to groups with strong likes and dislikes. The child may find the same character type appearing on a cardboard cereal packet or a crisps packet, on an item of clothing, as a model in a toy shop, and as a character in a comic or cartoon strip. A visit to a summer fair may reveal adult-sized 'dressed up' characters.

Merchandising is particularly effective in out-of-doors and point-of-sale promotions. With durable goods, those involving time for reflection and perhaps the involvement of more than one person in the purchase decision process, the reaction to merchandising can be 'so what?'. Some characters are disliked as well as liked, so that merchandising can polarize. Some characters are 'longer lasting' than others; some will bore. In the case of widely recognized characters, the general public may have prior expectations and attitudes which while appropriate to one product might not be to another. Thus, those holding merchandising copyrights may be reluctant to see an image, character, or name used in certain contexts.

A successful merchandising partnership can offer benefits for all parties. A major company investing in merchandising may not only gain from association with a particular character but may also do a great deal to promote the character. Being more widely recognized and associated with a product that is favourably regarded may allow the copyright-holder to negotiate more lucrative future arrangements than would have been the case in the absence of a big company 'take up' of the character concerned.

In the event of the visit of the pope to Ireland, the Catholic Church entered into a joint venture arrangement with a professional merchandising company in order to participate in the profits made out of merchandising opportunities arising from the trip. The joint venture while unable to prevent the

production of 'pirate' souvenirs was able to produce an extensive range of 'official' souvenirs for the visit.

Sponsorship.

Sponsorship can put a name across and promote an image. Large companies can sponsor a range of sports and arts activities; smaller companies and professional and other non-profit organizations can sponsor awards and lectures. One UK clearing bank supports 140 separate activities. Considerable sums of money are involved in sponsorship.

The most attractive activities from the point of view of the potential sponsor are those that attract publicity and media coverage. There are some specialist consultancies able to advise those considering sponsorship for the first time. The UK Sports Council has operated an advisory bureau which maintains an index of activities seeking sponsor backing and is prepared to examine and advise on draft sponsorship agreements. The exact terms of a sponsorship agreement can be a sensitive matter and it is wise to tread carefully.

Sports vary enormously in image and in the type of supporter they attract. The manager of an exclusive 'up market' product should seek polo rather than football to sponsor. Companies tend to prefer to sponsor activities whose images are perceived to match their own. Some areas appear rather 'crowded' and new entrants may be reluctant to enter the field. Thus, some quite well known football clubs have difficulty in attracting sponsor support.

It should be remembered that individuals and teams lose as well as win; popular support can be fickle. A team can have an 'off-season'. Individual sponsorship in a competitive sport can be more risky than team sponsorship. Injury can put an end to a promising career. The chart-topping musician may be a 'Mr. Clean' one day and billed in a tabloids as involved in a sex or drug scandal the next. A company can be at risk with sponsorship in a very public way.

A conscious sponsorship strategy should be drawn up: A typical decision relates to the issue of width versus depth. It is less risky to maintain a diversified portfolio of sponsorships but the cost can be the failure to make a real impact in anyone field. Cost-effective activities should relate to the product in question. A cigarette manufacturer worried about the health risks of smoking could sponsor an out-of-doors pursuit such as rodeo riding. A company interested in reaching senior managers would favour golf sponsorship rather than greyhound racing.

Sports that attract broadcast media attention tend to attract sponsors. Poster sites and stadium advertising can allow product names to be unconsciously absorbed by those watching football or motor racing on television. It should be remembered that the broadcast media are international.

Audiences running into hundreds of millions watch television world cup matches. Mothercare advertised on the walls of a world cup stadium in Mexico at which the English team played its matches. The company's aim was not to reach a local audience but viewers in the UK who watched the matches on television.

In some cases, legal controls can be circumvented by sponsorship activity. Thus, while tobacco advertising may be banned from television, a company manufacturing cigarettes could put its name across by sponsoring a particular league or series or by sing displays erected at outside-broadcast coverage of the activity concerned.

The actual form sponsorship takes can be varied. Sponsorship support in absolute terms is highly significant for a number of leisure activities. Financial support could be in the form of specific grant or subsidy, loss guarantee, or a cost-sharing arrangement involving joint project management. If an arrangement is to work, both parties must be open at the outset and each must benefit if agreement is to be reached. Any activity that is seeking sponsorship should be aware that many will assume it to be endorsing the products and/or services of the supporting organization.

In setting up sponsorship arrangements, it is important not to be taken in by activity glamour. The likely spin-offs should not be exaggerated. A number of sports are governed by strict codes and rules and a sponsor may have to be bound by a number of these. Care should be taken not to compromise an amateur status. It is usually wise to seek the advice of the governing body of the sport concerned.

Risk should be consciously considered in sponsorship decisions. Outdoor activities can be rained off while indoor activities tend not to be affected by weather. A badly timed event can result in a product name being associated with a poor attendance. Worse still is the association with failure or a crash.

A sponsorship agreement should incorporate objectives, a timetable, an agreed division of labour and periodic liaison and reporting arrangements in a formal agreement. The detailed responsibilities of all parties should be spelt out. Confusion can arise where a division of work is not agreed. Each party could for example send separate press releases to the same media.

Enhancing brand image through promotions.

The use of sales promotion, throughout the world, has most often been to 'buy' short term extra sales. India is no exception. Its role has usually been 'tactical' - the solving of immediate problems, like a fall in sales, or a declining trend (which therefore needs a shot in the arm) - rather than the building of a brand's long term strength.

In the next few pages I will be talking about two successful examples of sales promotion which have contributed to building added value to the brand, and thus helped in building Brand Equity. It is a pity that more often than not, sales promotion is used mainly to get temporary benefits, i.e., an increase in sales at that point of time.

The first of the two case studies is known as the 'Boost Train Picture Cards' promotion; and the second the Bournvita Book of Knowledge promotion - both the products are in the same category, namely the brown powder sector of the Malted Milkfood market. Both brands, designed for consumption by children, but purchased by their mothers, have a twin focus for their loyalty-building activities: child appeal and mother approval.

Bournvita Book Of Knowledge

Background

During the 1970s Bournvita's advertising claim, 'Brought up Right Bournvita Bright', was supported by a very popular radio programme, 'The Bournvita Quiz Contest'. This was an inter-school quiz involving participation from schools in Mumbai, Delhi, Calcutta and Chennai. It was broadcast from seven stations - Mumbai, Pune, Nagpur, Calcutta, Delhi, Chennai, Trichy - and created a lot of audience interest and involvement, particularly among children and other members of the family.

Objective

To enhance the brand image of Bournvita by supporting the main advertising proposition of the brand: 'Brought up Right-Bournvita Bright', thus building an enduring consumer group for the brand.

The promotion

Consumers sending in two proofs of purchase from any size of Bournvita were offered FREE the Bournvita Book of Knowledge, a compendium of questions and answers from the Bournvita Quiz Contest for the year 1972-73.

Results

Demand for the Bournvita Book of Knowledge was so great that a substantial reprint was required. Market research indicated very high recall and a linkage in the public's mind between Bournvita, the Quiz Contest, and the Book of Knowledge, ranging from 49% in Delhi to 66% in Madras.

The scheme was therefore continued in subsequent years, with further annual compendiums of questions and answers, slight modifications being made to these later volumes of the Bournvita Book of Knowledge in the light of experience. Over a quarter of a million books have been sent out over the years.

Bournvita's brand share increased by 3 percentage points in each of the first years of this promotional programme. Scores for the number of consumers buying only Bournvita and no other competitive brand solidified to 46% in Calcutta, and went as high as 68% in Delhi.

Comment

This is a first class example of sales promotion being used successfully in a strategic role. 'Strategic' as opposed to 'tactical' in the sense that the programme ran over a lengthy period of time, several years. It was not just a quick in-and-out tactical operation designed to solve a particular problem or exploit a specific opportunity that had arisen in the short term. 'Strategic' too in that the Book of Knowledge was integrally related to the Bournvita Quiz Contest and in turn to the advertising proposition: 'Brought up Right-Bournvita Bright'.

The promotional programme thus supported the central thrust of the brand's marketing strategy. It took the fleeting words of the radio programmes and bestowed upon them a physical, tangible, permanent dimension in the form of the Book. It continued to communicate the brand proposition to consumers in their homes in between broadcasts of the Quiz Contest. It linked this popular programme firmly to the purchase of Bournvita by requiring two proofs of purchase to obtain the Book.

BOOST Train Picture Cards

Background

Boost, a malt chocolate milk drink, was launched in 1976 as HMM's entry into the brown powder sector (HMM's brand Horlicks having already established its leading position in the white powder sector). After successfully test marketing it in Kerala the brand had reached national distribution by 1980. Sales continued to grow until 1982, but seemed then to have reached a plateau.

A wide-ranging review of the brand and its competition nonetheless indicated that the positioning of Boost as an energy drink for children was correct. In-depth qualitative research confirmed the strength of the advertising which had used the theme of trains to communicate the proposition: 'Boost: the energy fuel for an active life. Taken regularly it helps to improve both physical and mental energy'. The need was for this proposition to be marketed with renewed vigour, in a rejuvenated form. HMM decided to turn to sales promotion to provide this fresh thrust.

Objective

To enhance brand equity by supporting theme advertising, and thereby increasing brand loyalty which would automatically result in increased sales.

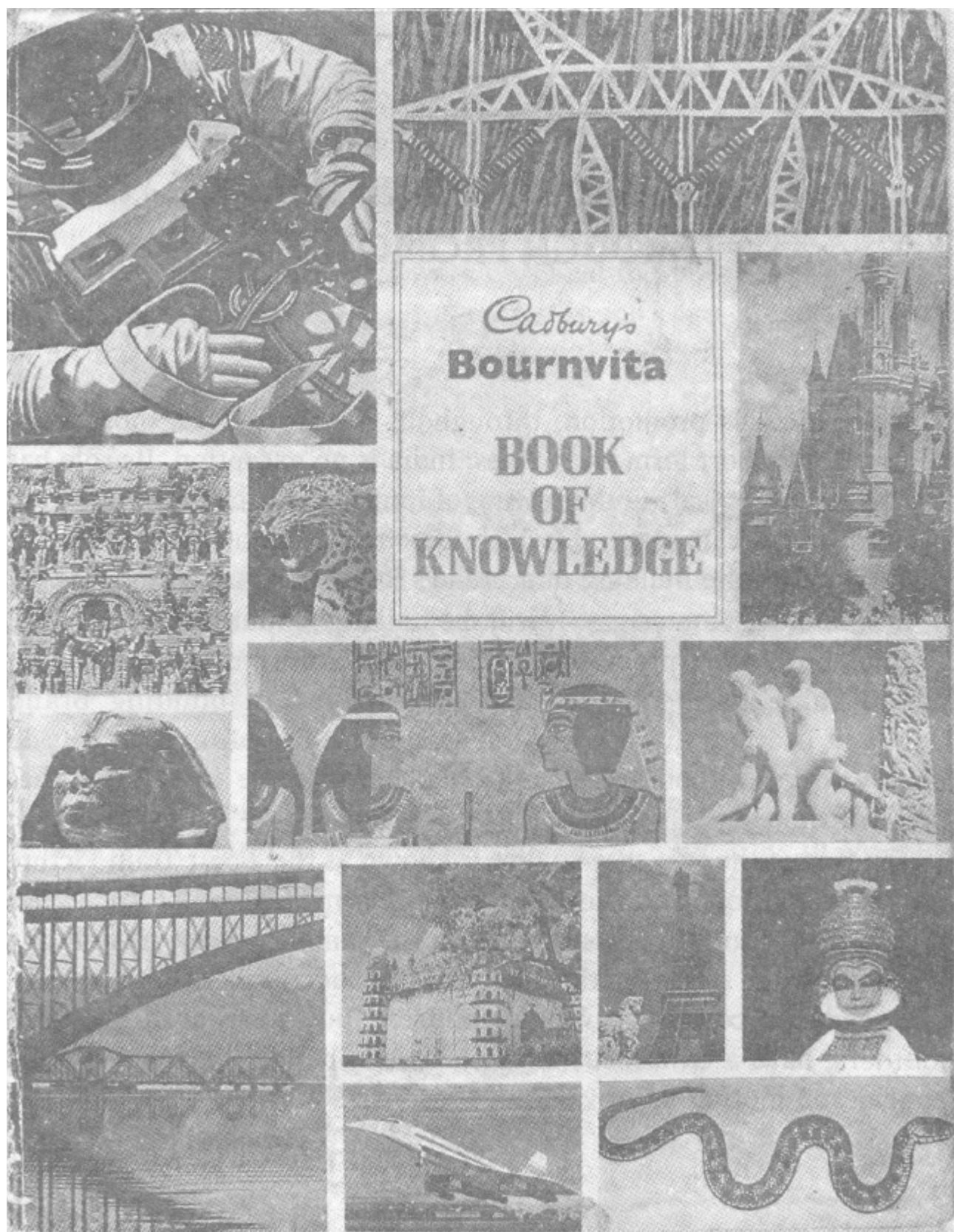
The Promotion

One of a series of 12 coloured picture cards was packed FREE in every 500gm pack of Boost (the larger of two sizes) throughout the six-month promotional period. These picture cards illustrated famous trains from the history of railways around the world. The cards were contained in polythene pouches, 10 cm x 6.7 cm, sealed on all sides.

Four different picture cards were made available in packs in each of the first three months of the promotion, and the process was repeated in the second three months to give the consumer a further opportunity to collect all 12 cards. All 500gm packs were flashed on the front with an announcement of the promotion, referring the consumer for full details to the back of the label in the case of the 500gm jar, and to the back of the pack in the case of the 500gm refill pack.

Each picture card had a tear-off strip on its right hand side, printed with a number from 1 to 12. Sending in two of these strips qualified the consumer to receive, FREE, an album with spaces in which to paste the picture cards. The album contained much additional background information on, for example, the early history of trains; the expansion of railways round the world; the beginnings of underground railways; the advent of diesel and electric traction; the development of commuter services; great railway men; railways in India; unusual facts; glossary of railway terms; the future of trains, etc.

The album also contained a page with spaces for 6 further tear-off strips from the picture cards to be pasted down. No duplicates were allowed - the strips had to carry 6 different numbers from six different cards (these numbers corresponding to the numbered spaces allocated in the album to the picture cards themselves). The first 100 consumers to mail in this page



containing the six strips would win a prize of an expensive electric train set.

Advertisements announcing and describing this promotion replaced the usual Boost 'theme' advertisements during August-November 1984. A special TV video film was created for this promotion. During the first month point-of-purchase display materials announced the promotion and highlighted the picture cards. During the second month new display materials highlighted the album. In the fourth month yet new display materials highlighted the album, as well as the electric train set.

This promotion marked the first co-operation between The Sales Machine in London, an international sales promotion agency, and HMM Ltd.

Results

Against a target increase in sales of 12.5 per cent during the six month promotional period, sales increased by 16.6 per cent. Against an estimate of 22,000 applications for the album, 61,147 were applied for. This represented almost exactly 10% of the 500gm packs sold during the six months being redeemed for albums. Almost one quarter of households buying Boost obtained an album. 4,020 entries were received for the electric train set. As a goodwill gesture HMM increased the number of train sets awarded from 100 to 300.

Both trade and consumer feedback on the promotion was extremely positive. Many children, as well as parents, wrote in expressing their appreciation of the offer. Market research conducted at the end of the promotion reported that it was regarded very favourably by mothers, who liked its educational aspect. It was the type of promotion they encouraged their children to participate in.

Comment

Picture cards inserted FREE in a pack is a classic collection technique when children are the consumers but their mothers are the purchasers. By giving the picture cards an educational character the mother is encouraged to pass them on to her child, and in turn the child encourages the mother to make further purchases of the brand offering the picture cards - rather than a competitive brand - in order to obtain further cards in the series.

The number of different picture cards in the series should not be greater than it is reasonable for a child to collect from his mother's purchases during the period of the promotion, though allowance can be made for the swapping of duplicate cards among school friends. An activity which can give additional word of mouth currency to the promotion: some children seeing their friends showing off and swapping these treasured cards return home and ask their mothers to buy Boost next time, instead of her normal brand. They want to be in on this new collection craze too! An album in which to insert

the picture cards is a great stimulus to collection. As soon as the first card is stuck down, the remaining spaces look very blank indeed - they cry out to be filled! Boost was therefore right in making the album readily available, FREE, in return for only 2 proofs of purchase.

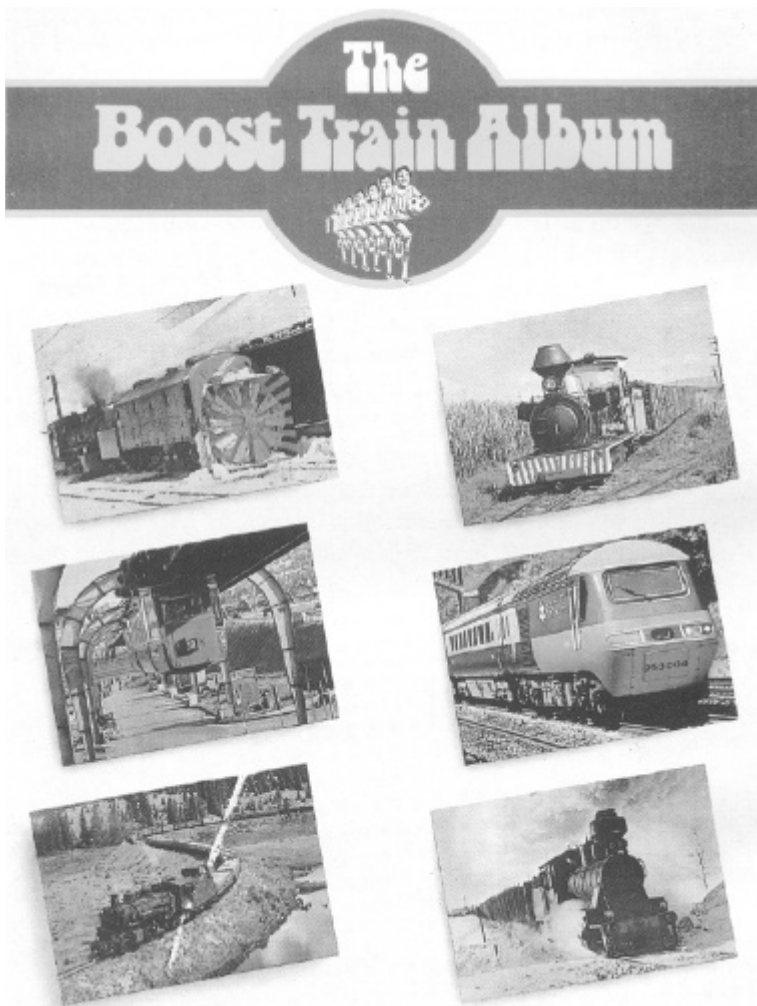
The high rate of participation at all levels of the promotion proved the appeal of trains as a subject, in the various ways it was treated in both the picture cards and the album. Best of all the train theme continued and extended the message of Boost's advertising campaign. This new method of sales promotion was not an abandoning of all the careful marketing effort that had been put behind the brand previously, it was simply a new and impactful expression and execution of all that Boost had been saying about itself since its launch.

Summary

In this lesson, we study the subject at length, Sales Promotion, Sales Promotion Publics, Consumer Promotions, Trade Promotions, Point-of-Sale Promotion. Sales Force Promotions, Promotion Opportunities, Character Merchandising, Sponsorships, enhancing Brand image through Promotions.

Assignments

1. Study one promotion and discuss if all the requisite elements are present. If not, how would you plan it differently?



LESSON 26: MARKET RESEARCH

Topics Covered

The Marketing Information System, Using the Information System, The Information Input, Marketing Intelligence, Selecting Intelligence Gatherers, Sources of Information, Research, Market Research Techniques, Interviews, Measurement, Presentation, Market Research Organization, The value of market research, Changes in the system.

Objectives

1. To comprehend what the system of marketing information is
2. To study the market research techniques.
3. To know what a market research organization is.
4. To understand the value of market research.

By means of market research a company can itself create structured channels for communications from the market. It needs also to be aware of the activities of competitors and of social, regulatory and economic trends that are, or could become, a significant influence upon its marketing activities. Communications from the market might suggest that some approaches be played down and others be utilized more in the marketing promotion mix.

The Marketing Information System.

Within a large company, senior management will devote considerable time and financial resources to the communications aspects of the marketing system, the marketing information system. More companies are coming to realize that not only do people, materials, plant and money need to be managed, but so also does information.

Breakdowns and imperfections in the marketing information system are easy to spot. Too much or too little information may be produced. It may be of the wrong kind, never delivered when needed and always appear to get into the hands of the wrong people. The organization will also have its staff who fudge figures to conceal poor performance or to gain credit.

As society becomes more complex and customer needs become ever more difficult to satisfy, an individual company can face an information explosion. An organization must be receptive to what is going on around it. It must not screen out vital information; at the same time, it must be able to refine information, to order it and present it in such a way that it can be used for analysis, decision-making, and control. The more forward-looking a company is, the more changeable its business environment, the greater its concern will be with the efficient management of information.

The total-information system of a company will have many components, accounting, production, financial, and marketing. The marketing information portion comprises those areas of the total-information system which are employed to service marketing decision-makers.

Information systems generally consist of a selecting mechanism which gathers relevant information, a decision-making process which assesses this information and takes decisions in the light of the organization's agreed objectives, and an effector mechanism which puts the decisions taken into effect. A particular system might be strong or weak in one or more of these areas.

The information-gathering role is frequently overlooked in smaller organizations. There is a tendency to sit back and react to whatever turns up. An organization should go out and actively seek the information it needs. It should both initiate and respond.

Information can enter an organization at a number of points. The marketing manager may find that there are also several sources of useful information within the organization which the marketing department can plug into. The accounting department, for example, may produce a variety of control reports on marketing performance. The analysis of sales profitability by product, area, customer, channel, or territory can be particularly valuable.

The Marketing Information System

Business Environment Company	Marketing Information System		Marketing Management
Macro-environment			
Culture			
Social forces			
Economic Situation	Market research		Assessing
Technology	Market intelligence		Planning
Government policy	Accounting system	Marketing	Implementation
Market environment	Data Reporting system	Information	Monitoring
Customers			Control
Competitors			
Distribution			

Major US corporations have, in some cases, built up think tanks, groups of highly qualified staff, who develop scenarios of alternative futures and attempt to attach probabilities to major threats and opportunities which might affect their organizations. Such evaluations have been linked to computer-based world models.

Using the Information System.

Before commissioning research work, a marketing manager should first check that the information he seeks is not available elsewhere within the organization. The corporate planning department, for example, may have accumulated information on market trends or competitor performance. A management services department might exist which can provide the techniques required to process one's information. An individual manager should be prepared to tap into an organization's total information system. Sales reports can often be obtained from a variety of sources and in differing formats. The accounts clerk may prepare one set, a salesman in the field another. A market-

ing manager should develop a critical attitude towards information: it is only as good as the credibility of its source.

There is little point generating information that is not used. From time to time, an information audit should be carried out to determine what is no longer needed and what new requirements have arisen which are unmet. The exception principle should be employed, that is, control limits established and reports only made when there are exceeded. The system then only reports the problems, where things are going astray will stand out.

The timeliness of information is crucial. However good a report, it is useless if it arrives after a decision has been taken. Information costs money to produce. Even when good information arrives on time, one should always ask whether the benefits obtained from having it justify its cost.

Managing an information system becomes even more difficult when it embraces external organizations with dissimilar cultures. One organization whose staff rigidly adhere to its deadlines may rely upon information from another, say a sales agent, which is not so concerned either with the accuracy of its information or its timely presentation. In this type of situation, the marketing manager must learn to assess and to take a realistic view of the credibility and capacity of external information sources.

An information chain can only be strong as its weakest link. Very often, reporting deficiencies in one area cannot be compensated for by accurate and detailed work elsewhere. However good an information system may appear on paper, its output will reflect the quality of its input.

It is said that American Authorities in Washington received prior warning of an impending attack by the Japanese upon their naval base at Pearl Harbour. The message was not understood. There were considerable delays in its transmission and it failed to arrive in time in the hands of someone able to take appropriate action.

Users and Information

An important behavioural point to bear in mind is that different executives vary enormously in their reactions to changes in the volume and type of information. Managers have distinct information styles. Some have a greater desire for information than others, are more catholic in their sources and more prepared to change these sources. Some find it less easy to be objective than others. A manager can become less tolerant of detail over time. A sudden increase of information can lead to concentration upon the minutiae and the short term.

A marketing manager should have no difficulty in accepting that information must be user-orientated. Information that is rammed down an unwilling throat is unlikely to be used effectively. It is generally a good idea to ask people what information they would like, in what form and how often.

This usually gives rise to demands for more than is justified on a cost effectiveness basis, but the exercise is worth carrying out as it can identify gaps in the current information.

A major problem that arises when external organizations are employed stems from the impossibility of closely observing outside staff at work or even, in some cases, of knowing who

actually does certain work. Behavioural problems are thus difficult to detect. Assessing a source becomes tricky when one has little idea of who is working 'at the cost face', or of the conditions and practices of work. The tendency in these situations is to judge a source on the basis of its track record. While this needs to be done, in addition every effort should be made to meet external organization staff and to assess them.

The marketing manager may also need to spend some time examining the structure of the external organizations with which he deals and the personalities of their key figures. The behaviour of certain individuals may only 'fit into place' and be understood against the background of the organizational context.

A number of large organizations have been found to lack any regular source of information on developments at the EEC headquarters in Brussels. One manager failed to read an urgent assessment of a new proposed directive that threatened to profoundly change the nature of his business, due to its being 'lost' on his desk amongst a pile of routine reports which were never read but were, for the sake of appearances, scattered over his desk for a few days before being thrown away.

The Information Input

The money flow will be managed by the accountancy and finance function. The marketing manager will be more concerned with the information input, marketing intelligence. The manager who considers what market information he needs and then actively sets about acquiring it is engaging in market research.

Marketing Intelligence

Marketing intelligence can be carried out inside or outside of the organization. Many specialist firms are able to perform specific projects. Market intelligence is basically what, amongst all that is going on in the world, is likely to affect demand for the company's products. It can be obtained passively or actively and, if actively, by searching with varying degrees of formality. There will often be long time lags between a significant event happening and the company's identification of it.

It is frequently cost-effective to pay for rather than gather specialist information. An external expert can spread the overhead cost of a service across a number of users. An example would be use of a Parliamentary monitoring service or the purchase of index ratings or a ratio analysis of firms in a particular industry. Contract market research such as attitude surveys might be employed. Some firms bring in information science consultants to advise them on how to more effectively evaluate, summarize, report, store and access information.

Selecting Intelligence Gatherers

Before entering into an external arrangement it is wise to examine samples of work undertaken by the organizations concerned, to visit their premises, meet as many of their staff as possible and ask for references and client lists. The objectives of a study and the procedure to be followed should be agreed at the outset and a written brief agreed prior to signature of any contract.

When negotiating terms it is usually a good idea to assess how important the job in question is to the organization with which

one is negotiating. This gives some idea of one's bargaining position. Always obtain more than one quotation.

If one is buying specialist services it is important to be satisfied that an outside firm has the required expertise. It may have done good work in other fields, but it does not inevitably follow that it will be able to find its way around in one's own. An external company may have the nation's experts on its books. This will be an academic point however if these people are employed on other accounts. Always find out who will actually be doing the work.

Sources of Information

Customers are a major source of market information. Some companies just react to incoming suggestions while others go out and actively seek opinions. Salesmen who should be in constant touch with customers and their requirements can suggest new methods of dealing with customer needs. It should be made clear to salesmen during their training that an important part of their job is to carry information on the company and its products to the customer and to bring back to the company information about the customer.

A company should keep a careful watch on its competitors by means of purchasing and examining their products, attending shows, reading the trade press and by talking to their past or present employees, agents and associates. Research and other associations can provide background information, so can a specific literature search and review. Other people's patents should not be overlooked as a source of information. If it is worth protecting, it is likely to have some commercial value. Technical information might be obtained from licensing consultants and patent brokers, from the monthly 'product licensing index' or from the National Research and Development Corporation.

As incoming information originates in outside sources, collecting and assessing it requires the establishment of relationships of some sort with outside organizations, if only at the level of watching them. The more resources that are available, the easier it becomes to track an information flow and to follow it back into its source, to determine how and why and under what conditions it originated. This assists the assessment of its credibility and value.

A manager responsible for an overseas sales territory in Africa found that the best source of information of the local activities of competitors was the manager of the bar in the area's leading hotel. The hotel was visited by virtually every visitor of consequence to the territory concerned. The manager was surprised one day on being told that the bar manager's income in 'tips' from foreign companies was reputed to be some ten times his official salary.

Research.

Measurement should have a purpose. Research should begin with a hypothesis to be tested. A marketer's hypothesis could be that a certain expenditure on advertising and promotion, the communication variables, has resulted in an increase in sales. Not only will the extent of the expenditure and the increase in sales need to be measured but some means will have to be developed in drawing up a research design to distinguish the

advertising and promotion effects from those of other variables such as seasonal factors or competitive activity. The increase in ice-cream sales that occurs might have been stimulated in part by abnormally high temperatures.

Some exploratory research may be undertaken in order to identify problem areas and assist in the drawing up of a hypothesis. A good point with which to begin could be an existing literature. Other market research studies in libraries of business schools or available in published form might be available. Expert knowledge might be available to be tapped or similar situations may exist elsewhere from which it might be possible to learn. There is usually little point in reinventing the wheel.

When time and resources are limited a descriptive study may be undertaken. This can be achieved by an in-depth study of a relatively small number of particular buyer-seller contexts, examining all the factors influencing a purchase. Alternatively the main influences only might be taken in a much larger number of cases and measured statistically. A descriptive study as the name suggests, describes. It can enable a prediction or forecast to be made. If an understanding of why an effect has occurred is desired then a causal study would need to be undertaken.

Market research should be relevant and purposive, seeking to improve profitability and/or reduce costs. It should never become a ritual carried on for bureaucratic or organizational political reasons. The work of market research can be carried out by line managers or by staff specialists or by mixed teams. Elaborate techniques should not be employed to satisfy professional pride. The objective of analysis should be kept in mind which is to assist in the taking of more informed marketing decisions.

Market Research Techniques

A market researcher needs to determine what information is needed for what purpose, where it might be found and in what, how, form whom and in what form data should be collected and when, to whom, by what means and in what form it should be presented. Information required should relate to a problem and be needed. Helpful information might reduce uncertainty and allow certain options to be dropped. Where resources are limited it may be advisable to think twice before collecting information that is required for 'interest' and for which there does not appear to be a clearly defined use.

Information can be obtained from both primary and secondary sources. Collecting or generating primary or original data can be considerably more expensive than making use of already existing secondary data. It might be a good discipline to compare the expected cost of substantial research with the difference between the expected value of a marketing decision with and without the benefit of the research in question.

In order to save resources it is generally a good idea to establish the type of data required and give some thought as to how it might be analysed and presented prior to data collection. When this is not done a great deal of effort might be expended in the collection of data which is not subsequently used.

If a certain level of reliability is desired it might also be advisable to determine what level of reliability is likely to be achieved given the sample size that can be afforded and the likely return rate of such a data collection device as a questionnaire. There is little point in commissioning research which is unlikely to have the confidence of a recipient once completed.

Interviews

Questions asked in interview situations should be systematically formulated and posed and responses systematically recorded. An interview can be disguised or non-disguised, structured or unstructured. The disguised interview can approach a subject indirectly, perhaps by asking a subject why friends might have purchased a product. Most interviews are open or non disguised, the subject being asked directly his or her reasons for purchasing a product or service.

In the case of a structured interview the questions asked are standard and follow a predetermined sequence. All responses are faithfully recorded. With an unstructured interview, an interviewer, without the encumbrance of a standard list of questions is more able to probe, to take up interesting leads and to get to know the subject.

The structured interview tends to be most suitable when large numbers of subjects are to be questioned by relatively inexperienced interviewers about a relatively straightforward consumer good purchase. Where a purchase process is more considered, and more is at stake, a more skilled interviewer may be able to interview at greater depth using the unstructured approach. A subject can be encouraged to talk, to lead the interviewer into fresh areas which might yield new insights. The commitment of the subject is clearly much greater in the case of a detailed and proficient unstructured interview. The unstructured interview can be relatively open ended.

The unstructured and disguised interview may be appropriate in sensitive areas when people are reluctant to talk about themselves. Some individuals have expectations that certain purchase motivations are looked down upon. Consumers may not want to admit that a consumer durable was bought because a nagging wife wanted to 'keep up' with a neighbour's wife who had recently acquired one. Questioned about why the neighbour bought the good in question the subject might reveal certain personal motivations.

A word or picture association test can be used in disguised interviews to probe reactions to phrases, images and symbols associated with the overt or covert attributes of a product or service. By asking subject to complete a sentence or phrase certain attitudes may be revealed. From the results certain brand name ideas may emerge as more promising than others. Images used by a competitor may seem more appropriate to a product group in question. Over a period of time changes, following advertising and promotion campaigns, in awareness and attitudes might be disclosed. Both problems and opportunities might simultaneously emerge.

Measurement

The questionnaire can be a relatively cheap measuring instrument, that can be systematic and comprehensive while presenting responses in a manner which can allow easy codifica-

tion, processing and analysis. A good questionnaire seeks consciously to avoid questioner bias and in length, structure and language matches the interest, available time and level of understanding of the target group. A long questionnaire may not be filled in adequately without an incentive.

A questionnaire may be more acceptable in one context than another. Some people do not like being approached in a street. A direct mailed questionnaire may achieve a higher response if a stamped addressed envelope is enclosed with it. The purposes for which a questionnaire is to be used and whether or not the identity of the subject is recorded and disclosed will influence completion rates.

An individual questionnaire may have a single or a multiple purpose. A question may probe whether or not and, if so, how much of a message has been noticed, whether it has been understood and whether any action has followed, depending upon what the purpose of measurement is. If different channels or programmes are to be compared, then responses may have to be reduced to a common index such as the cost per thousand of a target group reached.

An awareness question could use an aided or an unaided approach. A subject could be presented with a specific advertisement and asked in which media it has appeared to alternatively could be asked a relatively open needed question such a request to list commercials seen on television over the previous week. Many subjects exhibit a desire to please. The danger of presenting the object of measurement, say a specific advertisement, is that subjects are encouraged to lie and to claim to have seen the advertising, either to please the interviewer or because this is felt to be an expected or normal response.

To avoid prompting a subject and obtaining too vague or too long a response it is sometimes possible to direct a subject by mentioning particular products and particular media without disclosing the individual brand which the object of measurement. A questionnaire can incorporate a 'truth test'. Thus, as well as identifying an advertisement is subject may be questioned about particular programmes that appeared on the radio on the evening in question. At the end of a session an actual advertisement may be presented to obtain a reaction from the subject. One advertisement may have achieved more recognition impact than another, while being successful at putting across the attributes of a product it was designed to promote.

Techniques

Meaning is difficult to measure. A start can be made by asking subjects to record their feelings by ticking a space or box between a continuum with say excellent and extremely poor at the extremes. A variety of adjectives and descriptive nouns and phrases can be mapped out in this way to allow both depth and direction of feeling to be record. In some questionnaires a special approach is used, subjects being asked to draw circles on attribute maps.

A response rate can be improved by preliminary notifications, point-of-question promotion and by follow-up techniques. A pleasant and short experience that is not onerous can encourage a response, as can a personalized approach and a covering explanation of why particular research is important. Some

designs and colours elicit more of a response than others. Rewards can increase motivation but can also distort and bias a response. Only those needing the money may reply. A promise of anonymity can also provoke a higher response from the suspicious.

In order to measure attitudes a questionnaire can ask subjects whether or not they agree with certain statements. The responses obtained can be compared with the values associated with the statements. The longer the list of statements the more motivated must a subject be to complete. The addition of scales allowing subjects to indicate their strength of feeling for or against a statement can result in a lengthy questionnaire.

Responders and non-responders may have different characteristics which can introduce a source of bias. It may be necessary to attempt to correct for this by profiling both groups. There also be a difference between early and late responders. Executive selection firms often find that those who reply at once to situations vacant advertisements are those who are unemployed or very unhappy in their current positions. Those who are more settled and busy may not have time to act until a weekend arrives.

When measuring the effectiveness of an advertisement a useful technique is to measure both those who did see and those who did not see the advertisement in question. The percentage of those seeing an advertisement who purchased the product being advertised can then be compared with the percentage of those who did not see it who purchased. A measure of the incremental effect of the advertisement can thus be obtained. How reliable and valid such measurements are will depend upon such questions as whether those who did not see an advertisement as a result of not being viewers of a programme in which an advertisement appeared are, as a group, more or less likely to purchase than the group watching the programme.

Where an assessment budget allows it control group experiments can be staged. A group can be randomly sampled (so far as is possible) and randomly allocated to groups exposed and not exposed to a message. By before and after measurement the differential impact of the message, when all else is unchanged, can be measured. By exposing messages for different lengths of time levels of comprehension can be measured. Physiological measures can I detect emotional and physical responses to different stimuli.

Mathematical Techniques

Where a number of variables are present multivariate analysis may be used. Multivariate analysis embraces a family of techniques: multiple regression and multiple co-relation, multiple discriminate analysis, principal components analysis and common factor analysis, multivariate analysis of variance and covariance analyses, canonical correlation analysis, cluster and profile analyses and multi-dimensional scaling.

Conjoint measurement can be particularly valuable in assessing consumer preferences, by allowing the relative importance of a number of factors present together to be assessed. Conjoint measurement can allow a company to assess the relative weight of price, place and time in a purchase decision or the relative importance to sales executives of different elements of a remuneration package.

Discriminate analysis can be used to classify consumers into groups and in so doing identifies those factors that account for the more significant differences between groups. Discriminate analysis could be used to examine the possible implication of, a changing ethnic balance in a particular neighbourhood or of a change in the sex composition of a workforce.

Multiple regression tends to be used to fit a line or curve to the relationship between variables. A multiple regression package could analyse historical data and from the result predict likely sales given particular levels of advertising, promotion or income or other variables for which the historical data is available. Automatic interaction detection can allow an individual consumer to be compared with a group norm. Canonical analysis can seek to find explanations for particular variations.

Factor analysis can be used to group consumers according to such factors as personality, values or lifestyle and can be used to identify and evaluate new product opportunities.

Cluster analysis can enable variables with the greatest similarity to be separated out. A seemingly homogeneous socio-economic group could be revealed through cluster analysis to be in fact composed of two or more quite distinct subgroups with different residential, educational and leisure preferences.

Where an organization wishes to compare its corporate image with that of a competitor or to compare the attributes of competing brands, multidimensional scaling can be used. It can enable a picture to emerge of how aspects of a product or organization are perceived by a selected group and can enable weak points to be identified for corrective action.

Presentation

Much market research is very poorly presented. A report should set out clearly the problem and the research objectives. The methodology used such as sampling methods and techniques of analysis employed should be stated in order to allow a recipient to judge how much weight can be attached to the findings. The findings themselves should be clearly set out, perhaps in tabular and diagrammatic form and, alongside the conclusions and implications, should be set the limitations and recommendations.

Facts and figures do not always speak for themselves and may need to be interpreted. Where results are not required in a hurry some synthesis and refinement may be needed to pull out the main points and reduce length. Significance and confidence measures should be explained in language that can be understood by the recipient.

Market Research Organization.

Most large companies now have their own market research organizations. Equally, there has, over the past ten years, been a considerable growth in the number and size of companies offering market research services. Some of these are generalists, while others work in specific areas such as brand-testing or sales forecasting. A number of firms carry out regular surveys and provide subscribers with periodic reports.

The ratio of internal and external work will depend upon one's inhouse skills, how soon a result is required and whether or not a project is a one-off assignment. Generally it is wiser to do leg-

work internally and to employ outside experts for the more difficult tasks and for advice on policy.

The cost of market research depends upon whether one is using existing sources or commissioning original research. It will also depend upon the degree of reliability required. A larger sample will be more expensive. When carrying out original research one has to be careful that one really is measuring what is being tested. It is safest to use a control group which is equal in every respect to the experimental group except for what is being tested.

The Value of Market Research.

The acceptability of the market research function largely depends, upon the credibility of those that carry it out. Some managers consider it to be no more than fact-finding by a few clerks, the results of which always arrive late and usually cannot be relied upon. Other managers get annoyed when market researchers give answers in the form of probabilities rather than a simple yes or no. In many companies there is a suspicion of those who look into the future rather than deal with immediate problems. Stories about market researchers who have made mistakes are stored up and released as after-dinner conversation.

The design of a satisfactory survey and, particularly of a questionnaire, is usually a matter that should be left to experts. It is so easy to employ a sample that has not been randomly selected and to ask the wrong questions. When working with experts it is important to make sure that the objectives of the whole exercise are clearly understood by the researchers. They should not be lost sight of. The specialist may well have such techniques as discriminant analysis and factor analysis up his sleeve, but his work will be wasted if he does not ask relevant questions.

Changes in the system.

Adaptive organizations thrive on market information. They continually monitor the environment and are always on the look out for marketing opportunities. Such opportunities, if exploited, can leave the company in a more desirable situation. They can be varied, possible ideas for new products or markets, opportunities for improving channels of distribution or employing marketing techniques, achieving greater efficiency, or the identification of a market niche or a means of gaining a competitive advantage. It is not enough to identify a change, it must be examined and evaluated, to determine whether or not there is something in it for the company.

Changes will also occur in the wider macro-environment. The growth and distribution of income, government economic policy and, particularly, credit policy, can strongly affect the demand for a company's products. Distribution patterns will change over time as, for example, populations spread to the suburbs, or hypermarkets are set up. New sales techniques such as trading stamps and television advertising can suddenly become available. Government regulation and legislation can lead to changes of trading practice. Technological change can open new processes, provide new materials and markets as well as causing higher research and development budgets.

Changes do not affect all organizations equally. This can have important consequences for relationships with external

organizations. Relative power positions can shift. Evolving market forces may strengthen one partner in a relationship and weaken another. It is, therefore, important to periodically review relationships, concentrating especially upon performance and negotiating position. The reason for doing this is to reduce the probability of being harmed by change and to increase the chances of capitalizing upon it.

Major banks employ economist consultant advisers. Multinationals employ international relations specialists upon a consultancy basis. One company ended its contract with an adviser who failed to warn the company of a coup in a third world country. Some time later the company realized that not one of the recognized leading authorities had predicted the coup. The expert obtained a more lucrative contract with a rival organization.

Summary

Here we study the Marketing Information System, how to use the Information System, The Information Input, Marketing Intelligence, Selecting Intelligence Gatherers, Sources of Information, Research, Market Research Techniques, Interviews, Measurement, Presentation, Market Research Organization, The value of market research, and Changes in the system.

Assignments

1. Conduct a small survey on a specific problem area regarding a product and formulate a report on the findings of the survey. You could take a current issue, prepare a questionnaire and survey about a sample of 50. This could be a syndicated study.

Notes -

This image shows a blank sheet of white paper with horizontal grey ruling lines. The lines are evenly spaced and run across the width of the page, providing a template for handwriting practice or general writing. There are no margins, text, or other markings on the paper.

LESSON 27: THE EMERGING BRAND ENVIRONMENT

Topics Covered

Brand landscape, “Brand” is a verb, not a noun A brand map, what makes a brand big?

Objectives

1. To understand the implication of a name.
2. To view the Brand landscape.
3. To examine the fact : “Brand” is a verb, not a noun.
4. To study what is a brand map.
5. What makes a brand big?

Once upon a time...

It was in the 1950s and 1960s that the theory of brands and brand image evolved in the West, accompanying a period of tremendous economic growth. This was based around “the total personality of a brand, rather than any trivial product difference which decides its ultimate position in the market-place”, as David Ogilvy put it at the time.

But, it was still basically individual products or services that became brands, not corporations.

Asian corporations are typically different from Western ones in the sheer scale and diversity of their product range. Because they often grew up as trading companies and multi-purpose conglomerates, these companies have a more highly developed social role serving the community. As a result, it has historically been the companies themselves, rather than the products or services they produce, which have developed distinct personality attributes.

So much for history. Today, Western companies are busy learning corporate responsibility, while Asian companies are starting to apply many of the product and service brand-building principles learnt from the West. In many ways this convergence is a good thing, because we can now begin to move the debate on from a discussion about the differences or similarities between corporate or product brands, to the process of branding itself

This is an important switch in focus, because branding is not just about packaged goods (or “fast-moving consumer goods”, as they are called in some countries) - anything can be a brand these days.

What’s in a Name?

Let’s illustrate what we mean. Of course, there are the famous packaged goods brands like Coca-Cola or Sony; but then there are also service brands such as American Express, Raffles Hotels or DHL. Then there are major entertainment brands such as Disney, or media brands such as BBC, Star TV or Nikkei. There are many people who have become brands: Michael Jordan, Ronaldo, Tiger Woods, Ichiro Suzuki have become brands through playing sport; Ralph Loren, Christian Dior, Vivienne Tam through fashion; Margaret Thatcher, Dr. Mahathir or

Chairman Mao through politics; Albert Einstein and Alfred Nobel through science. Events such as the Olympics and the World Cup are brands. So are countries: we all know who makes the best wine, or the best watches or the best sushi! And so the list goes on.

The brand landscape

Not only have ideas about what constitutes a brand changed, so has the environment these brands inhabit. Brand understanding has moved on. Things have become both more complex and more sophisticated. The brand landscape has shifted dramatically.

Brand management is no longer about approving storyboards, but about managing holistic and rounded brand experiences within the public domain. To deliver a service to its clients, therefore, an agency cannot simply continue to offer partial communications solutions. Partial solutions are like an appetizer without a main course, a plate of kai Ian without oyster sauce.

Indeed, partial solutions may do more harm than good. We ought to issue at this point a 360 Degree “Health Warning”; that brand experiences can be bad as well as good. In the past couple of years or so, Nike’s reputation has been severely damaged over its employee policy in Pakistan; McDonald’s was caught up in the Muslim backlash in Indonesia after September 11; and Snow Brand Foods in Japan lost all consumer trust by mislabeling ingredients. The list goes on.

360 Degree brand management requires an attention to detail, and a sure handling of all the elements that have an impact on a brand’s reputation. Even the smallest considerations have a surprising impact on the overall memory bank of the consumer. Dirty counter tops, frayed carpets, poorly trained staff, the losing team you chose to sponsor, poor-quality toilet paper in the restrooms ~ all count for much more than the cost savings they help a brand owner to make. The point to note is that once you enter this 360 Degree brand landscape, nothing is too large or too small to escape being part of the “branding” process.

“Brand” is a verb, not a noun

Once this critical point is understood, the focus of the debate about what the word “brand” means also changes.

The word “brand” basically denotes a sign of ownership, and is commonly called a “trustmark.” If you accept that the role of a brand is to create trust in the minds of consumers and customers, then it follows that the role of a company is “to brand” its products and services in order to make this happen.

Therefore, for those whose profession it is to build better brands, the word “brand” is better thought of as a verb rather than a noun. This is an important distinction, and one that exists right at the heart of the practice of 360 Degree marketing.

For it is a complicated process “to brand” a product, a service, an event, or whatever it is you wish to brand.

At Ogilvy, we like to use the term “Brand Stewardships”, as it points to the need to look after the brand in all its facets: nurturing its enduring values, adapting its personality to fit with the times, re-aligning it with changing consumer habits, keeping it relevant, keeping it fresh. This, as you can imagine, is a constant challenge ~ especially given the paradoxical influences that constantly seek to reshape a brand’s role or position.

Living with paradox

The world is full of paradoxes. Consumers want more choice and greater simplicity. They believe in brands, but are cynical about being “branded at.” They are price conscious, yet gravitate towards premium brands. They respect authority figures, but reject institutionalized authority. They desire traditional family structures yet lead increasingly separate lives. They feel time-poor, but do less with the free time they have.

Similarly, there is both convergence and divergence in media. People are increasingly exposed to the same media messages and perspective on things; yet the explosion of media is leading to new and varied ways that people consume brand messages.

Just doing things better than the competition is no longer a guarantee of success. The cutting edge in markets often lies at the intersection between markets. Retailers are banks. Airlines are holiday companies. Car manufacturers are financiers. Sports goods makers run theme parks. Hardware manufacturers are software consultants. This means brands have more and different competitors.

Within this world, identifying what will happen tomorrow is more important than reporting what is happening today. Brands are dynamic. They exist through the interaction of the product, the consumer and the environment. And these three dynamics are ever changing.

Thus, the paradox for brands is that they are obliged to forge deeper and more secure relationships with their existing customers while simultaneously pushing out from their comfort zone to find new customers and new relationships.

A brand map

Whether brands are successful at navigating this perpetually shifting landscape is, from our experience, dependent on two things:

How real insight into the relationship between the brand, the consumer and the environment is translated into big ideas and a meaningful brand experience

How well they manage the relatively few loyal (what we will be calling “bonded”) customers who account for the majority of profit and influence in category after category.

Great brands provoke their customers constantly to see the brand in a new light. They do this by identifying and owning a big idea that transforms the consumer landscape; by reshaping the way people see their world; by re-interpreting a product benefit; by reframing the brand ambition; or by re-igniting interest in the category.

As you go through the book, you might like to think about how the Left Bank Cafe brand helped reshape the way people

saw their world. Or how Milo’s “winning energy” and Kelvinator’s “The Coolest One” campaigns re-interpreted well understood product benefits. San Miguel Light Beer (a mere line extension) helped reframe the ambitions of the entire brand. And for examples of brands re-igniting interest in the category, look to Brand’s Essence of Chicken in Asia or the “God” campaign for the churches of Singapore.

Against this backdrop, the challenge is to create brand experiences that deepen and expand the bonds between brands and their key customers and influencers.

Establishing Partnerships

360 Degree Branding means going beyond simply “adding value” to a product proposition. It depends upon establishing a series of collaborative partnerships for the brand - with consumers, with clients, with creators of goodwill, with business partners, and with its communications agencies.

- Partnerships with consumers foster positive word of mouth.
- Partnerships with clients stimulate the necessary actions and rhetoric that support the brand within its own organization.
- Partnerships with opinion-leaders, community leaders, members of the media and other people who can create a halo of acceptance and goodwill for the brand.
- Partnerships with agencies that ensure they develop and deliver breakthrough ideas.

To achieve this, brands need thinking that goes beyond the normal agency model; and they need communications materials that go beyond conventional media boundaries.

What Makes A Brand “Big”?

In a recent workshop held in Kuala Lumpur with a multi-national group of senior clients from a major global brand marketing company, the team asked themselves what were the key criteria that distinguished big brands from ordinary ones. With the combined wisdom of some 200 years experience to draw on, it did not take too long to come up with a list of 11 major differentiators. This was the list.

A big brand:

- Is “international” in scope and feel (not merely “national” or “regional”)
- Adds value to the experience, based on a strong product foundation
- Builds from an important universal human truth (which becomes a binding agent for shared understanding of the brand)
- Achieves multiple connections at various points of contact
Manages a consistent style and set of values over time and across media · Demonstrates a coherence in its marketing mix
- Maintains a fresh, contemporary and recognizable look (which helps inspire a belief in the brand)
- Is positive, optimistic in tone, raising the spirits of its customers · Is consistent across borders in the way it delivers the brand experience

- Takes a leadership position through its actions in the marketplace, in the community and with various influential bodies
- Allows people to project something of themselves onto the brand

Remember, this was a group of experienced, hard-bitten, dyed-in-the-wool marketing men and women... and yet, not a word about things like market share, return on investment, research & development, share of voice, distribution, leverage or price points. No, they were adamant - a big brand is distinguished by its ability to exert influence over the intangible factors that underpin brand relationships, and not by the numbers.

Shaping experience — the 360 Degree mandate

360 Degree Branding is about influencing “everything a consumer experiences”. It therefore follows that agencies need to be operating in a wide and varied field of influence. In Asia, agencies can afford to be operating at nothing short of 360 Degrees.

360 Degree Branding is more than a philosophy. It should be a way of life. In Ogilvy & Mather Asia-Pacific, we strive to:

- Work in multi-discipline teams, and develop our thinking in a discipline-rich way from the start
- Measure success by the integrity of our ideas, the quality of the work we produce across all points of contact, and the vitality of the brands we’ve helped to build
- Maintain a commitment to excellence, and strive to win awards across every discipline as evidence of both our generalist outlook and our specialist expertise
- Stimulate our clients to think about the forward potential of our ideas, rather than simply judge them execution by execution.

These should be, we believe, the guiding principles for anyone engaged in the pursuit of 360 Degree Branding.

Summary

In this lesson you cover the following : Brand landscape, “Brand” is a verb, not a noun A brand map, what makes a brand big?

Assignment

1. Examine the implications of one brand name and discuss in detail about its significance in that product category and also in terms of the brand image.

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LESSON 28:**360 DEGREE BRANDING, 360 DEGREE BRANDING : AN ASIAN PERSPECTIVE****Topics Covered**

360 Degree branding – an Asian perspective, how Asia is a breeding ground for 360 Degree brands, the new brand environment, the brand landscape, the brand map, what makes a brand big, shaping experience - the 360 Degree mandate.

Objectives

1. To enable students study the brands in the most dynamic region – the Asia-Pacific region.
2. How real insight into the relationship between the brand, the consumer and the environment is translated into big ideas and a meaningful brand experience.
3. To understand how well they manage the relatively few loyal (what we will be calling “bonded”) customers who account for the majority of profit and influence in category after category

The Asia-Pacific region, from India and Pakistan in the West to Japan and South Korea in the East, is one which encompasses every type of consumer terrain: from emerging markets like Vietnam or Indonesia, to vast centers of turbo-growth like China, as well as first-world markets like Singapore, Japan and Hong Kong. It is without doubt the most exciting, dynamic and stimulating place on earth to be working in the marketing communications industry today.

It is refreshing to be able to work with such depth of diversity - of people, of brands and of consumer cultures. It is also invigorating to be propelled by the appetite for new and innovative marketing thinking and practices that Asia exhibits. “Brand culture” has taken secure root within both Asian and multinational corporations across the region, and the orientation programs about the benefits of branding, which characterized so much of our work in the mid '90s, have long since been relegated to the trash can. No other regional market can offer the variety or stimulation that Asia can.

For the vast talent pool of young, enthusiastic and passionate Asian employees working in marketing and brand communications (many of whom are “expatriates” themselves the intra-Asian transfer network is prolific), it is no doubt reassuring to know that in many areas of the “brand business”, they already lead the world in terms of new thinking, new ideas and new solutions. Within the Ogilvy & Mather global network, Asia-Pacific has accepted the concept of 360 Degree Brand Stewardships quickly, and has also been central in developing the concept and implementing it.

There would appear to be a certain logic to this fact. Asia is uniquely positioned to develop and implement the 360 Degree brand. The opportunities for broader channel development are numerous, as there is little historical baggage that ties creative ideas to just one media vehicle. But there are other, deeper reasons why Asia can lead the world in this respect.

Asia: A breeding ground for the “360 Degree Brand”

Compared to the consumer markets of North America and Europe, branding as a marketing activity, with its own service industry to support it, is a relatively new discipline in Asia. It really only started in the late 1980s and 1990s with the so-called economic miracle of the “Tiger Economies”. However, Asia has more than made up for its slow start (WPP –the world’s leading communications services group and Ogilvy & Mather’s parent company, for example, already generates 18% of its revenue from Asia and Latin America, and predicts this will increase substantially in the next five years).

Perhaps because of its relative newness, branding in Asia represents a much more flexible and dynamic concept than in the West. Consequently, the communications agencies that have sprung up across Asia to service and develop those brands have a wonderful opportunity to develop their own ways of operating.

In the West (and indeed many agencies in Asia that adopt, rather than adapt, the traditional Western agency models), a classic ad agency is structured to produce 30-second TV commercials (TVCs) and full-page print ads. Like a factory that specializes in manufacturing just one key product, the traditional advertising agency is as bound to the TVC as a limpet is to a rock. (And the same goes for traditional direct marketing, public relations, sales promotions and other specialist single-discipline agencies.)

But it is our belief that because Asian countries tend to have a younger population and have recently begun to emerge into economic prominence, their people naturally have a more fluid and experimental approach to things (certainly, once they are set free from the stifling influence of rote learning that is characteristic of many calcified Asian education systems!).

Asian people tend overall to be highly “future-focused”, exploring their options at every turn, assessing the potential of everything, always looking forward. The words “Asia” and “opportunity” are inextricably linked. By contrast, Americans tend to exist in the ever-shifting sands of the present, while Europeans are still keenly connected to their past, politically and culturally. It is noteworthy that we have found “nostalgia” to be a difficult or awkward emotion to evoke here in Asia. Sure, in Japan people hark back to the “miracle” boom years of the 1980s, but they don’t want to be reminded of them. And of course, traditions still remain strong in China and other developing countries; but there is no contradiction in these countries between maintaining traditions while, at the same time, embracing enthusiastically the seismic changes that development has brought.

Fusion of Influences

In addition, and partly because of the not-too-distant colonial influence in most countries, there is much fusion of influences

in Asia. This fusion creates a genuine flexibility in outlook and a fluidity of thought.

Furthermore, Asians are highly adaptable, which goes some way to explaining the recurring phenomena of both “technology leapfrogging” (e.g. DVD, SMS, 3G and - in Korea - broadband penetration), and the “innovation on a theme” (which has made brands like Sony, HSBC and Samsung world-beaters).

Effectiveness of Endorsement

Culturally, Asian people are also more receptive to endorsement, perhaps even more so than in other parts of the world. Asians listen, observe and - when their minds and hearts are resolved - follow. Traditional brand communications largely focus on what the brand has to say about itself. Here in Asia, however, what others say about the brand matters too. Savvy brand builders strive to understand and achieve the differential effect that endorsement can have on their success, whether that comes from a recognized expert - such as a medical professional - or from a colleague, role model or friend.

Such endorsements by default rely on non-traditional channels and “media”, such as public relations, as well as trade and government relations.

Embracing 360 Degree thinking

As a result, we have found that the ability to embrace 360 Degree thinking in brand communications is indicative of Asian people’s ability to perhaps embrace new ideas quicker than people in other parts of the world.

We have therefore found little difficulty in peppering this book with vivid case studies about how real brands have tackled real business problems by developing 360 Degree communications - all of which are drawn from Asian markets.

The structure of this book is straightforward. We begin by outlining why a change in how we think about brand communications is being dictated by a changing “brand environment”, which makes 360 Degree thinking an imperative for anyone working in the industry today.

We then look at how this “360 Degree thinking” differs from the more classic definitions of integrated marketing, and why that fundamentally necessitates a shift in focus from “message input” (what we all used to call “the proposition” or “the button”), to orientating our thinking around a Brand Challenge. We then explore the realm of Ideas, the products of this new type of thinking.

The next four chapters then follow the logic of the development of 360 Degree brand communications. Why “Brand Loyalty” is the ultimate objective of any such communications; why “Discovery” is a due diligence and “Insight” the vital ingredient within that; how one can create “Involvement” (which has been shown to be the only measure in Millward Brown’s Link Tests that directly correlates with sales) by bringing the brand to life as an experience; and, finally, how layering and sequencing of different messages in different media at different times creates “Interplay” for a brand communications schedule, and enhances its effectiveness.

The penultimate chapter takes a look at some of the more practical aspects of 360 Degree brand building - the collabora-

tion of different specialist disciplines, and the way in which an agency’s most valuable assets - its people - need to change the way they work to deliver outstanding solutions for their clients and their brands.

Culturally unique media

The diversity of media options in Asia is truly staggering. If it moves, it’s media. This is one of the more refreshing differences between this region and the West, which is often tied to a few, formulaic media such as TV, cinema, press and outdoor.

It has been fascinating to see how people across Asia have been able to apply 360 Degree branding techniques so easily. This might be due to the fact that they already live with so many media options that they have not needed to force the concept into some artificial concept of “new media”.

The Pacific Century

From a marketing and brand communications perspective, it is impossible to ignore the enormous creative potential the diversity of Asia provides. This region is the perfect stage on which to build great, dynamic, creative and innovative 360 Degree brands. And as we shall examine in the concluding chapter, these 360 Degree brands are set to be one of the driving forces behind what many commentators are heralding as “the Pacific Century”. Those who continue to rely on one-dimensional brand communications are denying both themselves and their brands the opportunity to fulfill their true potential. As the media marketplace continues to fragment and change, such narrow field practices are increasingly being exposed as inefficient and wasteful. Both agencies and clients alike will have to adapt if they are to survive. The times, they really are a-changing...

Summary

We know that what it means to be a brand has changed. We know that the landscape in which brands operate has changed. And we know of the importance partnerships and experience play in developing brand relationships. Here we see an altogether different understanding of brands and their communications requirements than many of the more traditional approaches. 360 Degree brand development fundamentally requires a shift in perception; it is imperative to think about a brand as a totality, and not just from one, narrow point of view - whether that is advertising or public relations, or even packaging or customer care. Only by taking a wholly inclusive point of view can truly big ideas that can deliver a genuine experience of the brand be developed and delivered to any and every point of contact.

Assignments

1. Write an account of how a big idea has grown into a genuine experience for a brand, which is Asian, or you could choose an exclusive Indian brand.
2. Discuss one brand (Asian) which had a unique set of communications requirements to grow successfully.

LESSON 29:

360 DEGREE BRANDING THE 360 DEGREE IMPERATIVE

Topics Covered

Branding past and future, new Business model, 360 Degree Vision, 360 Degree Brand Communication.

Objectives

1. To understand why the 360 Degree is imperative for brands.
2. To help student create brand plan using this new insight.

“Twenty-first century marketing will mean bringing a brand to life for all its constituencies, using all possible contact points and not simply relying on old formulas.”

-Sir Martin Sorrell, Chairman, WPP

Practising What You Preach

360 Degree brand communications is the only logical response to the changing brandscape in Asia. It is not a new idea. Nor is it exclusively the preserve of one or two agencies. Every day, we read about big ad agencies “tearing down the walls between disciplines”, championing the brand through multiple media channels. And, in addition to the term “360 Degree brand communications”, we hear of “total branding”, “communications optimization” and “media wholism”.

As we know, however, it is much easier to talk about such things in presentations and meetings than it is to turn it into a cohesive, functioning reality. To create a truly 360 Degree business, an agency will need to utterly transform itself physically and philosophically.

Branding Past and Future

Most will be familiar with the history of “branding”. From the earliest days of putting the name of a wholesaler on sacks of tea or the “brand” of the farmer on herds of cattle, brand communications was about finding media opportunities to advertise the reputation of a manufacturer, owner or distributor. From about 1900 onwards, following the industrial revolution, the golden age of the research & development-driven “product breakthrough” emerged, cleaning whites whiter, ridding people of indigestion, or supplying fortifying breakfast cereals. After the Second World War, manufacturers began a more systematic process of understanding consumer wants (not just needs), and so began a creative revolution that set out to excite and entice people to buy things which were not strictly commodities.

In the second half of the 20th century, numerous voices rose up and began challenging brands, their claims and their corporate behavior. In the immortal words of John Finley Dunne, a new tribe of journalists strove to “comfort the afflicted and afflict the comfortable”. Beyond the influence of reporters, unions pressed for workers’ rights and activists advocated such causes as health and the environment. Consumers listened. Companies heard. Brand owners began to think about actions and policies consistent with the promises they

sought to deliver. Not surprisingly, it was during these decades that public relations grew into a multi-billion-dollar, global industry.

And now the Internet revolution has begun to change the way we brand things in the new millennium. Satisfying consumer wants is no longer a simple process. The complicated world we live in means that we in the branding business are increasingly being forced to invent new ways of thinking about brands, and even new business models, just to survive.

New business model

The implications for a corporate strategy are clear:

- i) A glorious past does not guarantee a golden future
- ii) How a company behaves says more about it than what it says
- iii) Companies with a varied portfolio of offerings their “future options” to take advantage of changes in the marketplace.

One way of looking at a model of business evolution is to map the various product or service options according to how difficult it is/was to introduce the new service on one axis, against the amount of leverage it will provide in adding value to clients on the other.

Reasons to Believe

Clearly, introducing a 360 Degree business model is never going to be easy. But we also know how important it is to do so; we have already seen how brands and media have changed irrevocably. And we have seen why the appearance of 360 Degree brand-building agencies is therefore the natural and logical conclusion of this changed environment. So while it may be a difficult transition to make, it is also a necessary one.

There are other reasons too. Many traditional agency groups consist of a collection of “sister agencies”, each offering a different service. Each operates in what amounts to splendid isolation, barely speaking to one another, let alone collaborating. The danger of not having a cohesive 360 Degree brand positioning is that a marketing services group becomes a series of mere implementation agencies, each being pushed further and further downstream.

Upstream, we see the management consultants turning their steely gaze on brands and marketing. “Marketing is too important to be left to brand managers,” reads one Bain report. While this may be an exaggeration of a particular point of view, the fact is that few traditional disciplines in the brand communications industry have a handle in the boardroom. Public Relations and brand-identity companies do to an extent. This tends to arise in relation to M&A activity (mergers and acquisitions), crisis management, internal communications, CEO media training, public affairs and corporate identity, all of which affect trust in businesses and their brands.

In order to secure this kind of access across a broader range of offerings, there is clearly a need to convince clients that agencies are once again pushing the boundaries, and really are at the cutting edge of their field-and, more importantly, that they are capable of taking a broader business-oriented perspective. Here in the Asia-Pacific region, we have found that the Ogilvy & Mather 360 Degree Brand Stewardships philosophy has been instrumental in re-opening access to senior clients and re-engaging with them as business partners.

360 Degree Vision

A truly 360 Degree agency has a number of “needs”: to cross borders - real and imagined; to challenge our industry’s comfort zones; to deliver solutions that reach not only into consumers’ lives, but back into the factories themselves; and to be building brand equity into every facet of a client’s organization that affects the end-customer’s impression of its brand.

To achieve this, we need deeper insight; broader ideas; better execution; greater influence and endorsement; employees that live the brand; more-involving delivery; and tougher evaluation. Only in this way, we believe, will we build brands that can reach their full potential.

To achieve all this, we always try to remember the following:

- That we are in the knowledge business; and that we must therefore own and disseminate better and more insightful knowledge
- That we are in the ideas business; and that we therefore need to deliver better, bigger and more sophisticated ideas
- That we are in the brand business; and that to stay in this business, we will need more influence on the total brand, which will mean more influence on all the myriad things that shape it.

What is 360 Degree Brand Communication?

It is something very simple. It is an approach to marketing that sees no limits on the number of contact points possible with a target consumer - media will be found, and activities created, to maximize involvement with the brand, whenever and wherever they are needed most. In other words, it starts with the problem, and then tailors the solution to solve it.

If this sounds obvious, think about how conventional agencies approach things. From their point of view, the solutions are pre-fixed. Not only that, those solutions are limited by the number of media they are able or prepared to deal in. A client’s problem can then only be addressed via those conventional channels. The problem, effectively, comes second to the solution: media selections are already predetermined before the business problems are addressed. As the saying goes: “To a man with a hammer, every problem looks like a nail.”

This is the antithesis of 360 Degree communications development. To reiterate: a 360 Degree communications approach starts with the problem - or the Brand Challenge -

and then finds the media and messages that best answer that problem. It may be that the answers aren’t “advertising” at all ~ but staff training, or public relations, or better distribution networks. This is what makes a 360 Degree approach to brands and business so refreshing.

Decisively Different

Perhaps the difference between a 360 Degree approach and a conventional approach can be summed up like this: conventional agencies exist whereas a 360 Degree brand communications agency exists to deliver solutions to all sorts of surprising problems in all sorts of surprising ways.

As dictated by its simple logic of “brand problem first, communications solution second”, 360 Degree brand communication has to place the identification of that problem, and the ideas to solve it, ahead of media selection. It is therefore, by default, media - neutral - a rare thing even today.

Questions and Answers

What do you want to achieve with your brand communications? What precisely is the problem you are trying to address? What part of your brand equity is causing the block? What are the long-term ambitions for the brand? Who and where are your target customers?

It is hard to see how any discussion of media selection can possibly take place without having first addressed all of these types of strategic issues and without having thoroughly immersed the brand team in the lives and habits of the target consumer.

The Tools of The Trade

In order to harness each discipline’s expertise and channel it, there are a number of tools we use at Ogilvy & Mather Asia-Pacific to create alignment of understanding within the team. They act as a shared platform for the team, a kind of operating system, from which each discipline’s specific programs can be launched.

- **Brand Scan:** an assessment of all the strengths and weaknesses the brand has, arranged on six equities. This effectively produces a “health check” on the brand: where do its biggest opportunities and problems lie?
- **Brand Audit:** an exhaustive effort to set down, in black and white, the intangible cluster of feelings, impressions, connections, opinions, flashes of memory, hopes and satisfactions, criticisms and disappointments which blend together to form the customer’s perception of the brand.
- **Brand Print:** a succinct set of words that reflect the unique relationship the brand has with its customers (often accompanied, but never supplanted, by visuals, sounds or other sensory stimulus to evoke this “sense” of the brand).
- **Points of Contact:** a process of immersion to assess all the encounters the customer has with the brand, and identify the ideal time, place, behavior and attitude of mind to involve the brand in the life of the customer.

This is just one agency’s toolkit. Each may have its own. But essentially the underlying requirement is four-fold: to interrogate, to understand, to define, and to disseminate.

First step: Interrogate the context

To understand the opportunities, we must first identify the problems, by conducting a “health check” on the brand. We assess all the strengths and weaknesses (but particularly the weaknesses) that a brand faces against each of six equities to

identify the biggest issues facing the brand as it seeks to win in the marketplace.

- How well is the product performance supporting the brand?
- How strong and engaging is the brand's image?
- How strong is the brand's customer franchise?
- How well is the brand leveraged in the trade environment?
- Does the brand present a clear, consistent and differentiating presence?
- To what extent is the brand endorsed internally, and by influencers and the communities in which it lives?

Second Step: Unearth The Relationship

If our aim is to define, distill and express the unique relationship between the brand and its customers, we first have to unearth a true understanding of the emotional elements that make up that relationship. This is not easy to achieve, when brands are built on layers of different benefits:

- Tangible product features, such as its price, style, size
- Rational benefits, such as being thirst-quenching, energy boosting, or providing speed of service, and so on
- Emotional benefits, such as making you feel more excited, stylish or indulged
- Psychological benefits, such as making you feel more secure, intelligent or self-assured.

And behind all these are the personal memories or associations a consumer has of a brand. Or, to put it another way, the personal memories or associations the brand has created in the hearts and minds of consumers.

American Express is not just a piece of plastic. Year after year in focus groups, it is amazing how vocal people are willing to be when talking about their American Express card. They remember the first day they got their card. They talk evocatively about how it made them feel like they had "arrived"; that they were part of an exclusive group; and that in some very important, personal way, it represented a reward for their struggle on the road to success in their lives.

How do users really feel about your brand? This is not a straightforward exercise. You can't get this kind of intangible insight from the usual quantitative research. Nor can you just bluntly ask a consumer how she feels about her ice cream or computer, or what is her relationship with toilet paper or detergent. We are not looking for superficial platitudes or preferences. So, instead, we use a wide variety of interactive interviewing techniques designed to unearth the hidden, emotional truth of the brand, to gain true insight into the brand-consumer relationship. We ask questions like: "How does the brand make you feel about yourself? What sensory images trigger the brand? What memories or emotions does the brand evoke?"

Third step: Define the brand's DNA

From this host of contextual and qualitative evaluation, we cull the insight needed to create what we call the Brand Print. This is a succinct set of words that reflect the brand in its totality, the

way it represents itself in the world. This is its absolute, unique core - its best and purest qualities, its DNA.

This helps us unleash the power of the brand. Once the core of the brand can be articulated, we can then liberate it through all forms of communication - not just advertising. Every form of communication (which occurs each time the brand comes into contact with its consumer) must be true to the Brand Print. From front desk to brochure, from product placement to PR, every point of contact must reflect that brand's DNA.

Some examples: the Ogilvy Brand Print for American Express is:

"American Express is not for everyone. It is for those who think bigger thoughts, do bigger things and paint bigger pictures."

For The Economist It is Articulated Thus:

"The Economist is red and prestigious - it commands respect wherever it is aired.

Intelligent, influential and insightful, with no room for mediocrity, The Economist attracts those who hold similar qualities dear."

Fourth Step: Taking The Brand Into The World

In order to harness each discipline's expertise and channel it, we need to have a very precise point of focus that all branches of communications can work to: the key Brand Challenge. This represents the single, most fundamental issue all communications activities must address. The Challenge gives direction to all brand communications, and is the spark for developing a Brand Idea.

Of course, for multi-layered, multi-channel, cross-discipline communications to work in a cohesive manner, there needs to be a single, big brand idea; an idea that can be brought to life in different media, in different ways, for different stakeholders. But note: an idea is not simply a logo. A brand idea is bigger, more complex, more varied, and more interesting than a simple graphic device. Nike is a lot more than just a swoosh!

Shelly Lazarus On 360 Degree Brand Stewardship "Given the turmoil and tumult of the marketplace in recent years, brand marketers face some unique challenges. We have had waves of globalization, the tech run-up, media exploding, converging and then diverging. Then we had the dot-com boom (which I have heard referred to as 'hype and hope on steroids'), and then a spectacular and unforgiving bust. And now we are left with the gloomy shadows of recession. Out of chaos has come great opportunity to build brands far more deeply, more effectively. The great debate about the value of brands is over. Finished. Everybody wants a strong brand and everybody knows that a strong brand is what it takes to succeed - to be profitable, to build market share and secure customer loyalty, to face down rivals, to move into new markets and across borders, and to remain relevant to the ever-fickle consumer. Building a brand is not just a 'nice thing to do'. It's not just what some of those 'consumer' companies do. It's no longer 'fluffy'. It's smart. And it's essential. Bottom line, in today's world, you have to have a strong brand to succeed. But to build a strong brand, you must also have a keen sense of 'branding'. The brand is really only what is created in the hearts

and minds of consumers. What is important to recognize is that this relationship is neither simple, nor simply created. This relationship is built on all the experiences your consumers have of the brand, all the information and knowledge, all the contacts with the brand, direct and inadvertent, that add up over time. To quote Jeremy Bullmore, a brilliant marketing thinker. 'Consumers build brands like birds build nests. from scraps and straws they chance upon.' The more we focus on the importance of the brand, the more we become acutely aware of the overwhelming need for the 360 Degree Brand Experience. Scraps and straws add up to the most valuable asset a company has. Therein lies our opportunity - our ability to capitalize on a myriad of contacts that build the relationship. We just have to want to. We have to have the will and the imagination to move beyond the way we've always done it, and to try ways that have never been tried." (Extract from a speech by Shelly Lazarus, Chairman of Ogilvy & Mather Worldwide)

Summary

In this lesson we covered the topic – the 360 Degree imperative and its importance in branding today and for the future. It also covers branding past and future, new Business model, 360 Degree Vision, 360 Degree Brand Communication.

Assignments

1. What is 360 degree branding? Can you take an Indian brand and discuss this in detail?

Notes -

LESSON 30: 360 DEGREE BRANDING INTEGRATION REDEFINED.

Topics Covered

Integration redefined, the old mantra, brand consistency the old mantra vs. the new and some concluding implications.

Objectives

1. To understand what is meant by integration redefined.
2. To compare old mantra vs new mantra.
3. To be able to comprehend where brand consistency stands.

“Integration” was the catchword in the mid 1990s, on the lips of agencies, clients, and marketing consultants the world over. Whatever it is, and whatever has caused it, “integration” is certainly out of favor.

Perhaps it was the difficulties of combining the different cultures of different brand communications disciplines in those days. Or perhaps it comes from a resurgence of “advertising arrogance.” Or perhaps it is a word that has simply gone out of fashion.

Most likely, it is the pervasive and narrow implementation of so-called integrated campaigns that has counted so heavily against it. The approach so often taken to demonstrate “integration” has, quite rightly, been seen as flawed, and thus the entire concept has been tainted.

But this is wrong. As any marketer will tell you, getting the different media to work to an integrated brand-activity plan is absolutely crucial to the success of any brand. But it requires a new body of thinking to demonstrate how this can be a powerful and creative exercise, rather than the “painting by numbers” with which the word “integration” has become associated.

Integration Redefined

360 Degree brand communications is a new form of integration. It brings different disciplines into play, to work together to enhance both efficiency and effectiveness. For the purposes of this chapter, we shall be exploring the differences between what we call “old-style integration” and new-style 360 Degree communications. And if we can rescue the word “integration” from its negative associations along the way, so much the better.

The Old Mantra

The old mantra was “consistency” ~ consistency of message, of target and, more often than not, of medium. How this manifested itself was through a rather predictable and insistent emphasis on “creative consistency”, whereby key images (usually taken from the TV commercial) were replicated throughout other media channels and marketing collateral. This practice of “replication” was passed off as “integration” for quite some time. But it is a model that cannot work in the current, media-rich, channel fragmented world that brands now compete in.

Brand Consistency

While some sense of creative or thematic consistency is obviously important, this narrow view of “integration” (based on “creative consistency”) is an insufficient response to the complexity of brand-consumer interaction in today’s world. The bigger concept driving successful 360 Degree brand communications programs today is “brand consistency.”

Breadth of activity is vital to building brands and businesses today. And -only brand consistency can provide a sufficiently firm foundation from which multiple and diverse brand communications activities can take flight.

This has several implications: firstly, there is no reason why different messages might not be used to target different audiences via different media, so long as those communications are aligned to meeting a common brand goal, and are in tune with brand values and personality.

Secondly, this also means that any medium can be an appropriate brand communications vehicle. Previous attempts at integration relied on visual or aural consistency, which simply limited a brand to visual or aural channels. Brand experiences can and do live beyond these channels.

Thirdly, it takes away the need to build a communications program around a single medium (such as TV); which is just as well, as the fragmentation of media channels means that mass communication can no longer be taken for granted. Each medium can now be looked at both independently (how effectively it is working) and as part of the whole (how it is contributing to campaign resonance).

And finally, it allows for the triumph of the “idea” over the “image.” Big brand ideas, and not just pleasant art direction, are the drivers of brand consistency. Ideas create and sustain brands, and 360 Degree communications is in the business of producing them.

Flexibility and Resonance

With multiple activities, control is enhanced. Imagine a graphic equalizer on your media programming - the ability to turn up or turn down various elements, depending on the current situation. Such an option was impossible under old-style, linear integration.

Multiple ideas and activities across disciplines combine in ways that bring resonance and, therefore, greater impact to brand communications. Resonance is far more powerful than repetition for creating consumer involvement. Brand consistency allows for a level of interplay between communications activities that “old style integration” (based, as it was, on repetition) could not.

The Old Mantra Vs. The New

Compare and Contrast

Perhaps the best way to illustrate the differences between the two approaches is to look at the language of integration as opposed to the language of 360 Degree communications. By exploring the nuances and connotations of the terminology, it is possible to tease out the characteristics of each.

What we can see from this comparison of vocabulary is that the language of integration is all about cyclical repetition. The language of 360 Degree communications highlighted in the table, however, is more about diversity and fertility.

With cyclical repetition, once an “idea” has been decided upon, process and logistics become the dominant activity. Idea generation sessions are few and far between. If ideas are the lifeblood of brands, then this system would bleed a brand dry.

On the other hand, the “diversity and fertility” of 360 Degree brand communications encourages a perpetually creative culture. Media opportunities are open-ended. Idea-generation is ongoing. Everyone is empowered to think “ideas, ideas, ideas.”

	The Language of Integration	The Language of 360 Degree
1.	Consistent compatible; in harmony; constant	Flexible pliable; adaptable; versatile
2.	Single-minded : with one aim or purpose; a narrow concentration	Contextual : where the environment of a message helps determine its exact meaning; when a message is beneficially influenced by the situation in which it is found
3.	Distinct : separate; disconnected; set apart	Fusion : a fusing or melding together; a blending; a bringing together
4.	Hierarchy : (from the Greek <i>heiros</i> (sacred) + <i>archas</i> (ruler)) organized and arranged in order of traditional rank, grade and authority	Matrix (from Latin <i>mater</i> (mother)): that from within which something originates, takes form – thus to create; to invent; to begin
5.	Replication : an exact copy of something that's gone before; a close copy of an original	Resonance : the effect produced when the natural vibration frequency of a body is amplified by vibrations from another body
6.	Impact : (verb) to force tightly together; a striking together; the force of a collision; a shock	Involvement (from Latin <i>volvere</i> (to roll)): being entangled and ensnared; being included; active participation
7.	Repetition : a copy; (to repeat) to say again; to recite; to rebroadcast over and over	Interplay : the enhanced effect created when one thing interacts, or comes into contact, with another

A firm foundation

This “new-style integration” will only work if it is based on a clear and shared understanding of what the brand (and its communications) needs to stand for; and a common objective (or Challenge) from which to derive ideas for communications activities.

Brand DNA

It is critical to establish and identify some expression of brand DNA (what, within a brand, is immutable, cannot be transgressed, and which signals this brand - and this brand only - within its competitive set). Without an expression of such core identification factors, ideas cannot be rooted in brand values. Brand consistency would be impossible.

A Central Brand Challenge

Similarly, there needs to be one single organizing function which galvanizes and controls the output of brand activity, which can serve not only as a brief, but also as a criterion against which to judge the validity of communications programs.

The Brand Challenge becomes the single most important feature of 360 Degree communications. A weak Challenge will lead to a weak implementation program. A well-defined challenge will produce an enhanced set of brand activities. The tighter the challenge, the easier it is to produce focused and effective communications activities.

Some Concluding Implications

The 360 Degree approach begins and ends with the points of contact that a customer has with the brand. It doesn't begin or end with all the specialist disciplines that work on the brand. The customer does not distinguish between disciplines - in fact, most will lump all commercially inspired messages together as “advertising.”

It is important to note that 360 Degree Branding is not about amassing all the forces in one great big World-War-One style push. Not every campaign requires every discipline's contribution at every stage of the campaign. Indeed, there are plenty of examples throughout this book where 360 Degree campaigns only use two or three disciplines in the entirety of a campaign. The point is not to use all the disciplines, but to think through which of all the available disciplines will make the biggest contribution, in tandem with others, to the benefit of the overall brand Idea.

Saying that, there are some practical lessons we have learnt over the past few years in facilitating the learning and cooperation process:

- Different specialist disciplines need to come together and coexist under one roof. The more isolated the different functions are, the less likely they are to function well together. Idea-generation will suffer. Opportunities for idea-fusion, resonance, and cross-fertilization will be missed.
- The model of “top down” creativity from the Advertising Department needs to be re-thought, as does the supremacy of advertising-only creative awards systems. Some of the most creative implementation programs in the world are being produced in non-traditional formats, yet go undetected by the conventional, TV; and print-dominated awards systems.
- Agencies need to restructure internally to create a forum of ideas that encourages a real meritocracy, where ideas are valued from every quarter. Brands know no limits to the multiplicity of their interactions with consumers. Similarly, agencies need to encourage the unrestricted free-flow of ideas.
- Cross-disciplinary talent must be fostered. Any brand needs a champion that can work comfortably in any medium and any discipline that can assess and arbitrate ideas and messages so as to protect the brand from miscommunication and off-strategy ideas.

An excellent example of the power of true 360 Degree brand thinking and delivery is the following case study from Singapore.

Case Study 1

Making the Omniscent omnipresent – the “God” campaign from Singapore

Background

Singapore is a truly multicultural society, where Hindu, Buddhist, Muslim, Taoist, and Christian communities all happily coexist. But it is also a city well known for its secular priorities - they say that Singapore's national sport is shopping.

The “Love Singapore Movement” - a group of 150 Christian churches wanted to increase the awareness of God and, uniquely, they were prepared to use and pay for mass media to do so.

The Objective

They wanted to create “God consciousness”; that is, to raise the top-of-mind awareness of God amongst Singaporeans as they went about their lives.

But there were two important caveats - to avoid creating a campaign that could be seen as evangelical, as a recruitment drive; and to approach the campaign in a manner that made Christianity seem fresh, relevant, and contemporary.

The Block

The Christian God has an image problem. He has an antiquated brand image - old fashioned, out of touch, a piece of ancient history. He is felt to be overbearing and authoritarian - a dictatorial rule-maker who is swift to punish. Worse still, He is seen as distant and unapproachable, difficult to talk to and unwilling to listen.

The Brand Challenge

The Challenge was to perform an “image-job” on God, to transform Him from “killjoy schoolmaster” to someone you would want to invite out with your friends.

The Insight

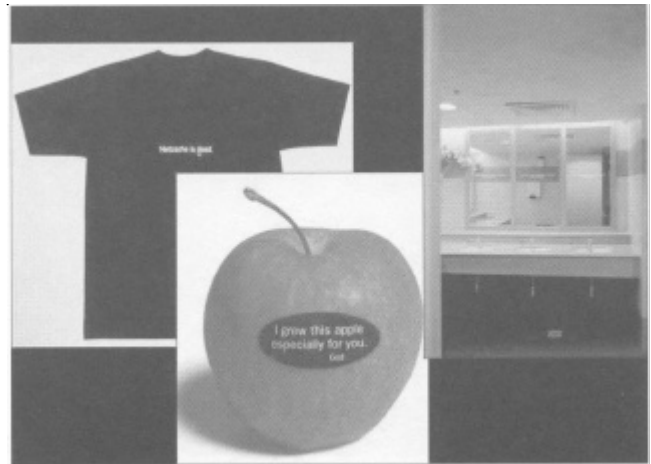
God is everywhere. So are the media opportunities. If we could create a campaign that used unusual and surprising, 360 Degree media, God's voice could call out to people in unusual and startlingly refreshing ways. Not only would this bring God into focus at exactly the most appropriate times and places, it would automatically position God as a contemporary, up-to-date, forward-thinking “early adopter” who embraced new media.

The Brand Idea

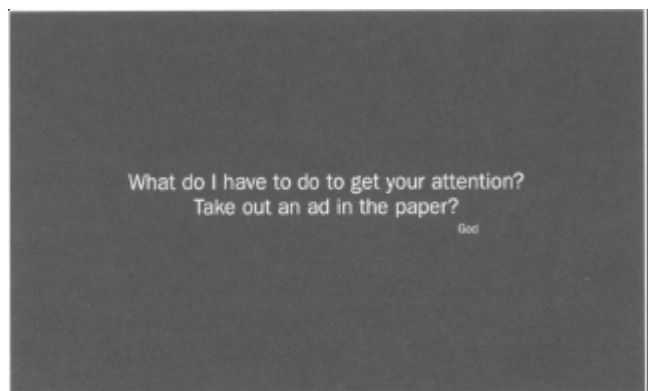
Give God a personality. God speaks in His own voice, directly to you. This is not the God you imagined. He is irreverent and witty. He is someone you enjoy having around. He is attractive. God has a sense of humor; He loves life. God is the sort of person you'd like to get to know more about.

The Work - How God Spoke ...

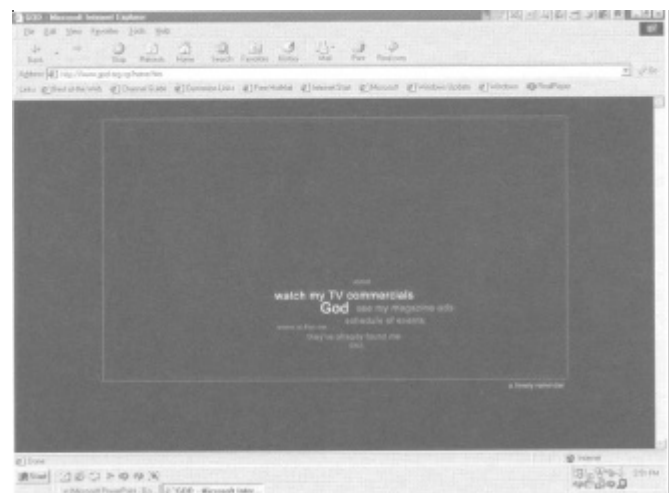
“His voice calls out to me in so many ways ...”



“God if Everywhere and in Everything” ... ambient media”



He if in my head... “ ... print media



‘And in my heart... “ ... online media“

LESSON 31:

BRANDS : BRAND INVOLVEMENT IS KING

Topics Covered

Activating a brand experience via the sensory surround, to distinguish clearly between the “product experience” and the “brand experience” - two interrelated but different things, dramatizing a brand experience, adding value to brand communications.

Objectives

1. To understand what activating a brand experience via the sensory surround means or implies.
2. To clarify exactly what we mean by “experience”, and to distinguish clearly between the “product experience” and the “brand experience” - two interrelated but different things.
3. To examine how to dramatize brand experience and add value.

Most of us are aware of five senses: sight, sound, smell, touch and taste. There is, of course, a “sixth sense”. We have all experienced it at some point.

And a Seventh - Common Sense.

It has always been something of a mystery to us why brand marketers and many communications agencies feel obliged to restrict themselves to using just two of these ~ sight and sound. Perhaps lacking the seventh sense themselves, they too easily overlook the opportunities to bring their brands alive for consumers in more meaningful ways by using more tangible sensory stimuli.

You will need little reminding at this stage that branding is not simply about advertising. It also extends beyond traditional marketing communications channels. There are a myriad potential points of contact between a brand and its target consumer. If you limit yourself to trying to influence one or possibly two of these (TV advertising and direct mail, for instance), you are constricting the brand experience to a fraction of what it could be and are leaving the quality of the brand experience to factors outside your control.

360 Degree brand communications is not merely about delivering a message. It is about creating an experience of the brand through every potential point of contact with a consumer. The more senses you can activate, the more meaningful and intense that experience will be.

This lesson is not about product trial. It is about activating a brand experience via the sensory surround. To make this difference clear, we need to clarify exactly what we mean by “experience”, and to distinguish clearly between the “product experience” and the “brand experience” - two interrelated but different things. (A quick illustration - assume you have never owned either a BMW car or an Apple computer. Now if your neighbor trades up to a BMW, does that not influence your opinion of the brand? If your best friend buys an i-Pod, does that not alter your relationship with Apple?)

The Product Experience

It is generally held to be true that, when stimulating trial for a product or service, one of the roles of advertising is to overcome the time lag between brand awareness and product experience. By demonstrating the product or service in action, or by having an existing user endorse it through a testimonial, or by comparing it to another similar product, you can build a preexisting experience into the purchase. By the time the new user comes to actually buy your product, they will have “used” it mentally many times already, and will certainly be assured of its efficacy. It is for this reason they say that “nothing kills a bad product quicker than good advertising.”

Of course, a product is all about this “real experience” ~ the ultimate experience of in-home use. Does the product deliver on its claims? Is it safe? Is it convenient and simple? Are there any design flaws? If there’s any failure at this point, you can say goodbye to any repeat purchase. No amount of advertising can overcome a poor product experience.

However, these days there is a fundamental problem with basing brand communications on dramatizing a product experience ~ the “product experiences” of most brands in any given category are becoming indistinguishable from one another.

Differentiation Is Dead

As Robert Jones articulates in *The Big Idea*, there has been an explosion in two important dimensions over the past 20 years - choice and quality. “We live in a world of choice, of availability, on a scale never before seen,” he says. And these choices are driving quality standards higher and higher; cars are increasingly reliable; good customer service is becoming a norm. And it’s all being driven by competition. “In today’s economy, more than ever, if you don’t create a better deal for your customer, someone else will,” Jones says.

Competition has created exponential choice, and enhanced quality. But, as Jones goes on to point out, “as products and services become better and better, they also become increasingly similar” ~ a development he calls “the blight of sameness”.

According to research in the U.S., consumers believe that nearly 80% of all products in any particular category “offer the same thing” ~ meaning that you’re kidding yourself if you really think your product is any different from the competitor’s. It doesn’t matter if it is or it isn’t; the point is that consumers don’t see it that way. They perceive parity everywhere.

This means we are witnessing the death of differentiation as a key sales driver. It has been shown in numerous studies that differentiation is the key engine behind brand growth. This is certainly true. But, most of the time, it is not product differentiation that is the engine of growth. For example, in China, we understand it takes on average a mere few weeks for a new technology to be understood, replicated, produced and got to

market. Software is faster still. In the case of movies, the VCD is generally available on the streets of Shanghai before the premiere in London has even been concluded and the champagne served.

This means that the only form of sustainable differentiation available today is brand differentiation - creating a distinct emotion-based property and value-set that makes your range of products and services stand out from the crowd. More and more, the purchase decision is being driven by emotional decisions how consumers feel about the brands they need to choose between - and not by functional differentiation.

The Brand Experience

So, if one of the key purchase discriminators is now a “feeling”, a brand is thus obligated to create forms of advertising that not just impart information, but offer its customers an experience and one that gives them something to feel about.

As a result, the brand is becoming an ever-more complex being; it is no longer sufficient to see it as simply the intangible sum of its parts. It has a life, a personality and a separate existence that forms the basis of a relationship with a consumer. Brands are complex, and they are becoming increasingly difficult to control - after all, brands only exist because of what the consumer adds to the product in his or her mind. As screen goddess Sophia Loren once said, “Sex appeal is 50% what you’ve got, and 50% what people think you’ve got.”

Brand marketing these days is much more about trying to influence that second 50%, rather than reassuring consumers about the first. The modern Asian consumer is not a moron - she is a sophisticated, discriminating shopper, and she doesn’t need to be told that a laundry detergent is good at cleaning clothes, or that an insect repellent kills effectively. Most of the brands on the shelf in front of her all clean or kill efficiently and effectively. If we want to create brand differentiation, if we want to influence her brand choice, we are going to have to make her

Feel Something About Our Brand.

Creating a genuine, multi-faceted 360 Degree brand experience is also the only way of retaining control over brand perceptions in an increasingly fragmented world. The old fashioned notion (which seems endearing to us now) of a simplistic binary relationship between a product and its advertising, between an effect and a single cause, between a purchase and a bit of long copy, cannot be sustained.

In a parallel universe to the actual product experience, the brand experience must now continue to deliver a level of engagement and interest that sustains consumers’ interest, and involves them in an ongoing relationship. And it is only by approaching brand marketing from an altogether new, holistic perspective that a brand manager can hope to deliver a stimulating brand experience across a wide spectrum of contact points. 360 Degree communications strives to create an experience of the brand through every point of contact a customer has with that brand - and not simply to deliver a rational message.

The Experience Economy

There is a recent school of thought (most famously articulated by Joseph Pine and James Gilmore in their 1998 classic *The*

Experience Economy) that suggests that the global economy is shifting from a service-led information economy, to an experiential event-based economy, where individuals are engaged in a personal experience by brands and services.

Over the past 200 years, the primary economic driver has moved from the extraction of commodities (essentially the farming and gathering of basic materials that are traded on the basis of supply and demand - coffee, oil, sugar) to the production of manufactured goods (made from raw materials, and sold according to product features) to, more recently, the provision of services (intangible and customized offerings that deliver benefits to customers).

In 1700, 80% of the U.S. workforce worked on farms; right now, 80% work in the “service economy”. But that too is set to change. Because services are increasingly becoming commoditized - undifferentiated offerings that compete on price - it is only those services (or brands) that are creating memorable experiences for their customers who are able to sustain a price premium which are able to offer the consumer meaningful differentiation.

Pine and Gilmore use the example of the humble coffee bean. As a commodity, it fetches a few cents a cup. As a ground, ready-to-brew “good”, it sells for about 10 cents a cup. Buying the “service” of a brewed cup of coffee in a regular cafe takes the price up to about 75 cents a cup. Yet many people are prepared to pay up to \$5 a cup in a high-end espresso bar, where the heightened ambience and drama of the purchase creates an experience. The brand experience, in effect, is responsible for a massive price premium above the original commodity.

Brands are part of this move to the “experience economy”. In the face of eroded differentiation, they need to move away from benefit-driven services to offer experiences that are both memorable and personal. Experiences need not be entirely about entertainment, but they must, at the very least, engage their targets.

Involvement

To create brand experiences that work, we need to find the right time, the right place, the right behavior and the right attitude of mind to engage the brand in the lives of its customers; in other words, we need to enhance “involvement”.

Involvement is spoken of much and understood little, especially by single-discipline “experts”. We like to think of involvement as something a little more sophisticated than just art-direction or the choice of some incidental music to go with the pictures. To us, true involvement is what is created by increasing the pitch on two important dimensions - intensity (making a brand experience more memorable), and interplay (using different points of contact to amplify the overall brand experience).

These two dimensions are at the heart of creating an involving brand experience.

Interplay - Creating Resonance

This requires a full and detailed understanding of the consumer’s “world” - how the brand and your target consumer’s life do and can intersect. Locating these potential

“encounter points” allows a brand to orchestrate the interaction between them in order to amplify the message/experience.

This approach to interplay has a profound effect on media channel selection. Finding the right media to put a brand experience in front of a consumer at the right moment is as creative an arena as the idea-generation itself. Points of contact come in all sorts of different shapes and sizes: a park bench, a convex mirror, a staircase, a pager, tattoos, a potted plant, and even a wine cork have all been used as media. Media planners need to understand that they have a role as “creative directors” too - new media are not selected, they are created. For a more detailed discussion about creating interplay, fast-forward to the next chapter.

Intensity - Dramatizing a Brand Experience

This requires a full and detailed understanding of what the right experience is for a brand to create. It requires finding the right context to bring that experience to life, and then using the full sensory possibilities to intensify it.

Intensification is only possible if you have a clear impression of the type of experience your brand should be trying to create. One way to know this is to imagine the perfect type of world your brand ought to inhabit.

Here are some examples of these “imaginary worlds” from the minds of some consumers we interviewed. A “Mercedes Benz world” would be one in which nothing ever breaks down; where the engineering excellence is so high that doors open without a squeak; trains arrive perfectly on time; everyone is perfectly dressed in understated designer suits. Volvo lives in a world where people feel invulnerable; where commuters skydive to work; a world where adventure is maximized and risk minimized. Singapore Airlines occupies a world where service is impeccable; and where every whim is catered for. And Nokia is a world where people are telepathic; where there is total connection between everyone; no loneliness; and a powerful sense of community.

Having heard them paint these kinds of mental pictures, it is easier to see how to bring this imaginary brand world alive as an experience for real consumers in real time, through as many points of contact as possible.

This sort of “idea-intensification” exercise leads directly to a new kind of media planning, where in place of titles, programs and schedules, we could have a series of experienced. Of course, experiences require relevant and affordable communications channels to make a brand “world” real and to intensify our target consumer’s experience of that brand. But understanding how channel planning can create involvement for a brand through experienced could radically change the emphases on which types of

communication these brands might engage in, and may reprioritize marketing budgets according to such things as “intensity”, “depth of involvement”, “interplay contribution” and “range of engagement” instead of good old “reach and frequency”.

Adding Value to Brand Communications

“Our ability to surround the consumer with the brand in ways that work effectively increases the value of what we offer

exponentially.” So says Shelly Lazarus, Chairman of Ogilvy & Mather Worldwide. Brand involvement is not for fun: it is, at heart, a business and a marketing proposition that aims to provide better sales, increased market share and a higher return on investment.

Bringing the brand experience to a wider range of contact points, enhancing involvement, increasing the intensity and interplay of these ideas, all add to the efficiency of brand communications. Each point of contact builds the experience in a way that far surpasses the impact of using one traditional channel alone. This ultimately represents a dollar saving, since the quality of the brand impression is that much higher than that produced by traditional approaches, and thereby a more efficient way of building brand messaging.

Secondly, various studies by research companies such as Millward Brown (a research and information consultancy and part of WPP) have shown that the one truly reliable indicator of future sales is “involvement”. Not “spontaneous awareness”, not “enjoyability”, nor even “comprehension”, but brand involvement - the very thing that’s produced by a combination of the intensity of the brand experience and the interplay between those experiences.

Practical Implications

So what are the practical implications of all this for brand communications and marketing?

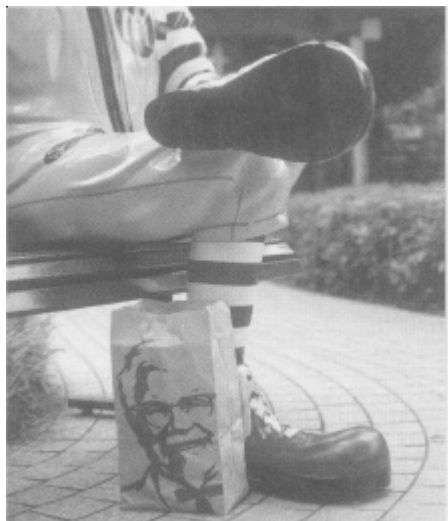
Firstly, to expect to create, maintain, enhance and update a “brand relationship” using only a single, passive-consumption medium like TV is both naive and unrealistic. Even adding secondary and tertiary media, such as print or outdoor, only begins the job of creating a brand experience - it raises awareness, of course, but is also raises expectations. What else? What next? The consumers’ appetite for fulfillment has increased. They expect more from a brand.

Obviously, an advertising idea alone cannot build a brand experience. Here are some of the ways different disciplines might set about creating different types of experience.

Immersion Marketing - in The Action

Immersion techniques seek to take the brand experience actively to the consumers, rather than passively parading it in front of them. The increasing tendency of the consumer to avoid being sold to - the so-called H sophisticated consumer” with a finely tuned marketing radar - has made radar-busting techniques an important part of the marketing armory.

By combining an understanding of the cynicism of being sold to on the one hand, with their desire to be engaged and entertained on the other, Immersion Marketing seeks out media combinations that aim to interact with consumers, in a way that fuses intelligence and wit with a sense of daring and panache. On-street or in-store are the favored “reality marketing” venues for immersive brand experiences, which tend to confront or seduce, rather than persuade or inform. These range from laser projections on buildings and street-painting on sidewalks, to giving free rickshaw rides round town to get busy executives to and from lunch meetings for ‘The Economist’, to swarms of KFC “assassins” carrying out brand stunts in high-traffic fast-food areas, to providing “boyfriend crèches” for Motorola in shopping malls at weekends.



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Sales Promotion - Branding The “Last Mile”

Traditionally, clients have two budgets - a marketing budget that pays for all brand development activities, from advertising to public relations to the point-of-sale collateral; and a trade budget which is used to pay retailers for listing fees, display features and in-store promotions. In most cases, these budgets are treated very separately, and sometimes even handled by different departments. The net result of this is that the investment made in creating brand equity stops at the door of the retailer. Brand development happens outside the store. Sales take place inside.

This misses a crucial point; namely, that the key moment in a brand's existence - the “point of decision”, the culmination of the entire branding effort - is entirely ignored by brand marketers and advertisers alike. This represents a major opportunity for the Sales Promotion agency - to be able to “brand the last mile” and take the brand experience all the way to the point of purchase.

By understanding what the influences are that might shape the time, the place, the behavior and the attitudes of the consumer at the very point of decision, communications

techniques can extend the brand experience to the very “moment of truth”, when a consumer makes a decision to buy one brand over another. Traditional brand marketing leaves that moment alone, hoping that the residual weight of all previous brand activity will be sufficiently memorable to sway a decision once in store. 360 Degree brand communications says that that moment is too important not to be a crucial focus for reinforcing a brand experience.

The Interactive Experience - Entertain or Die

Nothing exemplifies the need for a brand experience better than the online world. “Stickiness” was one of the buzz words of year 2000. A site which didn't have it was doomed - as one ad at the time (for a brand that has long since disappeared) rather ominously reminded us (against the backdrop of a towering Hawaiian wave), “four out of five surfers never return”. If the

brand fails to offer a relevant experience for the visitor, there is no incentive or reason for them to come back.

The experience of the brand online could take several directions - it could offer information, or entertainment, or a sense of community, or a combination of all three. Either way, unless the brand is adding significant value to the experience of being on that site at that moment, it is both inefficient and irrelevant.

Conversely, from a brand's perspective, the web offers an excellent and innovative space to create or extend a brand experience. Many brands have worried about having a reason for going online; to our mind, there is no better reason than supplying a relevant, “sticky” and involving experience to engage the consumer and extend the brand experience into the virtual world.

Public Relations - Influencing The Experience

Brand experiences don't have to be conscious “in your face” confrontations - guerilla solutions are not for everyone. For example, a brand's reputation is one of the most important factors in how a consumer feels about a brand, and yet influencing brand reputation is a more subtle, more sophisticated and a longer-term exercise than some of the above examples might indicate. Within a 360 Degree context, it is an experience largely controlled by the Public Relations agency or the Brand Identity company.

Customers (and their purchasing habits) are increasingly influenced by how they think and feel towards the companies that produce the brands and services on offer. We know that customers are more loyal to reputable brands. We also know they will not pay a premium for the goods and services of a company they don't respect. And furthermore, if a brand has consistently been a strong part of the community it operates in, it will have built up goodwill that can influence a customer's perceptions positively, even in a crisis situation.

A brand's reputation amongst consumers is confirmed or enhanced (or damaged) mainly outside the traditional “advertising” media channels. A reputation gets made (for better or for worse) in editorial content, online reviews, by pundits and experts, on chat-shows and in chat-rooms, beside the water cooler, in the store, via employee behavior, and everywhere in between. At first glance, these may seem like difficult brand experiences to control. But they can be influenced.

If a company acts responsibly upstream, it goes a long way to influencing positively its reputation downstream. By “managing the messaging” as much as possible, a brand can wield a surprising level of control over its reputation and therefore the brand experience it offers.

A foreign firm entering a local market can appoint key, local influencers who are strongly aligned to the brand to endorse or even serve that brand; from being a hostile in-comer, the brand now offers the experience of a welcome and trusted local partner. Smaller companies can create alliances, which in turn improves their reputation by association; they go from being an unknown (and high-risk) nobody, to offering the experience of being trusted suppliers.

Brands, which are serious about generating influence, can also influence legislative or government decision-making processes;

they now offer the experience of a brand, which will champion and fight for just causes. And employees who really understand their company's brand make for extremely powerful advocates whose influence on reputation cannot be underestimated; a brand that is endorsed by its employees offers others a brand experience of integrity (which, by the way, provides yet another good reason to show why internal communications are now just as important as external, customer-focused communications, and an integral part of the 360 Degree brand plan).

Conclusion

All this goes to show how diverse the armory available is for brand owners to shape the experience they want to offer their consumers; and how blinkered an advertising-only brand campaign really is. Influencer-marketing, public relations, guerrilla "hits", ambient media, new media, internal communications, trade promotions, brand promotions, events, media relations, editorial context, sampling, sponsorship and viral conflagrations are all ways of bringing the brand experience to life. With seven senses to play with, it is not difficult for a brand to differentiate itself in new and refreshing ways. Simply relying on narrow-band visual messaging suddenly seems like a wasted opportunity and a rather boring, monochrome response to what is probably a dynamic and sophisticated marketing or business problem. Both you and your brand deserve more.

All this talk of "experiential marketing" has several implications for agencies:

- The traditional narrowband "ad agency" needs to fill out its ability to deliver a totally integrated response to marketing problems. This functionality can either exist in-house or via affiliations and partnerships, so long as it is properly integrated and not just "briefed in".
- The "brand idea" needs to triumph over the one-track "executional idea". No longer can the 30-second TV spot dictate the tone, content, talent, style, imagery for a fully rounded marketing communications package. Roll over, prima donnas: idea-generation has become the obligation of the entire team, not just a couple of individuals.
- Executional ideas can be anything. Suddenly, a brand medium could be a T-shirt, a soundtrack, an event, a promotion, a sponsorship, a balloon, a direct-mail piece or an endorsement from someone you respect or know... anything is possible, so long as it is both consistent with the brand and offers a practical solution to that Brand Challenge.

Let's look at how one brand set about creating a total brand experience, rather than simply relying on a product experience (however good).

Case Study 6

Left Bank Cafe (Taiwan)

This case illustrates how the marketing and agency teams were forced to think creatively and laterally in establishing a new brand of coffee in Taiwan and in bringing the entire "brand experience" to the target in fresh and innovative ways. Uniquely, this project began with the agency helping to invent and then create the actual "product experience" as well.

Background

In 1997, President Foods Ltd., a large Taiwanese packaged-goods manufacturer, had a superior refrigeration and distribution system for selling cold drinks through convenience stores. In Taiwan, the nature of the packaging determines the retail selling price to a far greater degree than the cost of making the drinks it contains. Thus a beverage sold in a tetra-pack, regardless of whether it contains a high-cost coffee or a low-cost soya milk, always retails at NT\$10-15. And any beverage that comes in a can is always sold at NT\$20.

President Foods wanted to sell the same kinds of beverages, but in a packaging that would allow for a price point of NT\$25. And so it developed a plastic cup. This would signal to the consumer that the contents were fresh, and the consumer was prepared to pay more for fresh drinks. At this point, the agency (Ogilvy & Mather Taiwan) was asked to get involved. Of the various options tested, fresh coffee was found to have the most premium image. But there were many ready-to-drink coffee brands - parity was already built into this market. Differentiation, as with so many other categories in so many other markets, needed to be because of brand, and brand experience.

Premium values were researched and tested, and the result was a decision to create a brand that leveraged the values of coffee from Paris - from a cafe on the Left Bank of the Seine, a place full of atmosphere, a haunt of poets and philosophers.

The emotive appeal of the Parisian Left Bank was huge amongst the heaviest users of ready-to-drink coffee - city-dwelling young women aged 17-22. Honest, sentimental full of hopes and dreams, and fond of art and literature, they looked for much more from a brand than simply a functional product experience. They were searching for things (and brands) that made them feel more sophisticated.



Making The Consumer Feel Part Of the French Left Bank Experience

The Challenge

In concept form, the brand was a potent one. However, the larger Brand Challenge facing the agency team was how to make the brand as sophisticated and artistic in real life as it was on paper, or in the dreams of their focus-group respondents.

The TV advertising that had been developed encouraged people to build in their own minds a picture of this favorite French cafe. A series of print ads told little tales of things that had happened in the cafe, as seen through the eyes of the waiters. Poetic vignettes were broadcast as radio ads.

But this alone was not enough - the target had mostly never been to Paris or even seen a French cafe. The key insight for developing 360 Degree communications was that the brand was not selling coffee at all, but a cafe. The brand needed to deliver its experience as a tangible reality.

The Work

First, the agency organized a photographic exhibition of Parisian cafe life at Taiwan's biggest bookstore. Simultaneously, it decided to open a real (but temporary) cafe on the pavement outside, on the basis that the novelty of the cafe would both attract media interest and pull people into the photographic exhibition inside.



Three French waiters helping to bring the Left Bank Cafe to Life. Ogilvy Public Relations secured agreement for this from Taipei council, and arranged media coverage. O&M Advertising, in conjunction with Mindshare (a fellow WPP media "planning and buying" agency) and the French Council, then arranged for the development of a cable-TV program about French cafes called "The Left Bank Cafe Tour", which introduced 20 Parisian cafes as well as a certain temporary one on the streets of Taipei.

Next, the Left Bank Cafe brand helped the French Institute organize a film festival around French National Day, bringing in co-sponsors Renault, Peugeot, Chanel, Dior and, of course, the one brand you will never find in France - Left Bank Cafe.

The success of all this activity was tangible. So successful was the brand team in creating a living, breathing brand experience that a staggering 80% of young women interviewed actually believed that Left Bank Cafe really existed in Paris, and that it would soon open a branch in Taiwan. As one interviewee put it: "Does Left Bank Cafe really exist? I prefer to believe in a world where it does."

The second phase of this campaign developed the theme one stage further. If initially the brand experience had taken people to Paris in their imaginations, now it was time to take them to Paris in real life, and brand the entire experience as Left Bank

Cafe. What looked like a promotional idea on the surface was actually a complex piece of 360 Degree brand magic.

Eva Air's daily flight to Paris was branded Left Bank Cafe. Via a sales promotion competition, winners were found, issued with tickets and brought to the airport. All passengers on the flight were handed back their travel documents with a Left Bank travel wallet that included a cafe guide to Paris. Left Bank coffee was served in the departure lounge. The onboard welcome speech was made first in French and then in Chinese. French movies were screened, as well as the TV guide to cafe life in Paris. Headrests, pillow cases, table mats, meal trays, paper cups and the cabin decoration took on Left Bank Branding.



Helping turn a plastic cup into a brand (Reproduced with kind permission of President Foods Taiwan)

The Result

The promotion was launched to the wider public via the media. An on-board press conference with French waiters, mime artists and musicians kicked off the three-month campaign, which has since led to a queue of other organizations - from railways to travel agents to department stores - lining up to partner Left Bank in future "brand experience" initiatives.

By understanding both the brand and their consumer in great depth, the marketing and agency teams were able to breathe life into a premium brand that otherwise would have remained a two-dimensional concept in ad breaks and on the back page of magazines.

The lesson to be drawn from this is to see how much more powerful a brand property can be when it is allowed to live as an experience, to occupy a sensory space, and literally reach out and touch its target consumer.

Summary

This lesson is not about product trial. It is about activating a brand experience via the sensory surround. To make this difference clear, we need to clarify exactly what we mean by "experience", and to distinguish clearly between the "product experience" and the "brand experience" - two interrelated but different things.

Assignments

1. Do you see any brand around you which has dramatized its brand experience thus adding to its value? Elaborate.

LESSON 32: FUTURE OF BRANDS IN ASIA

Topics Covered

Future of Brands in Asia, China as fast learners in branding, India quick step to quality and customer service, Japan where the struggle continues, great Asian brands moving ahead, quantifying brand strength, the axes of success, to whom does the future belong, the 360 Degree implementation, the challenge facing Asian brand stewards.

Objective

1. To enable students understand why the 21st century can be called 'the Pacific Century'.
2. To outline the growth of brands in Asia with reference to China, India and Japan.
3. To impress upon the students that Asian brands are strong and have future challenges to meet successfully.

Some historians have declared that the 19th century was "the European Century", that the 20th century belonged to America, and that the 21st Century will be "the Pacific Century" - when the Asian nations will emerge as the political, economic and cultural powerhouse of the world. Some 65% of the world's wealth is already located on the Pacific Rim, and 65% of the world's population currently reside there Asian and Pacific communities already are vital to the health of the international economy.

However, the diverse societies of this vast and vibrant region are still undergoing phenomenal change as they adapt to an interconnected world influenced by the rapid development of technology and communication. In the midst of these changes, the tremendous macro-forces that shape and influence the consumer markets of Asia are creating opportunities and threats for brands and their marketers.

In this concluding chapter, we want to ask the question "who is best positioned to take advantage of the opportunities that the Pacific Century will provide?" To answer that, we need to reopen (and re-define) the long debate about multinational vs. local brands - who (if either) has the upper hand?

The Shape of Things To Come?

Looking into the future (always a hazardous exercise!), let us highlight three things that are likely to radically alter the brandZscape in Asia's biggest markets as the century progresses.

We highlight these three "predictions" because they sharpen our focus onto one very important dynamic in particular - the ongoing struggle between multinational (read U7edtem) brands, and locally owned or based Asian brands.

China - Fast Learners in Branding

China's entry into the World Trade Organization (WTO) has been called the single most important economic event for Asia since economic reforms began in China more than two decades ago. In the same way as Britain dominated the Industrial Revolution in the 19th century, so it is generally accepted that

China is set to become the workhorse of the world in the next decades.

WTO accession opens China up to an influx of foreign brands. Since 1978 and until recently, the expansion of the market has been dominated by big name Western brands (often referred to as "ming pai"). The hidden assumption has been that local Chinese brands (or "pai zi") would fall by the wayside under the onslaught of sophisticated Western marketing techniques.

But, the Chinese government has long been aware of the importance of building strong local brands to compete on equal footing once the trade barriers come down. As state-owned enterprises have moved into the private sector, expertise in branding has been actively encouraged by the central government. And, there have been some notable success stories for local brands over the years: Olive shampoo, Haier electronics, Legend computers, and many others.

However, the difficulty these and other local favorites face is the big issue of identifying and owning enduring brand values that can sustain market share positions. In our analysis of the complete WPP BrandZ database, we found that the Chinese consumer claims to be more "price-sensitive" and less "brand loyal" than consumers in other markets, but actually prove to have a higher loyalty.

The problem is that this "loyalty" tends to be a financial loyalty, rather than an emotional loyalty. And, it is the emotional loyalty that builds long-term sales and profit for brands. Take Legend computers. On some measures it has a larger loyal customer base than IBM. Operationally, it has avoided the temptation of introducing old technology; and has supported the first-time user with free software, home-installation and Chinese oriented software. However, on the key measure of future brand strength (and marketplace performance) - the "Voltage" rating - it comes a poor second to IBM. The reason is that it scores best with older consumers, and least well with Internet users. And e-commerce is where the market is going!

The picture is similar for other categories, whether beer, mobile phones or skincare. Western brands have a stronger "Voltage" than their lower-priced local competitors.

The big question the multinationals face is whether they can fully assimilate the cultural context. Chinese culture is arguably the most symbolic in the world. Yet visual or image literacy is an area that Western marketers rarely explore in depth, believing in the myth that the Chinese consumer is unsophisticated and literal-minded. In our extensive qualitative research over the years, we have found that Chinese consumers respond extremely positively to the kind of culturally sensitive image-based advertising that some foreign brands like Siemens, Motorola, Ericsson and Coca-Cola provide, but many others ignore as they lapse into one stereotype or another.

In short, we find that tried and tested Western-style brand marketing principles work; but that both local and Western brands need to do much more in China to exploit them fully.

India - Quick Step To Quality and Customer Service

Albert Einstein observed that only “two general truths emerge from the study of history. One is that things change much more, and much more quickly than one might think. The other is that things change much less, and more slowly than one might think.” This perspective of history matches the current evolution in branding in India.

India grew up with foreign brands as part of the landscape. Hindustan Lever began operations in 1894, Colgate from the 1920s, Cadbury and Nestle in the early years following the Second World War. Coca-Cola and IBM were also early entrants, but left after 1976 when the government forced foreign companies to reduce their equity share to under 50%, only to return over the past decade or so as the market has opened up to foreign direct investment.

The issue is not about brand values - these are well established for long-term brand-builders, whether local or multinational. The issues facing branding companies are more structural and service-related.

And here there are paradoxes at play: in such a large, rural and tradition-bound country, long-established companies have the distribution infrastructure in place to expand their product offering, but struggle with lifetime labor laws to create the efficiencies needed to exploit them profitably.

The opposite is the case for newer players. Trade barriers are coming down, albeit too slowly in the eyes of multinationals (who maintain India is still a very difficult market to enter). But even as these barriers are being lifted, allowing them to expand out of their niche market positions, they face real supply-chain management issues in sourcing, productivity and recruitment to avoid the longer-term stored up problems of the established brands.

These can be solved without sacrificing quality, as Tata has shown. A longstanding local truck maker, it moved into the passenger car market in the mid 1990s with the Tata Indica. At first, about two-thirds of its raw materials were imported (with the huge tariffs that go with importing). But, it now claims that 90% of its raw materials and 100% of the steel used are locally sourced. Quality is guaranteed, and the huge economies from local sourcing have helped deliver a big success.

Success stories in manufacturing like this are a rarity. For a developing country, India has an astonishingly high 55% of GDP taken up by the service sector. A more vibrant manufacturing sector may well be needed to create employment. However, the fact is that there is a boom in health care and health management, financial services, insurance, software services, consultancies etc.

This service sector boom is also enabling smart Indian companies to consolidate their brand positions. From Titan watches to Cavin Care toiletries and cosmetics to Maruti cars, there are many examples of high-quality customer service programs, proactive call centers and database management relationship marketing programs.

It will not be easy for newer multinational brands to break through against these well-established Indian competitors. One factor in their favor is the collapse in the real estate market over the past few years. Chain stores and shopping malls are now slowly emerging to compete with over seven million “mom & pop” stores across the country. Pizza Hut, McDonald’s and KFC are already present in the city centers, and, as a final symbol of globalism perhaps, Starbucks is on its way.

Local Indian brands are going to need to continue the quality and service improvement to cope with the multinational competition when it finally manages to steer its way through to an even playing field.

But, with local competitors already making huge strides in quality and service delivery, multinationals can expect a tough fight, even if the playing field is fully leveled.

Japan – The Struggle Continues

For a country that burst onto the global branding scene in the 70s and 80s, we see little hope without significant reform to aid a new surge of local brands. The small and medium business sector has historically been the engine of growth and change, as it avoids the stagnating practices of the bigger companies. This is where entrepreneurial flair happens. This is how Honda, Canon, Sony, and Toyota started. To succeed, the 5MBs need funding. But, they are being choked of funds, as the banking sector is under severe strain.

Japan, while struggling with deflation and recession, is still the world’s largest consumer economy. At the same time, Japanese brands are beginning to take the other Asian markets seriously, especially China (both as a manufacturing base and export market), as its domestic market shrinks under the weight of a rapidly aging population.

Historically, the dominant players have adopted a kind of “build it and they will come” approach to brand building. Sales are still the dominant business discipline, and trade incentives the prime marketing tool, for many companies. The wholesaler network is intricate, costly to manage, and it drives profits (and hence investment capital) down.

However, we can expect a simpler system to emerge over time. Exceptions are already emerging. Sony is innovating with direct selling over the Internet for PCs, offering the Vaio with personalized features instead of a discount. Margins are higher, and Sony bypasses wholesalers. Likewise, Uniqlo, a low-price casual outfitter, produces its clothes in China through a trading company and disregards the wholesaler network.

Another area where companies found themselves boxed in by an ever-more demanding environment for the newest and latest is in technology. Multinational branding companies historically found it very hard to compete with “just in time” production and an obsession with constant innovation. In addition, any technology gap was often compounded by their own inflexibility to meet Japanese cultural needs. Part of the post-war U.S. cultural invasion, Coca-Cola finally found success when it focused on coffee, water and tea rather than its eponymous brand. Procter & Gamble found success with Pampers only when it improved the quality and texture of its diapers to meet local needs.

Where multinationals win is where they relentlessly pursue the strong product brand-building models, which have been successful elsewhere. Japanese brands may often have technological leadership, but they have simply not attempted to brand themselves in a way that gives consumers an understanding of what the brand really stands for.

This is both an Achilles heel and odd, given that, culturally, Japan is extending its influence across Asia. Japan may be in no mood to invest in the region (its banking system is under severe strain), but from television drama to pop music to comics to sophisticated animated games to food to the purity of “Zen” living to cute toys, Japan’s influence is wide-ranging. In all these areas, Japan instinctively knows the power and role of branding, and in a very 360 Degree way.

Yet, in its home market entrenched practices make true brand-building a rarity. Agencies are focused on selling media, not building brands, their business model elevating “brand awareness” to the all-important factor. But this does not guarantee protection from well-branded competitors. Kao, despite vastly superior awareness, trial rates, distribution and sales support, has been washed away by Lever’s Dove in both the personal wash and shampoo categories. Starbucks, only operating in urban centers and despite a no-smoking policy in one of the world’s heaviest smoking countries, has surged past imitators who claimed first-mover advantage.

Additionally, there is a big question hanging over Japanese business: how the market will adapt to the massive changes in demography. Will local brands adjust to the most rapidly aging population in the world? Only 5% of brand marketing budgets are currently targeted at the over 50s - but almost a third, rising to over 40% over the next few years, of the population are part of this “golden generation”. They are different from their elders: they grew up during the post World War Two era of U.S. cultural infusion. They do not have an allergy to foreign things, or foreign brands.

And, if the entrenched local brands are not really brands, then unless they change quickly, further misery will likely be in store for Japanese business.

The Future

These three developments all fan the flames of the established and ongoing debate in the “brand community” about which brands are best placed to capitalize on these market changes. So, to whom does the future belong?

Great Asian brands

Can you name 10 global (non-Japanese) Asian brands? Can you name 10 strong regional Asian brands?

Not easy, is it? Once prompted, you may well know many more than 10 of each, of course; but the point is that they don’t spring easily to mind. We suspect that in 10 years, this task will be a no-brainer. Both Singapore and China have stated a desire to create up to 10 world-class brands in 10 different industries within the next 10 years. A tall order, but by no means impossible in today’s accelerated consumer culture. China perhaps will look to leverage its existing expertise in areas such as the bicycle and the air-conditioning sectors. Singapore could look to newer industries (such as “life sciences” and biotechnology) to supply

the brands, as well as creative services industries that probably don’t currently exist.

So much for the future. Today great Asian brands appear to be few and far between. At a cursory glance, it would seem that Asian brands are a long way behind their multinational counterparts ~ indeed, it is often said there are only a few truly powerful Asian brands, and that Asian businesses spend too much time considering short-term gains and operational efficiencies to worry about long-term issues like branding. However, this view is a long way short of the truth, and a closer inspection shows why.

Asian Brands Moving Ahead?

It is true that in 1997-98, the larger multinationals seemed to be having it their own way. When the first Asian crisis hit, it was these deep-pocketed multinationals that mopped up cheap market share, and even cheaper local players. The local brands, many with U.S. dollar loans, were crucified by fluctuating exchange rates and devalued currencies. Unable to fight back, many lacking both the financial resources and the marketing savvy to compete, local brands suffered across the board.

But more recently, the pendulum seems to be swinging back the other way ~ local brands are staging a remarkable comeback. Take China, for example. In 2000, 12 of the top 14 advertisers were local manufacturers and, in 2001, the entire top 10 biggest-spending brands were local brands (Source: AC Nielsen). Leading international brand Coca-Cola ranked only 20th among the most advertised products.

Despite the greater marketing sophistication of the multinationals, China’s local brands were doing extremely well. In a recent Gallup poll, seven out of the top 10 most-recognized brands were Chinese - with Wahaha, Bank of China and Changhong (TV sets) relegating even the mighty Coca-Cola to a mere fourth. The same survey also showed that Chinese consumers were exhibiting a marked preference for local brands ~ 80% of respondents preferring to buy Chinese-branded goods, and a similar number (79%) claiming preference for products that are made in China. This could not be dismissed as mere patriotic sentiment ~ by far the majority of consumers asked (69%) felt that the “Made in China” stamp was a positive endorsement of product quality.

To all of this, add the fact that the price of local brands is generally lower, and they seem to hold the enviable position of being able to offer both perceived quality and perceived value.

Investing in Brand Equity

Many Asian companies have realized the power of the brand, and have invested accordingly. Part of this has been a reaction to the 1997 crisis. Large numbers of Asian companies realized that those who operate in several global markets are less vulnerable than those who operate solely in their country of origin. And a strong brand helps companies compete internationally, as well as enabling them to defend their share at home from the ever-present demand for foreign brands. One of the most-cited examples of this is Haier, the Chinese appliance manufacturer, which now has a factory in the U. S. and 25% market share of the U.S. small refrigerator market.

Asian Brands League Table

This “awakening of the brand” in Asia has also led to the phenomenon of league tables on the top brands. For instance, one such league of the top 50 Asian brands places some well-known names, which are regionally (and often globally) recognized as leaders in their respective sectors, at the very top of the list: Singapore Airlines, Cathay Pacific and HSBC, for example.

While we support and applaud the notion of “valuing” brands and brand strength, we believe that much work needs to be done to create a more robust system of measurement for such tables. Their key limitation is that they ignore many “local” brands and particularly the strength of brands in relation to “bonded” customers

Of course, some local brands are included: the Shangri-la Hotel chain which includes some of the best hotels in the world; Lee Kum Kee from Hong Kong, one of the oldest brands in Asia and one which dominates the Chinese oyster sauce market in 40 countries around the world; Acer (now also known as BenQ) the global computer company from Taiwan; and Star TV which, although owned by Rupert Murdoch, is the first Asian satellite TV provider and now reaches 300 million viewers in 53 countries across Asia and the Middle East.

However, these are the exceptions, not the rule, and this type of league table merely reinforces the established view of Asia as seen through the “trading” lens of Hong Kong and Singapore in particular. It is notable that Soundblaster, a “brand” of PC soundcard founded only a few years ago in Singapore, ranks number seven on the list, and that 27 of the top 50 names come from Hong Kong and Singapore. Assessing brand strength by certain traditional criteria such as geographic spread (a major factor in the survey) creates a false picture, because with a relatively small home market, brands from Hong Kong and Singapore have to export to survive.

Korea, with a strong list of household names such as Samsung, LG and Hyundai, had no brand in the table, and China only one - TsingTao beer. Japan is not included in the survey and the size and scale of that market probably deserves a completely separate study.

Quantifying Brand Strength

An alternative approach, and probably more informative, is to measure what lies behind the making of a strong brand and make a full and fair assessment of all the brand “equities”.

And we can do this quantitatively, by looking at how local brands have successfully generated a loyal brand relationship with their consumer franchise. The WPP research database BrandZ allows us to evaluate exactly this, and can give us inaccurate measure of how well consumers have bonded with a particular brand a so-called “Bonded” consumer is one who has an emotional or rational connection with a brand, to the extent that they lavish the majority of their category spend on that brand. In other words, these are the highly valuable, loyal customers who repeatedly buy your brand definitely the right kind of customers to have.

In Japan, seven of the top 10 brands with the highest level of Bonded consumers on the BrandZ database are local Japanese

brands. In Taiwan, and likewise in India, five out of the top 10 are local brands. Not bad at all. But in China, local brands account for just three of the top 10. So far, it would seem, the multinationals have been getting it right.

One good example of this comes from P&G, and its shampoo brand developed for the local market in China - Rejoice. The BrandZ data shows that an incredible 31 % of consumers have Bonded with this brand something that is only matched by more emotive brands such as Coke and Nike. No other brand in the hair-care category even comes close to that level of loyalty.

Another good example is Colgate. Having invested in building a trustworthy and respected brand by carefully building knowledge about the protective qualities of its toothpaste, Colgate has been rewarded with a fiercely loyal base of “Bonded” consumers: 34% of respondents choose Colgate time and time again.

So it would appear that we have a situation where local brands are succeeding in creating awareness, while the multinationals are succeeding in creating loyalty.

Key Axes of Success

The dynamics that divide local and multinational companies can be boiled down to three main axes:

1. Culture

A truly local company has a commercial instinct attuned to the market and the consumer. They can be lightning-quick to market, can respond rapidly to changes, and, most importantly, are not afraid to experiment with new

formulations and different marketing techniques. Multinationals, on the other hand, are more hampered by rigid procedures - time-hungry research, a corporate culture which discourages entrepreneurial adroitness, long decision-making lines, and an inherent culture of caution.

2. Finances

Multinationals tend to have deeper pockets, and are less susceptible to currency fluctuations. They have a history of investing their way out of trouble, and can shift funds between markets to achieve their goals. Local companies, even those active in several markets across Asia, cannot bring the heavy-duty financial guns to bear on their competition. They need to rely on local popularity to see them through.

3. Distribution

Local companies have a far more practical and “familiar” approach to securing distribution. Multinationals are hampered by being “outsiders” and control is very difficult to attain. Multinationals fear (quite rightly) that unless they own the distribution system, they will be edged out completely.

It would seem that the obvious strategy for multinational companies is to concentrate on making their brands as “local” as possible. And this is, in fact, exactly what we find happening.

Outsider Vs insiders

The result of this increased focus on “globalization” is that once a market has lived with a variety of “multinational” brands for a while, those brands cease to be “outsiders”, and start to become “one of ours”. Time and time again, when asked, consumers fail to distinguish between multinational and local

brands. Sunsilk is Thailand's number-one shampoo - and is considered a local brand. The same holds true for Milo in Malaysia and Volkswagen in Shanghai.

This is hardly surprising when, in many of these countries, the multinational companies are both manufacturing and selling the brands locally. Furthermore, global companies are often the owners of so-called local brands - how "local" are Thumbs Up in India, when every purchase of this iconic "local" cola brand generates revenue for the world's largest global brand company?

Similarly, Unilever owns and manages scores of "local" brands, from teas to detergents, which compete with their global brands. A classic example is Molto in Indonesia. It was for a long time a hugely successful brand of fabric softener, started and run by a local man and about six staff. Seeing the opportunity to compete head-on with another successful local brand, So-Klin, run by a Surabayan corporation called Wings, Unilever stepped in and bought Molto. As a consumer, would you distinguish between these two as multinational or local? Presumably not.

Across Asia, there is no clear division of provenance amongst consumers - they do not see a Unilever brand as Dutch or British or multinational - they are simply all "local" to the extent that they are all "available here" (in fact, Unilever has been in Indonesia for over 100 years - many of the so-called "local" brands are just recent upstarts in comparison). Unless a brand makes specific reference to its foreign provenance to create an advantage, it is hard to distinguish the brands on the shelf by origin. Even marketing sophistication is no longer a dividing issue. Any company, both local and multinational, has access to the best and brightest marketing minds through the global Agency network.

Strong Vs. Weak Brands

We would suggest, therefore, that it is no longer meaningful to talk about local and multinational brands. While it is possible to distinguish between multinational and local companies, the real debate for the next decade (and beyond) will be about strong and weak brands.

To Whom Does The Future Belong?

Strong brands are invariably 360 Degree brands - the evidence from around the world is overwhelming. Brands which simply rely on mono-media communications strategies, that fail to engage the consumer at any contact point other than the main media channels, that divorce brand marketing from business strategy or packaging design or customer service - these brands can only be weak in comparison to what a truly 360 Degree brand can achieve.

The future belongs to strong, 360 Degree brands that are built around big ideas. It may matter less who owns that brand (although there is evidence of the corporate brand being used to endorse product brand communication in many markets), where it comes from, whether it is local or regional or international, if it is an established brand or a challenger, if it targets old consumers or young ones; any brand, and any business, will be enhanced and strengthened by developing a more inclusive, integrated attitude to brand development.

Anything less and the brand, the business and the client are being short-changed. Therefore, we believe that all "brand practitioners" here in Asia have an obligation to permeate their agencies, their client's business and the brands that are in their care with fully integrated, commercially minded 360 Degree brand thinking.

Looking at brands in this way does require a fundamental shift in perspective, which can, for some, be uncomfortable. A certain level of resistance to 360 Degree brand thinking is inevitable ~ from those who are happy and comfortable ((doing it the way it has always been done". But the world is changing rapidly, the brand landscape moves on perpetually, and the financial argument for putting the brand at the center of everything a business does is now too compelling for these naysayers to ignore.

But we are really still only at the beginning of the process. Even here in Asia, a region which has embraced a strong attitude towards 360 Degree Branding®, this type of brand communications approach is still in its infancy. There is a still lot to be done.

The Challenge

In the spirit of 360 Degree brand development, it seems appropriate to finish this book by offering you, the reader, a brief of sorts ~ specifically, a 360 Degree Brand-Builder's Challenge. If our objective is to develop strong, world-class 360 Degree brands here in Asia that can provide the propulsion for a Pacific Century, what then, is the key challenge we all need to address in order to achieve that?

The Challenge will be obvious once we have worked out what the Block is. So, what is the one thing that is preventing a greater and wider adoption of 360 Degree brand thinking?

What's the Block?

Many Asian businesses still largely operate in a manner that reflects Asia's trading heritage. Compared to service-led economies such as the U.K. and U.S., Asia is still trade dominated. As a proportion of all business, trading in Asia still retains a huge share. Its roots go back to colonial times and before. Trading is a profitable and noble enterprise, but it creates what we might call a "selling environment" and a culture that is sales/margin orientated. This is very different to a marketing environment.

This marketing environment is still under-developed in Asia. And until you build a marketing culture, it will be difficult to implement 360 Degree brand thinking that truly permeates a corporation's culture and operations.

The Road to 360 Degree Implementation

There might be said to be four stages to full 360 Degree brand implementation.

Step One involves a company embracing the concept of "brand" and "marketing" in general, and using straightforward conventional channels to "advertise" this brand.

Step Two might represent the development of a brand's marketing output into a more dynamic and integrated communications program, involving a coordinated use of (for

LESSON 33:

A CLOSER LOOK AT BRANDS BUILDING A STRONG BRAND.

Topics Covered

This lesson takes a closer look at Brands. It covers building a strong brand, brands on the move, brand as metaphor, brand naming into the next generation, brands tomorrow, why brands die and seven steps to building brands.

Objectives

1. To understand the concept of brands.
2. To be able to look at brands in the perspective of the 21st century.
3. To gain a quick insight into the steps of branding.

The word “brand”, when used as a noun, can refer to a company name, a product name, or a unique identifier such as a logo or trademark.

In a time before fences were used in ranching to keep one's cattle separate from other people's cattle, ranch owners branded, or marked, their cattle so they could later identify their herd as their own.

The concept of branding also developed through the practices of craftsmen who wanted to place a mark or identifier on their work without detracting from the beauty of the piece. These craftsmen used their initials, a symbol, or another unique mark to identify their work.

Not too long afterwards, high quality cattle and art became identifiable in the consumer's mind by particular symbols and marks. Consumers would actually seek out certain marks because they had associated those marks in their minds with tastier beef, higher quality pottery or furniture, sophisticated artwork, and overall better products. If the producer differentiated their product as superior in the mind of the consumer, then that producer's mark or brand came to represent superiority.

Today's modern concept of branding grew out of the consumer packaged goods industry and the process of branding has come to include much, much more than just creating a way to identify a product or company.

Branding today is used to create emotional attachment to products and companies. Branding efforts create a feeling of involvement, a sense of higher quality, and an aura of intangible qualities that surround the brand name, mark, or symbol.

So what exactly is the definition of “brand”? Let's cover some definitions first before we get too far into the branding process.

What is a Brand?

If you ask ten marketing people or brand managers to define the word “brand” you will likely get ten different answers. Most of the answers you receive, hopefully, will have some common themes. In my own experience and study of brands and branding there is one definition of “brand” that seems to most succinctly define exactly what a brand is.

The definition of brand: A brand is an identifiable entity that makes specific promises of value.

In its simplest form, a brand is nothing more and nothing less than the promises of value you or your product make. These promises can be implied or explicitly stated, but none-the-less, value of some type is promised.

Additional Definitions

Brand awareness is when people recognize your brand as yours. This does not necessarily mean they attach a high value or any superior attributes to your brand, it just means they recognize your brand.

Aided awareness occurs when you show or read a list of brands and the person expresses familiarity with your brand.

Top-of-mind awareness occurs when you ask a person to name brands within a product category and your brand pops up first on the list. When you think about facial tissue, gelatin, and adhesive bandages do the brands Kleenex®, Jello®, and Band-Aid® come to mind? These brands enjoy strong top of mind awareness in their respective categories.

Strategic awareness occurs when not only does the person recognize your brand, but they also understand the distinctive qualities that make it better than the competition. Strategic awareness occurs when you have differentiated your brand in the mind of your market.

This is simple so far, right?

Brand Awareness is Not Everything

Brand awareness is vitally important for all brands but high brand awareness without an understanding of what sets you apart from the competition does you virtually no good. This distinction as to why your brand is unique in your category is also referred to as your Unique Selling Proposition (USP). Your USP tells your target market what you do and stand for that is different from all of your competitors.

Let's examine a couple examples from the recent “dot com phenomenon” that illustrate a point about brand awareness.

Do you remember seeing all those advertisements and all the publicity surrounding certain brands during the recent “dot com” craze? Many of these companies devoted huge advertising budgets to creating brand awareness. They spent millions upon millions to “get their name out there” so people would recognize their names. The problem was they may have created high brand awareness, but they were never very successful explaining why they were distinctive or any better than their competitors. They failed to create strategic awareness. They never taught us their Unique Selling Proposition.

For instance, advertisers in the United States never taught why one would want to buy from Pets.com® rather than the local pet store. So was say, Outpost.com. The dot com ads never

clearly told us who they are, what they stand for, or how they are different from everyone else in their category. In fact, after watching their advertisements, I did not even know what category they belonged to!

Pets.com® and Outpost.com® focused on getting attention and creating awareness rather than building strategic brand awareness in the two examples above. They made a severe mistake in their branding efforts by not creating strategic awareness. Don't make the same mistake with your brand.

These examples also illustrate that while advertising is an important tactical element in building a brand, branding encompasses much more than just advertising. You cannot build a strong brand solely through advertising. Branding is also more than a logo, a color scheme, and a catchy tagline. While these all are important components in branding, they are simply tactical tools that help establish and build the brand.

Establishing a Brand

I've heard very strong arguments that publicity is the way a strong brand is truly established and advertising is how the brand is maintained. If you think about this theory for a moment, it makes a lot of sense. If a brand is successful in making a connection with people and communicating its distinct advantage, people will want to tell others about it and word-of-mouth advertising will develop naturally, not to mention writers in the press will want to write about the brand. Once that type of differentiation is established in the market's mind, advertising can help maintain and shape the brand.

What you need to do in branding is to communicate what the brand distinctively stands for using as few words or images as possible. So remember, branding is all about creating singular distinction, strategic awareness, and differentiation in the mind of the target market...not just awareness. When you have been successful, you will start building equity for your brand.

Brand Equity

Brand Equity is the sum total of all the different values people attach to the brand, or the holistic value of the brand to its owner as a corporate asset.

Brand equity can include: the monetary value or the amount of additional income expected from a branded product over and above what might be expected from an identical, but unbranded product; the intangible value associated with the product that can not be accounted for by price or features; and the perceived quality attributed to the product independent of its physical features. A brand is nearly worthless unless it enjoys some equity in the marketplace. Without brand equity, you simply have a commodity product.

More Things to Know About Brands

As I mentioned earlier, a brand is more than just a word or symbol used to identify products and companies. A brand also stands for the immediate image, emotions, or message people experience when they think of a company or product. A brand represents all the tangible and intangible qualities and aspects of a product or service. A brand represents a collection of feelings and perceptions about quality, image, lifestyle, and status. It is precisely because brands represent intangible qualities that the

term is often hard to define. Intangible qualities, perceptions, and feelings are often hard to grasp and clearly describe.

Brands create a perception in the mind of the customer that there is no other product or service on the market that is quite like yours. A brand promises to deliver value upon which consumers and prospective purchasers can rely to be consistent over long periods of time.

You Already Have at Least one Brand

First of all, you must understand that you already have a brand. Everyone has at least one brand. Your name and who you are is, in fact, your personal brand. The brand called "you".

The issue then is not whether you have a brand, the issue is how well your brand is managed.

Brand Management

If a brand is not effectively managed then a perception can be created in the mind of your market that you do not necessarily desire. Branding is all about perception. Wouldn't it be nice to have people perceive you the way you would like them to perceive you? That is what branding and brand management are all about.

Brand management recognizes that your market's perceptions may be different from what you desire while it attempts to shape those perceptions and adjust the branding strategy to ensure the market's perceptions are exactly what you intend.

So you may now have a better understanding of what a brand is and why awareness about your brand does not necessarily mean your brand enjoys high brand equity in the marketplace. You might even understand that brand management is all about shaping and managing perceptions. You may still be asking yourself, however, why you should care about branding in the first place.

The Benefits of a Strong Brand

Here are just a few benefits you will enjoy when you create a strong brand:

A strong brand influences the buying decision and shapes the ownership experience.

Branding creates trust and an emotional attachment to your product or company. This attachment then causes your market to make decisions based, at least in part, upon emotion - not necessarily just for logical or intellectual reasons.

A strong brand can command a premium price and maximize the number of units that can be sold at that premium.

Branding helps make purchasing decisions easier. In this way, branding delivers a very important benefit. In a commodity market where features and benefits are virtually indistinguishable, a strong brand will help your customers trust you and create a set of expectations about your products without even knowing the specifics of product features.

Branding will help you "fence off" your customers from the competition and protect your market share while building mind share. Once you have mind share, your customers will automatically think of you first when they think of your product category.

A brand is something that nobody can take away from you. Competitors may be able to copy your products, your patents will someday expire, trade secrets will leak to the competition, your proprietary manufacturing plant will eventually become obsolete, but your brand will live on and continue to be uniquely yours. In fact, a strong brand name may be your most valuable asset.

Brands also help people connect with one another. Have you ever witnessed the obvious bond between people who ride a certain brand of motorcycle? ride a Honda Gold Wing® motorcycle and no matter where my wife and I find ourselves when riding the bike, if there is another person riding a Gold Wing®, we have instant rapport with them and immediately begin talking about our experiences with the brand. How is it that we can feel such a connection with complete strangers? The answer lies in the psychological connection we have with the Gold Wing® brand. I am told that owners of Harley-Davidson® motorcycles experience an even stronger sense of connection.

A strong brand can make actual product features virtually insignificant. A solid branding strategy communicates a strong, consistent message about the value of your company. A strong brand helps you sell value and the intangibles that surround your products.

A strong brand signals that you want to build customer loyalty, not just sell product. A strong branding campaign will also signal that you are serious about marketing and that you intend to be around for a while. A brand impresses your firm's identity upon potential customers, not necessarily to capture an immediate sale but rather to build a lasting impression of you and your products.

Branding builds name recognition for your company or product.

A brand will help you articulate your company's values and explain why you are competing in your market.

People Do Not Purchase Based Upon Features And Benefits

People do not make rational decisions. They attach to a brand the same way they attach to each other: first emotionally and then logically. Similarly, purchase decisions are made the same way, first instinctively and impulsively and then those decisions are rationalized. A strong brand helps mold and shape that emotional reaction in people, which is a very strong influencer in the purchasing decisions they make. Once they have an emotional attachment to your product or your company, then they will justify their purchase decision based upon product features and benefits.

So now that you understand some of the reasons why you should want to build a strong brand, let's talk about how you will go about building a strong brand.

Steps in building a strong brand

1) Start with a quality product.

To build a strong brand you must start with a quality product that delivers superior performance. All strong brands absolutely demand a superior product or service. High quality is a prerequisite

to entry so don't think high quality is enough to set your brand apart from the competition.

2) Identify your brand's singular distinction, define your message, and position your brand properly in the marketplace.

Once you have a high quality product, then you must decide upon the singular distinction for your product that is most important to your target market. Are you first, best, fastest, or most luxurious in your category? If so, then you may have found your point of singular distinction. You should put a lot of thought into choosing your brand's singular distinction because everything you do will reinforce your singular distinction in your market's mind in some way.

An interesting thing to know is that many times the first brand in a category emerges as the category leader and can enjoy that leadership position for years and years. If your brand is not first in your category then create a new category so you can position your brand to be first in that category. Being first in your category is often a positioning strategy that allows your brand to be the leader in your category for many years. Federal Express was not the first package delivery company so they invented a new category—overnight package delivery. Not only were they the first brand in overnight shipping but they continue to be the leader in that category.

Your brand must make people feel better, be faster, do something much better, or deliver a perceived quality of lifestyle much higher than competitive brands. Take the time to understand your category and then position your brand in some manner that makes it very distinctive within the category.

Own a Word or Phrase

When defining your message, try to own a single word or short phrase in the mind of the market. Coca-Cola® owns "the real thing". Volvo® owns "safe". Miller Lite® owns "less filling, tastes great". Federal Express owns the word "overnight".

If somebody else in your category already owns the word, choose a different word. The chances are that word is firmly etched in the mind of the target market and they associate it with your competitor's brand. You are not very likely to change that impression regardless of how much money, time, and effort you put into trying to take over ownership of that word.

The strongest brands that exist today are strong because they stay focused on that one aspect of singular distinction. Once you try to position your brand to be many different things to many different people, then your brand begins to not really mean much of anything to anyone. Positioned properly, your brand will enjoy a leadership position in your market.

3) Tap into emotion.

Develop accessible attributes for your brand. Your brand should readily tap into your target market's psyche and evoke an emotional response.

4) Build the image.

Visually, verbally, and through your actions you need to build the message you are trying to create about your company's value. Choose or create a memorable name for your brand. Create a visually effective logo. Write a tagline or slogan for the brand that concisely captures the essence of your unique selling

proposition. Your brand should communicate through all marketing channels with one voice, in the same tone, in the same style. In other words, your brand image must remain constant across all channels of communication.

5) Market the image.

Projecting the image of your brand should be carried out among all contact points with your market. This means your name, logo, advertising, and all marketing communications materials should communicate your USP and consistently communicate your brand's message. Don't forget about your website, mailings, sponsorships, and events.

Your branding effort must permeate your entire organization. The CEO, the customer service staff, the sales force, the people who ship your product, and the people who sweep the floors at night must all know and demonstrate your brand's singular distinction at every touch point with your market.

6) Live the message.

You need to deliver on the promise you make to your market. Whatever your brand image, positioning statement, or unique selling proposition, you have made promises to your market that you must deliver on. Remember, your brand is nothing more and nothing less than these promises and you must deliver on these promises in the mind of your market.

Everyone in your organization must be trained to think from a brand perspective. All employees who have contact with prospects and customers should speak and act in a way that is consistent with your brand's values.

You'll know your organization is working together to build a strong brand when there is an underlying sense that your employees act based upon what is in the best interest of the brand rather than in their own self-interest or in the interest of their departments. Tell everyone in your organization that the one yardstick for evaluating every decision will be whether or not the decision is made by answering the question: "What is best for the brand?"

The customer's experience must meet or exceed your brand's claims and promises of value. When your entire organization is clear about your brand's values and promises and everyone in your organization works together to build a strong brand, your market will notice and their image of your company will be consistent with your brand identity. Your brand can deliver an enormous sense of satisfaction and enjoyment to your employees—but only if they treat it right.

7) Measure your brand equity against the competition and continue to build and refine your brand.

The only way to know how well you are doing in your branding effort is to measure your brand equity against your competition at frequent intervals. This can be accomplished through a variety of market research methods such as conducting market surveys, analyzing the price premium your brand can enjoy, studying the sustainability of your brand, and conducting focus group research. Brand equity is constantly changing just as society's values, perceptions, and intelligence are changing. You must understand the equity your brand has in the market and also understand how your brand's image measures up against the identity you are trying to create. When the image you have in the

marketplace is not consistent with the image you are trying to create for your brand, then you must refine your branding strategy and project the newly refined identity.

Branding is a continuous process of communicating with your market. When you build and manage your brand properly, your brand will be pay you large dividends and your brand will be the most valuable asset you own.

The Ten Commandments of Emotional Branding

Between the old concept of brand awareness and the new concept of Emotional Branding, a dialogue must take place that involves this changing of consumer reality in the decision process and brings a dimension of personalized relationship into the equation.

The following "Ten Commandments of Emotional Branding" illustrate the difference between traditional concepts of brand awareness and the emotional dimension a brand needs to express to become preferred.

1. From Consumers To People

Consumers buy, people live.

In communication circles the consumer is often approached as the "enemy" whom we must attack. It's us (meaning manufacturers, retailers, and their communications agencies) against them. Terminology like "breaking down their defenses, decoding their language, and strategizing to win the battle" is, in my day-to-day experience, still commonly used. But why employ this tactic when there is a better way to create desire in customers in a positive manner without harassing or talking down to them? This can be achieved by using a win-win, partnership approach based on a relationship of mutual respect. After all, the consumer is your best source of information.

2. From Product to Experience

Products fulfill needs, experiences fulfill desires.

Buying just for need is driven by price and convenience. A product or shopping experience, such as REI stores' rock climbing walls or the Discovery Channel stores' myriad of "sound zones" has added value and will remain in the consumer's emotional memory as a connection made on a level far beyond need. For established products to attract and retain consumer interest, it is critical that innovative retailing, advertising, and new product launches capture their imagination. The lines are drawn every day between newness and tradition, between what is expected and the excitement of change. Our curiosity and sense of adventure often wins out over the known. However, a product can be old and new at the same time, if it continues to have emotional relevance for consumers.

3. From Honesty to Trust

Honesty is expected. Trust is engaging and intimate. It needs to be earned.

Honesty is required to be in business today. The federal authorities, consumer groups, and the people in general have an increasingly rigorous standard for products and will rate very quickly what needs to be on the shelf and what doesn't. Trust is something else altogether. It is one of the most important values of a brand and it requires real effort from corporations. One of the most powerful moves toward building consumer

trust was retailers' implementation of the "no questions asked" return policy some years ago. This strategy brings total comfort to customers and gives them the upper hand in their choices. A very smart decision indeed.

4. From Quality To Preference

Quality for the right price is a given today. Preference creates the sale.

Quality is a necessary offering if you want to stay in business; it is expected and had better be delivered. Preference toward a brand is the real connection to success. Levi's is a quality brand, but it has currently lost its preferential status. Victoria's Secret, a brand that has achieved an enviable and highly charged emotional connection with consumers today, is revolutionizing a new category and redefining the hosiery and beauty businesses—there is no stopping a brand when it is preferred.

5. From Notoriety To Aspiration

Being known does not mean that you are also loved!

Notoriety is what gets you known. But if you want to be desired, you must convey something that is in keeping with the customer's aspirations. Awareness is obviously not the only criterion to successful branding. Beyond awareness, what does AT&T really mean on an emotional level to consumers? And is there really a difference for people between the well-known (and some would say infamous!) brands ExxonMobil and Texaco? Nike is still a very notorious brand with great visibility, but is it as inspirational as it used to be?

6. From Identity To Personality

Identity is recognition. Personality is about character and charisma!

Identity is descriptive. It is recognition. Personality is about character and charisma. Brand identities are unique and express a point of difference vis-à-vis the competitive landscape. But this is only the first step. Brand personalities, on the other hand, are special. They have a charismatic character that provokes an emotional response. American Airlines has a strong identity, but Virgin Airlines has personality.

7. From Function To Feel

The functionality of a product is about practical or superficial qualities only. Sensorial design is about experiences.

Functionality can become trite if its appearance and usage are not also designed for the senses. Many marketers design for maximum function or visibility and not for the real experience of the consumer. Design is about human solutions, based on innovation that presents a new set of sensory experiences. Creating product identification by stressing product benefits is only relevant if product innovations are memorable and exciting to consumers. Absolut Vodka, the Apple iMac, and Gillette razors are brands that are focused on presenting fresh shapes and sensory experiences consumers appreciate.

8. From Ubiquity To Presence

Ubiquity is seen. Emotional presence is felt.

Brand presence can have quite an impact on the consumer. It can forge a sound and permanent connection with people,

especially if it is strategized as a lifestyle program. There is hardly a stadium, a player uniform, a concert hall, or an urban space of size (billboards, bus stops, walls, and even the inside of bathroom doors) around the world that has not been used to promote a brand. And then, of course, there are the T-shirts, caps, mugs, and so on. But how effective is all this clutter, really? Most brand-presence strategies are based on the concept of quantity, not quality. The fear that a competitor might occupy the physical territory becomes the motivator, instead of a focus on inventive ways of making a real, lasting connection. Joe Boxer's wacky underwear vending machines which call out to passersby "Hey, do you need some new underwear?" and tell jokes is an invetive way of standing out and making a connection!

9. From Communication To Dialogue

Communication is telling. Dialogue is sharing.

Communication, as conducted by many companies, is primarily about information—and information is generally a one-way proposition. Take it and like it—hopefully. The bulk of most budgets is still spent on advertising efforts that approach consumers with the B1 bomber approach: a massive, all-encompassing blanket advance at the target audience. Not only can advertising deliver more personal, targeted messages, but other media, such as digital communications, PR, brand presence, and promotions can also stretch much further to really speak to consumers where they "live." Real dialogue implies a two-way street, a conversation with the consumer. Progress in digital media is now allowing this evolution to take place, and finally will help foster a rewarding partnership between people and corporations.

10. From Service To Relationship

Service is selling. Relationship is acknowledgment.

Service involves a basic level of efficiency in a commercial exchange. It is what allows or prevents a sale from taking place. But relationship means that the brand representatives really seek to understand and appreciate who their customers are. It is what you feel when you walk into a Quicksilver store and find that the music, the décor, and the salespeople all speak the same language—the customer's! It is the new expectation. Who does not feel special when someone in a store or restaurant welcomes you by your own name! The emotional component of a true relationship is not always targeted to our personal needs. We are still, in most cases, just a number. Sometimes a big number, but still a number. Howard Shultz, CEO of Starbucks, speaks about romancing the consumer: "If we greet customers, exchange a few extra words with them and then custom-make a drink exactly to their taste, they will be eager to come back."

The Brand as Metaphor We've all heard the story of the blind men and the elephant. Different men examine different parts of an elephant. One examines the trunk and concludes that "an elephant is like a vine". Another examines a leg and concludes that "an elephant is like a pillar". A third examines the tail and concludes "an elephant is like a rope". A fourth runs his hand across the elephant's side and concludes "an elephant is like a wall". All of them are correct. All of them miss the essential truth. An elephant is much more than the sum of its anatomi-

cal parts. It is a living, breathing being. Much of the literature and discussions on branding make this same mistake. With all due respect to the American Marketing Association a brand is more than a **"name, term, sign, symbol or design, or combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition"**. Aaker (1996) is closer to the mark when he discusses 'brand personality' and 'brand - customer relationships' as essential elements in a 'brand identity system'. Keller's (1998) focus on 'brand equity', understates the role of a brand's 'persona' in building 'brand loyalty'. The point we are leading to here is that people relate to brands in exactly the same way that they relate to people. Whether we care to accept it or not, in people's minds "a brand is a person" just as surely as a "person is a brand". Our argument in this discussion is then that we need to assume as the primary starting point in all our brand management endeavours that "a brand is a person". It is an extremely fruitful and helpful analogy. People have names; so do brands. People belong to families, so do brands. People project a certain style and image; have unique personalities; have physical characteristics that distinguish them; so do brands. You can tell a person by their friends and associates; so too with brands. People experience a life cycle; so do brands. Our perception of a person is determined by our interaction with them. Their attitude and behaviour towards us often determines ours to them. So it is with brands. Our relationships with people are built on honesty, trustworthiness, reliability and predicability. So it is with brands. A person's signature on a cheque is their promise to honour an agreement, a contract. A brand logo represents this same promise. A person can behave in a manner that marks them as a good citizen. So too with brands. The essence of a person's character is displayed by the values they choose to cherish or ignore. These values guide and determine their behaviour. So it is with a brand. A brand is intangible and is not physically constrained by time and place. There is a mystical pervasiveness about a brand that transcends these human limitations. I have never met Helen Clarke (New Zealand Prime Minister) but I relate to her as I do to any other brand; through media sound bites, carefully manufactured press releases and images created by highly paid spin doctors. A politician is the quintessential brand. People are born. Brands are created. Problems arise when Brand Managers don't know or lose the plot. When brands change their persona, relationships change. Uncertainty enters the relationship and consumers and stakeholders back off, waiting for reassurance; that they're dealing with that same 'person' they're grown to trust. Fairly basic stuff really. But marketing is not rocket science it is applied common sense. So what can we apply from the 'brand as person' metaphor? Essentially that relationships are everything! Positive relationships are based on such universally time-honoured values as honesty, integrity, reliability and trustworthiness. If a brand can add to these fundamental values the personal characteristics of innovation, style, wit and charm, Brand Managers have given themselves a head start over the competition. Of course at the heart of a good relationship lies good communication. That's where we (the marketing communications fraternity) come in. Communications that enhance the brand; consistently commu-

nicating brand values and messages to all stakeholders. (Not just customers but staff, shareholders, suppliers, government; the wider community). Integrated communications that build positive messages wherever the brand interfaces with people. Creativity and technology are servants of this function. Brand loyalty and brand equity are simply measures of how well we are doing.

Brands on the Move

A couple of thousand years ago, a huge manufacturer had exclusive ownership of the world's largest luxury apparel brand. It was quite unique and its identity was not a logo or a single design but the fabric itself, because nobody else could make it. The fabric was silk and it belonged solely to China. Then, in the year 552 AD, the Byzantine emperor Justinian I arranged for Christian missionaries to smuggle silkworms out of China. Very soon afterwards, Chinese silk products (which had commanded a premium price and been worth transporting thousands of miles) had to compete with locally-produced 'knock-offs'.

That probably sounds eerily familiar and – given China's current status as the undisputed counterfeiting capital of the world – rather ironic too but it just goes to show that the theft of intellectual property (IP) is nothing new and has been perpetrated on a global scale for thousands of years. These days, though, the circumstances just happen to be reversed with western brand owners usually the victims of IP thieves in 'developing' economies.

The growth in outsourcing has made life much easier for the IP thieves, as companies hand out proprietary secrets to their supply chains like candy, and then wonder why other people are rapidly gaining weight.

Why outsource then?

It is an unfortunate fact that some of the most attractive countries to outsource production to are also some of the riskiest. So, given the problems, why has outsourcing still become so popular in recent years? The answer is simple – outsourcing offers a range of extremely persuasive benefits:

Growth – local production opens up new markets to established brands by reducing distribution costs and synchronising material and labour costs with the market concerned.

Cost reduction – lower material and labour costs also offer the potential for improved product quality and profit margins in domestic markets.

Added value – outsourcing gives access to technology and expertise that can add significant value to the brand.

Flexibility – brand owners are increasingly faced with shorter life cycles for each product range. To keep pace with consumer demand and sophistication, they need to be seen to be fresh and dynamic. Outsourcing manufacturing offers the flexibility and speed of response to cope with the need to adapt and replace product designs continuously. Doing so in house would often involve impossibly high overheads.

Focus – companies in many sectors are increasingly using outsourcing to enable them to concentrate on their core competencies. For example, the key activities for pharmaceutical

and biotechnology companies are the discovery, development and marketing of products. If they were to carry out all the manufacturing for these in-house, their whole operation would become skewed towards this high-asset/overhead/resource activity and away from those competencies that they actually exist to pursue. Other key factors for pharmaceuticals are the ever-increasing regulatory burden on manufacturers and the sheer scale of operation required, when only 5,000 compounds that are researched actually make it to market.

Assessing the risks

Essentially, outsourcing is a combination of trust and risk assessment (though not necessarily in that order) – another company and its employees have your branded goods and your confidential, proprietary information. You are trusting them to act in your best interests. How confident can you be that your trust will not be abused and what will be the consequences if problems do occur?

One level of risk is simple property theft – either of finished articles or by substituting valuable components with cheap copies. However, alongside these threats are the even more costly problems of IP infringement. There are three main types and they most often arise from a lack of control over supply and distribution chains:

Counterfeiting – privileged information is passed on to counterfeit manufacturers by trusted suppliers or overruns are produced from legitimate contracts. As a result faked products are on the streets as soon as (or even before) the brand owner launches the genuine ones.

Unfortunately, China is by no means the only source of fake goods but nowhere on Earth offers a better example of how serious the problem can be. A huge population, with low incomes but an insatiable demand for western brands has created a vast marketplace for cheap counterfeits across every conceivable sector. This covers the complete spectrum, from FMCG brands such as Coca-Cola or Head & Shoulders shampoo to luxury goods or specialist components. Fake video and computer software are particularly prevalent and the latest US releases hit the Chinese street markets in days, selling for the equivalent of as little as US\$1 a piece. Faced with what it estimates to be a US\$16 billion (annually) industry, the Chinese government seems to stand little realistic chance of doing more than scratch the surface.

However, as China moves into the mainstream of international trade, brand owners are not just counting the cost of the potential sales lost in this rapidly developing market but are seeing floods of counterfeit products being exported into their established ones – losses that run into tens of billions of dollars each year.

The problem seems to be two-fold – a lack of effective enforcement of Chinese anti-counterfeiting law and the complexities facing foreign companies that wish to defend their brands. Chinese legal restrictions prevent direct involvement by foreign legal firms in litigation against those infringing on IP rights and even registering copyright and trademarks has to be done at arms length through local legal firms and various government agencies. This can be a time-consuming and frustrating process.

Copycatting – here, there is a fine line between the legal situation and infringement. The perpetrators seek to exploit the brand owner's investment in design, development, production and marketing without actually counterfeiting the product. Although less blatantly criminal, these sound alike and look alike products can seriously undermine market share and brand image. High profile examples, which involved the brand owners in lengthy legal wrangles, include :

Sainsbury's Classic Cola resembling Coca-Cola (1994)

Tesco's cereals resembling Kellogg's (1996)

Asda's Puffin resembling the well-known Penguin biscuit (1997)

And

Copycat Bellini deodorant resembling Unilever's Lynx

Diversion – otherwise known as parallel trading or grey marketing, this form of brand infringement can leave carefully laid selective distribution strategies in tatters. Official stockists are undermined by branded goods sourced from lower-priced markets and brought into countries for which they were not intended. Instead of a managed level of exposure and availability, the tailored retail element of the 'brand experience' is removed and its added value lost. Diversion is a truly global problem with the value of grey market products sold throughout the world topping a billion dollars annually (according to Matthew B Myers, Nov 1999, 'Business Horizons: Strategies for combating Gray Market Activity').

Whilst these forms of 'leakage' may only affect a small percentage of goods and suppliers in the chain, they can have a significant effect on profits and reputation. The financial impact of diversion is not always readily appreciated as, rather than having an immediate effect on the bottom line, it damages long-term brand value. In the most extreme cases, a lack of control and security in the supply chain has led to quality problems, which have placed end users at risk and even caused fatalities.

Taking Back Control

The annual Interbrand survey calculates that for some organisations, the value of their brand accounts for 60% of the company's total worth but, in general, companies spend about 15% of turnover on building a brand but only about 1% on brand protection.

There are ways and means for brand owners to defend their brands against such forms of infringement before the integrity of the brand begins to suffer. The most effective brand protection solutions typically encompass anti-counterfeit and anti-tamper technologies with supply chain security backed up by investigation and legal support. The technologies available include solutions which can be tailored to different needs and different production processes: whether it is via the use of holograms on the packaging; watermarks; remote frequency identification devices (RFID); covert taggants; tear tapes and security labels; or computerised track and trace systems.

The advantages of implementing such solutions are:

the ability to detect genuine product from fake goods maintenance of customer confidence in the brand that shareholders

are assured of the management control process that brand and company image is heightened minimization of revenue lost to external threats that it secures the supply chain lower insurance premiums.

Track and Trace Systems Track and trace systems are now being used to address problems such as counterfeiting. An ideal system is one that combines electronic tagging of products with a secure database, through which brand owners can locate their products across the globe without leaving their office. Such a system should operate at item level, giving the option of being able to scan a single item, crated up, palletized and still inside the container. If any of the items should not be there, the system immediately sets off an alert.

Each item within the client's supply chain is tagged (covertly or overtly) with a unique identifier. This "licence plate" data identifier may be carried on any machine readable tag, such as a barcode, via microchip technology into a RFID. Once tagged, each item can be scanned and checked at various points in the supply chain and in the field.

Items not bearing the authorised 'tag' are then obviously counterfeit. And with advances in technology working on the side of good this time, companies are using ever more sophisticated methods of tagging items in ways it is impossible to fake. For example, thermochromic inks and Thermotext® windowed thread which change colour when rubbed with the finger, fluorescent print which displays a machine readable mark when viewed under ultra-violet light, or fluorescent fibres scattered throughout packaging paper, which glow a variety of colours when viewed under ultra-violet light.

In today's global marketplace, outsourcing can be the key to continued development and growth for many companies. Ensuring that your outsourcing strategy has the right levels of protection and security built in to it should enable you to control the risks and seize the opportunities on offer.

Brand Naming into the Next Millennium: Ten Predicted Trends Predicting language trends is a pretty daunting task when you take into account all of the different things that affect the way we communicate. Language in many ways is a living, breathing organism. It is constantly evolving. Think of the slang you used in high school, or college. Chances are few of those words still features prominently in your expressive vocabulary. Language is not only influenced by lifestage, it's also influenced by culture, and particularly by technology. Every day new advances in technology require new words to talk about things that we previously never even imagined could exist. Advances in science also have led to a whole new vocabulary of words and word combinations that we never imagined would be relevant. The concept of cloning has been around for a while, mostly in the guise of science fiction books. However, who would have imagined that recent advancements in genetics would have led us so quickly to a very real and ever-growing field of Biocommerce? At the same time another very real phenomenon has been going on that has effected the commercial, i.e. the brand naming, side of language. With the explosion of new products and services over the last five to ten years the availability of current existing English language words has been used up. Almost every real word in the English language has

already been literally trademarked. Looking ahead to what might be next is not merely an entertaining exercise in "what if," it has become a necessity for those seriously involved in the field of brand name development. Now at the dawn of a new millennium we turn our minds to the future of naming and try to imagine what might be in store. **Ten Naming Trends for the Next Millennium Destination Branding** Technological advances will continue to level the playing field and make it increasingly difficult to "win" based on product-based attributes.

Therefore, names will increasingly focus on higher order end benefits. Names will help set the aspirational tonality for brands by both providing guidance to what the brand wishes to become and also leaving the door open to a range of future possibilities.

>>Think Yahoo! versus InfoSeek.

>>Starbucks versus Dunkin' Donuts.

Both Starbucks and Yahoo! have stretched beyond their original product promises. While this clearly can't be attributed to the brand names alone, we believe these types of Destination Brand names help guide the vision of a brand and in turn allow them to stretch. The beauty of emotional-benefit branding is that the names are often more readily available from a trademark standpoint because they break out of the expected category language. We believe more and more brands will use these kind of names as we move forward into a new century to help brands that fill the role of lifestyle destinations vs. mere one-off products.

2. Speed Slows Down and Customization Becomes King

In the 90's we saw a proliferation of names that touted the speed and convenience benefits enabled by advances in technology. Apple introduced QuickTime, and EZPass began to rule the roads. The Internet generation takes speed and convenience for granted. These have become table stakes for almost every category. The more relevant end benefits of this technology are customization and individualization. We think these concepts will feature heavily in product and service naming in the near future. We believe prefixes communicating personalization like "My" and "I" will become widely used (e.g. Itime). The use of characters to put a human face on technology and give the idea of personalized service will also grow. We expect to see resurgence in branding/naming through the use of characters. AskJeeves.com is an example of this and there are sure to be many more to follow. Interbrand helped Sony name its new electronic Robot Dog Aibo. The first two letters of Aibo are coined from "artificial intelligence." Aibo is also a robot with eyes, so you can think of it as "eye-bo(t)." Additionally, Aibo is named after the Japanese word for "pal," because Aibo is a great companion. Characters have always been popular in kids' marketing (think Toucan Sam and Kool-Aid Man), but we predict they will become more and more prevalent in adult-targeted products. The notion of customization will also become increasingly relevant in the pharmaceutical industry as advances in DNA mapping lead to a proliferation of customized and JIT (Just in Time) drug treatments. This concept will be reflected in the names.

3. e-Nough Already We predict that the explosion of e-prefixed businesses and advertising campaign slogans will begin to slow

down as the market becomes oversaturated. In the short-term, we might see the expansion of alternate letters such as “x,y and z” to connote the next generation of web-enabled products. For example, z-trade as a contender to today’s e-trade. Longer term, however, conducting business on the Internet will become such a commonplace occurrence that we might just need an abbreviation to indicate those increasingly rare businesses that insist on remaining unwired. Let’s imagine that in the next 50 years a few purists refuse to convert to downloadable e-books and actually insist on reading real, printed books. We might need to begin to refer to these books as r-books for “real” or p-books for “printed.” We might also begin to reference the 20th century as a way to refer to pre-wired world (e.g. 20C books).

4. Vive la DifferenceThe U.S. population is increasingly becoming younger and non-white. Black ghetto culture has already permeated the suburbs with white suburban boys in Connecticut listening to rap music and wearing such hip-hop clothing labels such as Wu Wear and FuBu. This past year, we witnessed a Latin explosion with such stars as Ricky Martin and Jennifer Lopez gaining mainstream followings. We believe this trend will continue and those “ethnic” expressions will go more and more mainstream. We also think we will see increased combinations of AfroLatino words such as “SalsaRap” as the two cultures increase their demographic domination of the US, particularly in the inner cities. Language from other smaller ethnic populations, such as American Indians and Asian-Americans, also will seep into the general vernacular as the population make-up shifts. Ask many fifth graders the origins of sushi and they’ll probably tell you it is American. They can also probably rattle off the names of many of their favorite rolls without any real conscious thought given to the fact that these names are Japanese. Remember when “taco” and “quesadilla” sounded so exotic?

5. New CombinationsWith the economy shifting and technology leading us into areas never before imagined, we will increasingly be creating new words through combinations that once sounded like oxymorons. Think BioCommerce. Additionally, there will be a need for a whole new vocabulary to talk about new concepts. This will be in every area including economics, politics, and even family structures as more complex extended families (created through increasing rates of divorce and multiple remarriage) replace traditional models. Some examples: Atmosfear, Egonomics, Globalopolies, StepFather once removed. Brands also will increasingly co-opt these new structures to stay current with the language people relate to.

6. Hooked on PhoneticsMore and more companies are using phonetics to guide the way they craft new trademarks. Some of this is undoubtedly driven by the difficulty in finding available real word marks, and a desire to be clever and breakthrough the clutter. For example, the new “Beenz” web currency. But we have a sneaking suspicion that a lot of it may be a result of the overall “dumbing down of America.” We get a number of clients that approach us about changing their website names because consumers are having trouble spelling them. The words in question would seem to be pretty straight forward. We predict these two forces will continue to collide and the trend

towards phonetic spelling will persist well into the next century. It will be interesting to see the impact (if any) on the spelling abilities of the generation of kids coming of age in 2010-2020. Maybe they’ll be asking mom to put hot dogs and “beenz” on her shopping list.

7. Guiding LightAnother tangible benefit of technological advancements, and computer chips in particular, is the ability of many objects to now be made “smart.” Pervasive computing will create cars and houses where all systems are inter-connected. Temperatures will be adjusted automatically in reaction to outside elements and time of day. Air pressure readings on tires will be fed directly into a command central station and a message on your dashboard will tell you precisely how many more miles to the gallon you could be getting with a slight increase in pressure. While the word “smart” will surely be used in some of these brand names, we predict an increased use of imagery referring to those people and places that are associated with guidance. Celestial, mythological and even explorer names will be used to label these products. While the obvious ones are already taken (e.g. Polaris and Magellan) we think new ones will either be dusted off from the historical archives or, in some cases, newly fabricated to feel old.

8. Turn of a phraseTo combat the problem of trademark availability we will have to get more creative. Want to name your company ThinkTank but it’s taken? Try TankThink. Same message communication and higher chance of availability. Given the difficulty of finding single available words, we also predict an increase in the use of phrases in product naming. Remember the 70s shampoo that was named “Gee your hair smells terrific”? Get ready for more of those.

9. Nostalgia NamingTechnological backlash will lead to a desire for brands and names that evoke old fashioned family values and hearken back to simpler times (e.g. Front Porch Lemonade). There will be increased use of more tactile, languid words (e.g. Gelatto) particularly for luxury goods. This will come as a revolt to the overuse in the 90s of abbreviations to connote everything (e.g. Digital TV =DTV).

10. Ancient RevivalsSimilarly, people increasingly will look backward, searching for their roots and something lasting and tangible to be a part of. Already we have seen a resurgence of interest in organized religion as people search for mechanisms to cope in a chaotic and often seemingly immoral modern world. We predict there will be resurgence in “classic” languages such as Latin and Hebrew, and even Yiddish. These will again be part of school curriculums and their influence will trickle down to product naming.

Is Your Brand Everlasting?

It’s the best times and worst times for brands. Malboro is preferred in Russia and Colgate is gaining popularity in India. Students are packing starbucks in Beijing. The dream car in Singapore is Mercedes-Benz, no win its 100th year. Meanwhile icons Poloroid and Chiquita are in bankruptcy, while such stellar automobiles as Oldsmobile, Camaro and Firebird have been retired. Why do some brands stay strong and prosper while others wither and die?

It's easy to blame a sagging economy nowadays, but a closer look uncovers more fundamental reasons. Marketing executives and academics blame brand stewards for losing touch with consumers and the culture. Sometimes the problem is the category itself. Technology is simply scuttling some brands by making their category passé.

"A brand has to stand for something to be a great brand," says author Al Ries. "A brand is locked into an idea in the mind. If that idea becomes obsolete, the brand becomes obsolete. Polaroid is instant photography, Xerox is copiers and Kodak is film photography. These companies are seeing their categories decline in importance. It's what the brand stands for that is dying," says Ries, who wrote the acclaimed books "Positioning: The Battle for Your Mind," and "22 Immutable Laws of Branding."

Consultant Bruce Tait says some brands falter due to "a lack of relevance." Polaroid is going away because its technology is no longer relevant. Another brand in trouble is Cadillac. "That category of luxury car – luxury for luxury's sake without performance built in – is not relevant to those under 60 who are buying luxury cars," says Tait, managing partner of the brand consulting division of Fallon Worldwide, an ad agency.

"Brands can lose touch with the customer and where it exists in the popular culture, which is shifting more rapidly than in the past," says Peter Post, CEO of Cossette Post, a part of Canada's largest marketing company, Cossette Communications Group. "Fashions change more quickly, and we're on a faster track. Brands that don't keep up can get lost quickly. They first become irrelevant, then invisible, and then they're gone."

He singles out Mademoiselle as a magazine that lost touch with its readers and folded. Despite its long and rich history, Mademoiselle was "a little late on feminism and working wives. They just got out of sync culturally."

A lack of differentiation is another factor that diminishes brands over time, according to Tait. That's what happened to Oldsmobile, at one time a top-selling car in America.

"What is an Oldsmobile versus a Buick or a Chevrolet? The distinctions are so minute in terms of the product differences. You get a slightly different fender and a different name, but those cars all look the same. Over time, Oldsmobile got squeezed out," he says.

Bill Lawrence, a marketing instructor at New York University, agrees. Each of those General Motors brands lost their clear identity, he says, and even began competing with each other on price. "That's very bad brand management."

Indeed, brand managers play a key role. They have to do more than make day-to-day decisions about the marketing and management of the brand. They must be attuned to changes in technology, fashion and culture. Otherwise, they come down with "brand myopia," says Rick Jacobs, principal at Monigle Associates. That's when managers focus so much on the brand that they don't see subtle changes around them or what's coming over the horizon.

"No one was in a better position than Polaroid to capitalize on digital photography," says Post, the advertising executive. "What's a bigger benefit than its instantaneous nature? Polaroid

could have been a major force in digital photography today if somebody had looked out into the culture and tried to figure out where the brand would fit in. They just never went there."

Where did Polaroid go? They were busy trying to launch 35mm color print film under the Polaroid brand, but made by Fuji, says NYU's Lawrence, a former marketing executive at Fuji Film.

"A lot of these older brands start to lose any kind of creativity in their strategic thinking. The whole idea should be to insert originality into the strategic process, and push to be relevant and differentiated. There's too much belief in marketing as a scientific process. People have too few ideas. That leads to sameness in strategy and that's why brands die," says Tait.

David Oreck is blunt on this subject, and his opinion has been formed by years of watching companies make mistakes. The 78-year-old founder and chairman of the 40-year-old Oreck vacuum cleaner company – famous for its lightweight machines – blames top management for replacing the entrepreneurial visionary with a business manager.

"Business managers are not prone to take risks. Wall Street people don't want risks; they want this quarter's results. But the visionary has a higher respect for the brand. We have to find a way not to stifle the creative person. There's still more poetry than science in business," says Oreck, who has been giving lectures at business schools on "Who's Killing America's Prized Brand Names?"

Arun Jain, a marketing professor at the University of Buffalo in New York, berates management for "treating brands as a cash cow. In their efforts to generate higher margins, brand managers refuse to invest in R&D, reduce advertising budgets, and fail to provide both customers and distributors a reason to continue to buy and support the brand."

To prevent such a fate, Jain and other experts recommend investing in the brand and keeping it updated and energized. There are plenty of examples of doing it right. Nike has kept in touch with its customers and expanded its brand from sneakers to related categories of athletic clothing and equipment. Companies such as Sony and Campbell's Soup invest constantly in product innovation. Even the image of Betty Crocker on food packages has been updated over the decades so that she always looks contemporary.

But it's obviously difficult to energize a brand if its category is dying. What to do?

"Part of the problem is that some big brands attach themselves to one category. When the category goes away, they go away with it," says Tait, the consultant. "If the brand is strong and elastic enough, it can expand into a new category. Do you define yourself as being in the stage coach business or in the transportation business?" he asks.

Ries, the author, thinks differently. Instead of extending the life span of a fading brand by entering a new category, he tells companies to create a new brand instead. And let the old brand go.

Brands Tomorrow

Brands are relationships, but like many human relationships, they tend not to be enduring. I've looked at the conditions

under which some of these brands endure and the ones where they do not. In a study I did of about 100 product categories, none of the leaders in clothing maintained leadership over a long period of time, although many in food and beverage did.

Why Do You Care About Leadership in The Long Term? Why Not Invent New Brands all The Time?

I care about leadership because companies care about leadership, and consumers pay attention to it as well. Marketing textbooks claim that most brand leaders tend to maintain leadership. That's wrong. Actually, most brand leaders tend to fail over time. To be a long-term brand leader, you have to transfer leadership across generations, and clothing is one of those categories in which I think it's particularly hard to make that transfer, because clothing is a self-expressive category. It's particularly hard for children to pick up those brands from their parents. The opposite is true of a lot of food categories, particularly those that people start to use when they're

Let's talk about brands that have been "voted out of office." How do you revive a fading brand? Can you identify a troubled brand and talk about what might be done to revive it?

Well, here's a good example of a brand that bounced back. When Christian Dior started, their clothes were revolutionary. Women who wore Christian Dior in the 1940s were attacked on the streets, as though they were doing something indecent. But Dior was a way of expressing their identities. Then, 20 years later, Dior had become the most classical, conservative company. Their new designers had lost touch with the brand's original spirit. Dior was a dying brand, with a past but no future. So management brought in a new designer, the craziest fashion designer in the world. The existing customers said, "Oh my God, this is a revolution." Of course, Dior was about revolution.

The key issue is always the issue of relevance for a new generation. American Express is fading. Ford is struggling. General Motors is struggling with its various brands. But I don't think that going back to their roots—understanding the essence of Ford, understanding the essence of American Express—will help revive them. I don't think it works. Motorola is nothing like it was in the '40s and '50s. Gucci, one of my favorite brands, was something entirely different 20 years ago. Returning to the past isn't always the answer.

If Returning To The Roots of The Brand Won't Help, What Will?

You need to consider the consumer and the life they want to live. Nancy mentioned Starbucks. They understand what people want nowadays—and it's not about the quality of the coffee. It's about the experience being provided in the store. But now let's consider Starbucks in 10 or 20 years. What would Starbucks be like? You can talk about the Starbucks identity, the Starbucks essence, or whatever, and guess what? I don't think it would help you a bit in 10 years. What will help is an understanding of what lives customers want to live in 10 years. In the automotive industry, I think the image component will become a lot more important as time goes by.

America—the country. It has such a great story, so much meaning: hope, equality, freedom. And I think that the

emotional American brand has helped U.S. corporations like Levi's and Coca-Cola sell worldwide. In terms of the corporate identity, the design of the United States flag is full of meanings. People always say, "It's a free country," and when I talk to clients I ask them to say, "If my brand were a country, it would be a 'blank' country." You look for the word that qualifies the character of the brand.

Madonna is a great brand. I just saw her concert in Berlin, and I think she's constantly redefining entertainment and herself as a brand, which is essential. I'd say Gucci is a great brand for clothing.

A book by Alberto Alessi, the Italian designer and manufacturer of household accessories. Alessi has a fantastic brand. He says that the biggest branding trend is the concept of interactivity, and the increasingly toylike nature of products. Alessi feels that people want to interact with products in a very sensory way, and he's created a whole line of things that reflect that impulse. New brands will exploit that human touch. That's the reason design has become so important in product development and branding; consumers want to feel that there is a human hand behind the product they buy.

The trend I see is in storytelling. I think a barometer of an emerging brand's success will be its ability to tell stories that resonate with consumers. J. Peterman tried this with limited success. But what he was trying to do may have been ahead of its time in terms of emphasizing the history and authenticity of a product as a way of interweaving it with consumers' memories and self-perceptions. A New York jewelry designer called Throckmorton is doing this now to great effect. Telling stories, imparting a feeling of authenticity, and offering interaction with products and a particular kind of experience—those things are going to be important for brands in the future.

Whether companies like it or not, a lot more of the story will include their business practices—the Coke truck that blocks a driveway or Philip Morris's liability or Nike's labor practices. Those kinds of stories will become de facto parts of the brands. Because of connectivity and technology, word will get out faster and faster. It's not just the media picking it up, either. It's the consumers. Consumers are going to vote not just on function and image benefits but also on their own sense of whether companies make a positive difference in the kinds of practices they engage in. We're not yet seeing a lot about this in the business press, but we will.

That's right: It's going to be about how credible your story is. And I think we're going to see more and more corporations reflecting the values of their markets, connecting with the ethics of their consumers. For example, a few months ago, a lot of corporations started laying people off. Imagine if one of those companies had earmarked \$100 million for an advertising campaign but instead spent that money to keep a few hundred people employed. Think about how much goodwill that story could generate.

Recently, we've seen a wave of so-called experiential marketing—NikeTown, a Volkswagen theme park. What's next?

We'll see some outrageous brand extensions, outrageous in the sense of being very interesting conceptually. I think one

experiential branding trend is that many companies will believe, rightly or wrongly, that they can stretch their brand much further than they have previously. How far will the whole concept of experience go? As we speak, McDonald's is opening the Golden Arch hotels in Switzerland. McDonald's knows they're a major brand and has now tried to transfer that staunch equity to a new category. That was a rule of the early '90s, and it's a tactic in all the branding textbooks. But it may not work because you've got to have the right experience behind it. I always liked Ralph Lauren Paint, which on its face looks as outrageous as McDonald's hotels, but it isn't, because the association that we have with Ralph Lauren is more casual. But I can't imagine, say, Chanel paint.

What are the new trends in emotional or experiential brands?

Are you saying that large companies will try to mimic that intimacy?

That's exactly what's happening. I love my little boutique hotel in London, but there's a hotel company coming along, a big, big, big one from New York—and they're creating a branded hotel out of that little place. So you can love all these things until a clever marketer comes along and says, "Oh, maybe other people will love that, too," and then creates a mass-market brand out of it. Then you might not like it anymore, right? We seem to be at the point where we could say everything can be branded. People are brands. Countries are brands, as Marc pointed out. We've even branded water—an amazing arena right now. So everything's a brand. But at some point, people will get sick of it. Yes, everything will be a brand, but that does not mean that people will always care about brands.

Another trend I see in experiential branding: marketing toward the employees of a given corporation. There is this notion of "living the brand," of truly organizing around the brand, by creating the right experiences for your own employees.

So a few years from now branding will be directed toward employees as much as consumers? A kind of internal branding?

Right. Business strategy and branding won't be two distinct things riding on parallel tracks anymore. They'll be intertwined. Branding will be fully integrated into business operations.

Organizations decided to turn their employees and customers into billboards, into disciples. Word of mouth has taken new forms, with chat rooms on the Internet, for example. In the future, mobile communications will be even more important. It seems like every teenager in Japan has NTT [a mobile communications technology]. They're connected with all the other teenagers, so if they're walking around a shopping district and there's a new offer in one of the stores, they can immediately send word to their friends. It will be very, very important that companies get plugged into those sorts of networks, into those sorts of tribal systems. It's not happening as much here because the U.S. is way behind with mobile communications. But in a few years, word of mouth will be much more important than the Internet.

Brands are very important strategic assets for companies. For some, they're the bulk of their strategy. They're not just owned by marketing. They're not just owned by the promotion.

They're part of human resource management. Think about Southwest Airlines: A huge part of why they're maybe the only powerful brand in the U.S. airline industry is the way they hire people. Each person is part of the Southwest Airlines brand. Great brands need to touch each aspect of what we used to call the strategy wheel.

Seven Steps To Building Brands Here is the 'Seven Steps to Brand-Led Marketing' that we promised you.

Step 1: Become truly 'Marketing Minded' When many people think of marketing they think of meeting customers needs. Understanding and responding to changing customer needs is essential, but there is another dimension. Brand-led marketing ensures that you meet customer needs in a way that is different from your competitors. If you can't find this point of difference you're in danger of becoming a price-based commodity. Ask yourself: Do my customers really see me as different from my closest competitors? How/Why? What can I do to make my business more distinctive and appealing to help secure them as long-term and profitable customers?

Step 2: Monitor the Changing Environment We live in a rapidly changing world of many threats and opportunities. Few business managers take adequate time out to stop, look around, and reflect on how these changes might have an impact. As a result, most companies die young. Ask yourself, at least once a quarter: What are the changing consumer trends, competitor activity, legislation, economic trends or technology developments that might have an impact on my business?

Step 3: Have a Meaningful Vision for your Business and your Brand A business Vision (or Mission) has a number of roles: most important of which are to inspire and guide. Too many business Visions include words like 'leader', 'best', 'preeminent', 'most successful'. Words like this can mean many different things to different people. Because of that they are of limited help in inspiring or guiding the behaviour of the business team. Brand Visions have just the same function. Make sure that you have a written Vision for your brand that is strong enough to inspire and guide behavior. Ask yourself: Do I have a brand Vision that everyone understands and has bought into? How might I improve my brand Vision, so it is a stronger inspiration and guide?

Step 4: Build Your Brand 'From the Inside Out' Building a brand is not just about advertising or 'marketing communications'. Nor is it just about your 'product' or 'service'. Your brand is really what your customers think of you, and how much trust they have in you. To build a strong brand you have to have a clear idea of how you want to be thought of, and then consider everything that you say and do. In everything that you say and do, ask yourself: Will this get me closer to where I want to be in the mind of my customers?

Step 5: Plan for Success There is a phrase: "If you don't know where you want to go, any road will get you there". This is true in life, and it is true in business. If you want to succeed you have to have clear, measurable objectives - you have to know where you want to get to! Ask yourself: Do I have a brand plan with clear, measurable objectives? (And am I measuring the things that are really important!).

Step 6: Become a 'Learning Business'Continuously improving your brand-led effectiveness is essential to long-term success. The best way to achieve this is to ensure that you take a little time to become a 'Learning Business' by building learning into your processes.For every marketing initiative you undertake, ask yourself:How can I build learning into this, so that I can find out what works and what doesn't, and do it better next time?

Step 7: Be Prepared to ChangeWhat worked in the past may not work in the future. If you can achieve steps 1 - 6 that's great, but you have to go one step further. You have to be prepared to change. Don't just do the same things better, look around for new ways of pursuing your vision and your desired brand. Explore, experiment and anticipate.Ask yourself:Is there an opportunity to break out, and achieve a step-change from where I am now?

Summary

This lesson takes a closer look at Brands. It explores the concept of building a strong brand, brands on the move, brand as metaphor, brand naming into the next generation, brands tomorrow, why brands die and seven steps to building brands.

Assignments

1. Make a study of one successful brand, pointing out what steps have been incorporated. Has this been helpful for the brand image?
2. Write a report on one brand that had died, analyzing the reasons on why it died. What corrective actions do you think it could have taken to avoid death?

LESSON 34: POWER OF NEW IDEAS

This section gives you an insight into market place and how you can fit yourself into this ever growing world of advertising. Lesson 35 is a continuation of this line of thought.

Power of New Ideas.

"Fortune Favors The Bold."

The Roman poet Virgil made this observation about 30 BC . It's still true. The focus of this lesson is the power of new ideas, which reshape our world.

Brian and Jennifer Maxwell teamed up to create and market PowerBar. They're new product marketers.

Eliot Kang has a new agency, Kang & Lee - one of a new breed of Asian-American agencies arising to serve this important and expanding segment of the American marketplace.

We'll look at the media career of Bob Pittman.

He helped introduce a cable channel you may have heard of MTV. Today, he helps manage one of the premiere online brands - AOL. It's all part of the exciting new medium that's changing everything - the Internet.

And, since we all want to know what's cool, we'll meet someone who makes her living tracking it down - DeeDee Gordon, the "cool hunter."

How This Lesson is Organized.

Here are some of the topics we'll discuss:

The Challenge of Change

We'll begin with a discussion of change itself.

We'll introduce you to the Four C's - an IMC paradigm that gives you a new way to look at the Five P's.

We'll look at new products and how marketers bring them to market - like PowerBar. And we'll see how an established marketer like Campbell's works to keep their brands fresh.

New Agencies for a New World.

We'll take a look at Eliot Kang's Kang & Lee. Agencies are quick to respond to a changing marketplace, and this exciting new agency is an excellent example.

The Internet.

From the beginning, we've seen how new media forms changed advertising - this new media form is no exception.

All by itself, the Internet is creating new marketers, new kinds of agencies, and more new media combinations, like MSNBC, WebTV, Yahoo! Go, Excite, and AOL,

We'll discuss this new medium and introduce you to a media revolutionary - AOL's Bob Pittman.

Innovation in Marketing Services,

Finally, we'll look at how the need for innovation is driving a growing range of additional opportunities in the marketplace.

You'll meet a traditional marketing consultant - someone who has been in the innovation business since she was a P&G trainee. And you'll meet DeeDee Gordon, "cool-hunter." She took a knack for spotting trendsetters and turned it into a business. She tracks down trends for some of America's top marketers, (They actually want to know what you think.)

They're even writing a movie based on what she does. Cool. These consultants also play a role in this fast -changing world.

The Challenge of Change

THE CONCEPT OF "TRADE" has been around as long as there have been two people - each with something the other wants. Each person negotiated the value of their product in a trade for the other's product.

Mass Marketing - One Size Fits All.

The Industrial Revolution changed everything as mass manufacturers shipped their products widely to those who sold them.

During this build-up, the manufacturers who developed these products controlled the marketplace - because few people mass-manufactured razor blades or condensed soup.

During times of economic expansion, early manufacturers simply had to place ads that trumpeted the benefits of their unique brands and keep up with growing demand.

Except for wars and economic depression, this wealth-building formula continued for 100 years.

Tangible products with tangible features and benefits - such as "an amazing new way to make toast" - were the primary formula for success.

Then, in the late 1980s, an "indigo beep was heard round the world." International stock market information changed the ownership of agencies. And information changed your desktop. Information changed everything.

The Power of Information.

With that beep, computer information began changing the marketplace. Computer-based information was no longer confined to big mainframes. It was everywhere.

It was on your desktop and at the checkout counter. Something as simple as the UPC code dramatically affected the relationship between retailers and manufacturers.

Now retailers have up-to-the-minute information on the value of their shelves, what's hot and what's not. Those organizations who have been better and more innovative at using that information have developed big advantages.

For example, Wal-Mart has changed the marketplace in ways that include how "small-town America does business," the way P&G operates, and, now, German retailing.

That's power that reaches around the world.

The Power of the Individual

While we may sometimes feel overwhelmed, the result has actually been very empowering for all of us as individuals. It has given us access to the power of information.

That information combined with innovation in the marketplace has given us more power to get what we want.

As we exercise that power, the mass market is fragmenting into more options for more individuals. .

And that is changing marketing. Again.

The End of the Five P's?

Professor Robert Lauterborn of the University of North Carolina has even suggested brand managers, professors, and students bury the concept of the "Five P's (Product, Price, Place, Promotion, and People) which has been taught for several generations.

He suggests we replace them with the "Four Cs" to reflect the changes in the marketplace. Lets look at what he's talking about.

The New Four C's Are...

Consumer, Cost, Convenience, Communication.

Let's go through them one by one.

Consumer.

"Consumer" replaces "Product." Today's marketplace is driven by the consumer, not the manufacturer or the retailer.

The consumer has market control because there are as many product brands and retailer brands as there are consumer wants.

As we've discussed, an outside-in consumer-focused perspective is necessary to build products the way consumers want.

Dell and Gateway now tailor-make each computer they sell to meet the needs of individual customers. (Henry Ford once said, "You can have a Model T in any color you want as long as it's black.")

How far can this go? The interactive media and an independent product delivery system have put the control of the marketplace directly into the hands of the consumer. Even mass marketers are looking for ways to respond as they work to look at the world from the consumer's point of view:

Cost.

'Cost' replaces "Price." Part of the choice consumers make is the total they want to spend for the product or service.

Today, customers have a lot of options and strategies. They can shop with coupons or other sales promotions to lessen the final price of the product. They have alternatives - including not buying anything. It's not just about money, either.

For example, some of customers' choices are:

- Time they will spend shopping
- Distance they will travel
- Cash cost for the product
- Sales tax, extended warranty cost, special services
- Finance costs

All of these options can reduce or increase the final cost of the product. Often, the consumer even has the power to affect the cost by a choice of shipping options.

Convenience

"Convenience" replaces "Place." Today retailers and manufacturers know they must make their products and services easily available to the consumer.

This fact has spawned "drive-through dining, banking, photo developing, medications, product pick-up, and free home delivery."

The number-one reason people select a bank is convenience, which puts emphasis on the customers convenience.

Banks need to provide services like grocery store services, ATM cards, and electronic banking.

Now, even Wall Street is looking at changing its hours, because of the trading being done after hours on the Internet.

A Change in Distribution

A Change in the Marketplace While we tend to be more aware of more tangible things - such as products and services - the real driver of change is often a bit more hidden from view.

The widespread distribution of computers with Internet connections was the change that made new business models - such as managing your own stock trading - possible

Communication.

Finally, "Communication" replaces "Promotion."

Now businesses need to think about all of ways they make customer contacts, not just what their ads look like.

Ads may be the most visible element of the communication plan, but non-planned contacts may have equal or even greater impact on the consumer.

For example, often the lowest-paid employees have the most frequent contacts with customer and prospects.

We expect a CEO to speak well of his company, but we more often trust the employees we meet to be more honest.

What effect does a littered restaurant location or a grumpy employee has on a prospect? This is communication even more powerful than "Do you want fries with that?"

How much advertising does it take to overcome the negative aspects of the total communication effect? More to the point, advertising may not have the power to overcome the negativity

Manufacturers and retailers need to continually assess and evaluate the way they're communicating.

Companies need to make sure their employees are speaking positively about their company. An obvious point, perhaps, but the new marketing executive needs to integrate this into his or her marketing plan, as well as a media schedule.

Tomorrow's Marketing Models.

Will the Four Cs become the marketing model of the future? Or, just as traditional marketers added a fifth P - "People," will some other system develop the consumer perspective even further? One thing is certain - innovation will be part of it.

"The Dilemma of Success."

People constantly search for answers to their life's problems. Many of these answers are available commercially from marketers.

What we're talking about are the normal, everyday-variety problems like, "What should we serve for dinner?", "What's the best type of vacuum sweeper for our house?", "What's wrong with my car?", "Who is the best person to fix my computer?", and "What kind of bugs are those?"

As Anthony McGann already discussed in Chapter Four, successful marketers solve consumer problems. These marketers develop products or services and sell them, hopefully, for a profit.

But, this creates the "dilemma of success."

The dilemma is this - the longer a business is successful and the more successful it is, the more likely it is that factors will emerge that will diminish that success.

This is inevitable for a number of reasons:

- Maintenance Personality
- Competitive Innovators
- Savvy Consumers

Let's examine these factors of "creative destruction."

Maintenance Personality

A marketer begins business as an innovator of a new product or a new product design.

Once the marketer becomes successful his or her concern becomes the "maintenance" of that success.

When this happens people are hired to maintain standards not create new standards.

After all, in order for a business to stay in first place it has to keep doing what made them first. A business can stay so busy keeping its first place today that it forgets to think about what it is going to take to be first place tomorrow:

Innovative Competitors

Get too successful at being Number One and the marketplace creates a Number Two and Number Three. Maybe more. This creates a competitive environment.

As we've discussed, there are many ways to compete.

Starbucks Success Brews up Competition.

Starbucks innovation inspired other retail coffee chains, new distribution strategies, like Gevalia, and new store brands and flankers from large coffee marketers like P&G and K&F. Remember, strategy is about choice. And there are always a number of choices available to a marketer.

Innovative strategic choices and aggressive competitors are a fact of life of the marketplace.

Savvy Consumers.

The marketplace changes us, too. Today's "samurai consumer" is tough and experienced from years of battling the marketplace.

For example, if you grew up in the US, you can't remember a time when you weren't a target for some marketer - starting with your breakfast cereal and your holiday toy list.

You learned. You learned to watch with skepticism, not believe everything you were told, and to pick what you really wanted from the non-stop parade of wonderful things to buy.

You learned. We all did. Today, we all know who these savvy customers are. They're you.

Innovate or Die.

It's a tough world - for companies, for products, for brands, and for all of us as individuals. One way we make it easier is by learning - and innovating. That's the whole point of education, if you think about it - to give you the tools that will help you innovate.

This is at the root of Paul Romer's observations about the power of ideas to build a vital economy.

Some will be big lifetime innovations. Others will be the little day-to-day innovations that make life easier and friendships richer. Even little innovations can lead to pretty big business opportunities.

Innovation to solve "new" life challenges is so desired that successful marketers are in a constant search for innovative answers - though it means a constant battle with the "maintenance personality."

New Products. Evolution & Revolution.

Let's Look At Some Innovative Marketers. A commitment to new ideas can bring new products into the marketplace.

First, we'll meet the team that developed PowerBar.

Then, we'll see how Campbell's, a company with a long history of both innovation and "taking care of business," integrates new ideas into a business that's over a century old.

Then, we'll take a quick look at the tools and opportunities out there for the next generation of marketing innovators.

Some of them may be sitting in class with you - one of them may be sitting in your seat!

Campbell's Tries to Keep Simmering.

"Innovation Is Critical To Our Growth Agenda. We are making our brands more contemporary, more relevant, and more convenient to consumers of all ages...we are thinking inside and outside of the can. Growth will come from being better connected to our customers and consumers than ever before."

That's what it says in Campbell's 1998 Annual Report. Campbell's is a company that works to do it right top to bottom. Business Week ranked the Campbell Board of Directors as the best board in America for 1998 and 1997.

Their innovations are a continuation of this commitment.

The Campbell Soup Company targets average families all over the world, primarily the North American consumer, with an array of the top tasty brands in categories like soups, sauces, beverages, dips, snacks, and confections.

Yet even efficient marketing management and innovative communications and product development are not always enough.

5% to 8%

Campbell's Annual Report says, "Powerful advertising is an essential part of our new marketing strategy."

"In our US soup business, our new "Good for the Body, Good for the Soul" campaign captures perfectly Campbell's nurturing and nourishing qualities. We remain committed to raising

advertising spending as a percentage of sales from approximately 5% in 1998 to at least 8% over the next few years. “

Campbell's marketing and selling expenses increased from 19.6% in 1996 to 22.7% in 1998 (Annual Report, 1998).

But sales did not always respond.

Campbell's New Product Focus.

Developing an effective strategic corporate plan and an accompanying communication plan is like making dinner.

Campbell's keeps innovating in these areas:

- Convenience
- Kids
- Premiums and promotions
- Easy-to-use new products

And, to maintain their existing loyal customer base, they are shifting to promotions with a “mega event.”

Convenience.

Campbell's realized that, in today's market, trying to change the nature of their condensed soup business was “pushing water uphill.”

Their new focus is on more convenient ready-to-serve soups. Kids.

Campbell's sales depend on maintaining consumer brand loyalty, and their future lies with creating loyalty among kids - and their mothers.



Kids products like Spaghettis get continuing attention.



And all their brands get a solid level of promotion.

A Promotional “Mega-Event.”

Twenty-five years ago, Campbell's developed an integrated “mega event” promotion called Labels for Education.

Students' families collect labels to receive free educational and athletic equipment for their school.

This is a powerful combination of cause marketing and a continuity program. Twenty-five years later, it's still going strong.



Fully Integrated Promotions.

Campbell's fully integrated promotions utilize national and international umbrella advertising, prominent on-shelf supermarket displays, coupons, new products, new packaging for established products, and specialty sales promotions like NFL tie-ins.

The promotion above utilizes tie-ins with out-of-home advertising. In fact, a billboard with your face on it is one of the prizes. It's a relatively unique promotion with interesting consumer involvement opportunities. And, of course, it serves as a vehicle to deliver more ordinary values as well - such as coupons.

To stay connected with kids as well as moms, Campbell's has also built partnerships with Nickelodeon and Rugrats.

Cooking up Easy-to-Use New Products.

Campbell's has always been about convenience. It's more important than ever with today's “time-poor” consumers.

Prego - A Growing Brand.

Convenient Italian cooking is a growing category, and Campbell's Prego brand has become a major player.

Home Cookin' - A Brand New Brand.

With the steam going out of condensed soup, Campbell's needed to develop other sub-brands.

A primary focus of new development efforts is Home Cookin', a brand of full-strength (no need to add water) high-quality soups that you just heat and eat.

Recipe for Innovation.

These are some of the ways a company with mature brands like Campbell's works to keep putting something new on the American table. Additional initiatives to make packaging even more convenient are scheduled - even the can is being modified.

As you can see, Campbell's is committed to innovation across the board - even if it means moving past the original concept of condensed soup in a can.

In today's tougher-than-ever marketplace sometimes that's enough.

And, then again, sometimes it isn't.

New Agencies for a New World.

WHEN AGENCIES OFFER MARKETERS new skills and insights, agencies grow

These new skills and insights are the kinds of agency innovations that usually bring success in the marketplace. And nothing attracts clients like success.

Internet Agencies...

One example of innovation in the agency marketplace is the growth of Internet agencies - agencies that specialize in Internet-based advertising and marketing communications.

They offer skills in Web site construction and a whole range of related services. Their computer-based skills are often far superior to those of traditional agencies.

So a firm like Mark Kvamme's CKS can stun the design community by doing a complete re-design for United Airlines in a fraction of the time, and at a fraction of the cost, of traditional design firms.

We'll cover these exciting new agencies in our next section the Internet. But now let's look at a few other exciting changes in the advertising agency business.

Integrated Marketing Communications Agencies.

As Don Schultz noted, smaller business-to-business marketers and agencies have been practicing IMC for years.

The scale of their business, the relatively clear communications options, and value and sophistication of each individual customer provides a marketing environment conducive to IMC practices.

Ninety Miles West of Toronto...

One place with a conducive environment is Waterloo/Kitchener, a vital part of Ontario, Canada, about ninety miles west of Toronto. It's Canada's version of Silicon Valley.

Quarry Integrated Communications, located in Waterloo/Kitchener, has grown to become Canada's leading agricultural agency - with additional expertise in financial and high-tech.

They combine this expertise with cutting-edge capabilities that serve clients like Hewlett-Packard.

Example: Technical Writing

They've leveraged other skill sets as well. Quarry has combined their communications skills and high-tech expertise, to put a technical writing division in place.

In addition to providing a much-needed service for their client base, integrating this service into their clients' communication organizations serves to generate other projects.

An integrated organization that matches up with client needs generates new business. It's a new version of an old formula.

New Agencies for New Markets.

The US is becoming a world country.

Once primarily European, new groups are now becoming major parts of American society. Diversity is more than a social policy, it's a fact of life - one that now comes in many flavors.

Profile: Kang & Lee.

Kang & Lee Advertising, established in 1985 as AMKO Advertising, boasts over \$65 million in capitalized billings and is part of the Young & Rubicam family of companies.

Today, Kang & Lee Advertising is the largest full-service marketing communications company linking corporate America

to the Asian-American marketplace and other diversified markets, including the Russian and Polish community

A Blue-Chip Client Base.

As a pioneer in the Asian-American market, Kang & Lee provides solutions for its blue-chip clients, among them AT&T, Oxford Health Plans, Bank of America, Prudential, Sears Roebuck & Co, Seagram Americas, Shiseido Cosmetics, the New York Times, United Airlines, the United States Postal Service, US Census 2000, and others.

Multicultural, Multilingual, Multifunctional

Kang & Lee's staff consists of over 100 multicultural, multilingual individuals in New York and Los Angeles.

Capabilities include creative development, account management and production, media planning and placement, direct marketing, database management, community and event marketing, and public relations.

Awards and Honors

Kang & Lee Advertising was the first -place winner of the O'Toole Multicultural Advertising Awards given by the American Association of Advertising Agencies (4A's).

They were selected by the Bank Marketing Association's 1998 Advertising Awards Competition as a "Best of the Best" award winner for the agency's Asian Brand Campaign, created on behalf of client, Bank of America.

It was the first time in the history of the awards that a non-English campaign took first place.

The Asian-American Market - Six Cultures, 10 Million.

Approximately 89% of Asian-Americans are from six cultures: Asian-Indian, Chinese, Filipino, Japanese, Korean, and Vietnamese. Unlike the Hispanic market, languages vary widely.

The 5AS estimates the market as 10 million (4% of US).

This is expected to double by 2020, to a projected 10% of the US population.

Average household income is the highest for any ethnic group (\$46,695) and total spending estimated at \$101 billion.

Education is the highest of any group in the US.

And, of course, one US state already has an Asian majority. *

Diversity and Adversity

The market impacts diversity in more ways than one. Third- and fourth-generation Asian-Americans are much different from recent immigrants. In some cases, they share few of the traditional values of that country. Family members are all in the US, making them not quite the lucrative target for long-distance companies as recent immigrants. Historical and cultural issues also complicate matters. Some Asian groups, for variety reasons, are not the best of friends.

An Entrepreneurial Heritage

It's a powerful new market with an abundance of opportunity. Eliot Kang's father came to the US and started a business; his son followed in that tradition.

Asian-Americans start a higher percentage of new businesses than the general population, so we should be seeing more growth.

That includes opportunities for a whole new group of advertising agencies, helping marketers find innovative ways to deal with a changing world.

And, in advertising and marketing, where talent, new ideas, and innovation always have a chance for success, America and Americans will continue to lead the way.

The Internet

Background. - . - . - . - = 0 1 0 1 0 1 0 1 0

Think about Morse code. In the 1800s, the invention of the telegraph made it possible to transmit messages across the country using a simple series of dots and dashes.

By today's standards it was extremely slow, but it wasn't all that different from the binary system (zeros and ones) computers still use to communicate today.

But, instead of a single telegraph line, today's computers can communicate with virtually any other computer over the Internet, a vast collection of computer networks.

1969. ARPAnet - The Internet Is Born.

Many authors cite 1969 as the birth of the Internet, when the US Department of Defense commissioned the Advanced Research Projects Agency (ARPA) to develop an experimental network to support military research.

This network, called ARPAnet, was designed to function when portions of the network were inoperable or even destroyed.

1971. E-mail.

Two years later, e-mail was invented, and even though it was one of the first methods developed for sending messages across a network, electronic mail is still the primary method used for interperson communication on the Internet today.

Next NSFNET.

Access to ARPAnet was primarily restricted to computer science researchers, government employees, and government contractors. In 1986, the National Science Foundation commissioned a new network called NSFNET.

This network, using technology developed for ARPAnet, connected five supercomputer centers using telephone lines.

The NSFNET networking effort resulted in an explosion of new connections, primarily from universities.

As a result, virtually anyone attending a university could become an Internet user.

1987. UUNET

One of the first commercial Internet providers, UUNET, was formed in 1987.

UUNET provided commercial USENET access.

USENET, founded in 1979, is a collection of discussion groups or news groups. Still thriving today, virtually any topic you can think of now has a discussion group.

1991. Open for Business with HTML.

In 1991, two major events occurred.

First, the National Science Foundation lifted remaining restrictions on commercial use of the Internet.

Then, what was probably the most important development in the history of the Internet (so far) occurred.

When the World Wide Web was released by CERN, Tim Berners Lee had developed a system for using networked hypertext to transmit documents and communicate among members of a network.

Hypertext is simply a method of electronically linking documents. A hypertext document contains links to another document, and selecting a link will automatically display that second document. The World Wide Web suddenly provided easy access to any form of information anywhere in the world. 1993. Mosaic. The Internet Goes GUI.

At this point, the World Wide Web was primarily text based. That changed in 1993 with the development of Mosaic, a graphic user interface (GUI), or browser.

Mosaic was designed at the University of Illinois' National Center for Supercomputing Applications (NSCA).

For the first time, there was a widely available multimedia (hypermedia) tool that could handle hyperlinks audio, pictures, and video in addition to text.

Mosaic later developed into the browser Netscape Navigator

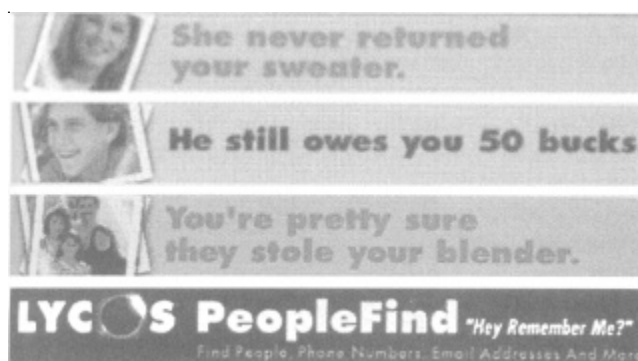
1993. 600 Web Sites.

The World Wide Web revolutionized modem communication. In 1993, there were approximately 600 Web sites. In 1994, there were 10,000 Web sites, and the Web became the second most popular service on the Internet.

1995. 100,000 Web Sites.

By 1995, there were 100,000 Web sites, and the Web became the most popular service on the Internet.

In 1996, there were 500,000 Web sites, and in 1997 there were 1,000,000. You get the idea!



New Web sites now appear at a rate of about one per minute.

The Web reached 10 million consumers faster than any other technology (pagers, telephones, fax machines, VCRs, cellular phones, PCs, and CD-ROMs) in history.

The Internet as an Ad Medium

The Internet Is The Fastest Growing Medium in history, and it continues to grow even faster.

50 Million in Five Years.

The Web took only five years to penetrate 50 million US homes, compared to ten years for cable television, 13 years for broadcast television, and 38 years for radio.

And audiences from other media are migrating to the Internet. According to Forrester Research, 78% of computer users report taking time away from watching television to use their computer.

This phenomenal growth made advertisers take notice, because wherever there are audiences, there will be advertisers.

Prodigy Tries it First.

When the commercial online service Prodigy started in 1990, it was the only online company to adopt advertising as a revenue source. Being first isn't always the answer.

The early interface was slow, and the early adopter Prodigy audience was not lucrative for the initial investors. Other major online services did not seriously address advertising until 1995.

HotWired Sets the Trend. The Birth of the Banner.

However, Internet advertising really began when the first banner ads were sold on the HotWired Network in October 1994, and Netscape Navigator 1.0 was released in November of the same year.

At this time, the majority of the Web's early adopters were somewhat hostile to advertising, so HotWired allocated a rather small portion of the area within the browser frame to advertising.

The banner was born. Soon, sites across the Web were using this "standard format" for advertising.

Three Choices for Internet Advertising

As the Internet has evolved, three distinct choices have emerged for advertisers on the Web.

- Portals
- Destination sites
- Micro-sites
- Banner ads and similar types of sponsorship

Let's look at them one by one.

Portals

Portals are the "gateways" to the

AOL is a portal that is so comprehensive that many never leave.

Others, such as Yahoo!, established themselves with convenience, good design, and what is still a magic word - "Free!"



Others, Such As Microsoft, Have Not Had Great Success.

This is one of the battlefields of the Internet, with large media companies working to become the "portal of choice."

Destination Sites.

Destination sites use information, entertainment, and high production values to attract users and bring them back again. In the beginning, many destination sites were simply electronic reproductions of print materials.

This strategy failed to take advantage of the interactive nature of the Web. On the other hand, some companies spent significant amounts of time and money to develop original content, complete with every technological feature available.

This strategy led to enormous expenditures with little return. Advertisers began to understand that potential customers want information when they visit a company's Web site.

The Need for Web Strategies

As a result, many advertisers began to develop Web strategies designed not only to provide information, but to move potential customers from information seekers, to qualified leads, to buyers.

Example: Web-based Service

Other companies have found success by using their Web site to provide a valuable customer service (both FedEx and UPS allow users to track packages online).

Other companies have not had the success they hoped for. Lands' End discovered that online sales would not replace catalog sales quickly, though their online business is growing.

The Dockers site was designed to allow you to purchase clothes online, but complaints from retailers caused re-evaluation.

Micro-Sites and "Magpies."

A micro-site is simply a small cluster of brand pages hosted by content sites or networks.

Micro-sites are also called "brand modules," and in Europe they're called "magpie pieces," after the bird that sneaks its eggs into other birds' nests to hatch.

These sites allow advertisers to provide information, communicate product benefits, and collect customer information without the cost of a complete Web site.

Understanding that most people will not visit a brand's Web site unless they're already customers or are actively shopping, the creators of micro-sites can provide viewers with a brief, but effective, brand experience.

The key to success with a micro-site is to find host sites with the appropriate audience for the micro-site.

Banners, Buttons, Etc.

As mentioned earlier, Web advertising really began with banner ads, and they continue to be the primary form of Web advertising.

Banners and buttons are simply rectangular graphics located on pages in high-traffic Web sites.

Users can click on the banner and link to the advertiser's Website. This is called "click-through."

"Click-through" Rate Decline - From 20% to less than 1%.

This “click-through” provides advertisers with a measurement of response - the objective of most banner ads.

In the beginning, click-through rates were as high as 20 or 30%; however, these rates have declined to less than 1 % in many instances.

E-Mail as a Marketing Tool.

Web sites and banner ads are only part of the Internet advertising mix. E-mail, the most popular online activity, has emerged as a powerful tool.

However, using e-mail for marketing got off to a poor start.

The Birth of Spam.

In 1994, two Arizona attorneys sent thousands of repeated messages to Usenet news-groups. The messages advertised legal assistance for obtaining green cards.

This process of sending the same message to large numbers of newsgroups without regard to group content is called “spamming.” The reaction to the spam was swift.

Large volumes of e-mail complaints, known as flames, poured in to the lawyers’ Internet service provider (ISP). The ISP’s computers crashed repeatedly, and finally the company terminated the lawyers’ account.

E-Mail Strategies - HotMail.

Today, Internet marketers use e-mail in a variety of ways. Some companies, such as HotMail, provide free e-mail accounts to users. The HotMail e-mail reader displays paid advertising. Other companies sponsor e-mail newsletters or mailing lists (commonly known as discussion groups). Still others sponsor e-mail games and sweepstakes.

E-Mail Strategies - “Opt-in.”

The fastest growing use of e-mail is direct, or opt-in, e-mail. Consumers register at company Web sites and agree (opt-in) to receive future e-mail messages.

These messages may contain information about sales items, new products, site enhancements, or special offers.

Since consumers usually provide specific demographic information along with their e-mail addresses, marketers can better target their messages.

Technological Advances.

One of the things that makes Internet advertising and marketing so exciting is the constant development of new technology. New technological developments promise more exciting ways to reach and interact with consumers. Sometimes these advances live up to their promises; sometimes they don’t.

Push Technology.

The use of opt-in e-mail is a simple example of push technology. Push technology delivers messages directly to users, rather than waiting for the user to come to the advertiser.

Companies like PointCast provide a more technologically sophisticated approach to push technology.

PointCast is a free Internet news source supported entirely by advertisers. Users download special software that replaces their screen saver with the latest headline news and information from a variety of sources.

Users customize the service by selecting what news sources and what types of information they wish to receive.

Along with demographic information provided during registration, these information selections allow advertisers to more precisely target their messages.

“Push” Is Hot. Then It’s Not.

When push technology arrived on the scene, many “experts” heralded it as the advertising solution for the Internet. It increased advertisers’ targeting capabilities, and it allowed for more use of animation and video.

However, push technology never lived up to its hype. There have been two major problems with push:

. Push technology works best with computers that have dedicated Internet connections. These types of connections are generally available only in work environments.

The second problem is content. Without adequate quality control, push can turn into “spam,” and those who “opt-in” soon want to “opt-out.”

Rich Media.

Another very promising new technology is known as “rich” media. This refers to the use of new technology to provide streaming video, audio, and other enhancements to banner ads.

Users can even interact directly with a banner.

Example: 1-800-FLOWERS

For example, 1-800-FLOWERS ran a rich-media banner for Mother’s Day that allowed users to order flowers right from the banner ad without leaving the site the ad appeared on.

According to @Home Network and Intel, rich-media banners are more likely to be remembered, more interesting, more entertaining, and more likely to result in click-through.

But rich media comes at a price - in bandwidth and dollars. Most Web publishers limit banners to 10-12 kilobytes.

Anything larger than that increases the time needed for a Web page to load, this increases the chance users will click away rather than wait for the download.

Rich-media banners reach well above the 12 kilobyte threshold. And, rich-media ads can be expensive to produce, costing as much as six times more than traditional banners.

Interstitial, Daughter Windows, and Splash Screens.

One form of rich media that has become increasingly popular as click-through rates for banner ads decline is the interstitial.

An interstitial is a Web page, usually containing a promotion or ad, that appears in a separate browser window.

A pop-up window opens and appears automatically when a user enters a Web page. A daughter window opens only when a user clicks on an accompanying banner.

There are other variations of and names for interstitials: splash screens, parent windows, intermercials, extramercials, transitionals, and child windows.

Market Adviser predicts that spending on interstitials will grow from 4.3% of total online spending in 1998 to 15% of ad spending in 2003.

Why? Interstitials can provide more ad recall, more brand awareness, more noticeability, and more click-through than banners. The downside is that users consider interstitials disruptive and intrusive.

Key Industry Issues.

The IAB reported that Internet advertising revenues reached \$1.92 billion in 1998, surpassing the \$1.58 billion spent on outdoor advertising that same year.

The same report noted that the types of products and services advertised online were becoming more diverse and less technology oriented.

Yet, according to the Association of National Advertisers, mainstream advertisers continue to feel uncertain.

Their primary concern is how to put a value on online advertising: Do ad dollars spent online bring in new consumers or revenue?

An Internet Advertising Summit.

In 1998, Procter & Gamble used its position as the world's largest advertiser to bring together key groups to address major issues facing the Web as an advertising medium.

The Future of Advertising Stakeholders (FAST) summit participants identified four key issues:

- Gaining consumer acceptance
- Standardizing measurement
- Defining ad models and creative formats
- Making online media easier to buy

Advertising Age named P&G as the Interactive Marketer of the Year for 1998, primarily for their leadership role in the FAST summit.

Now let's meet one of the other leaders of the Internet.

Bob Pittman - New Media Superstar.

Every Once In A While We Read About a talented basketball player jumping into the NBA without finishing school.

There's an example in the world of media - Bob Pittman.

Terms that have been applied to Bob Pittman are: "radio whiz kid," "cable wonderboy," "MTV wunderkind," "neo-legend," and "marketing prodigy." They may all be true.

We'll tell you the story, you judge for yourself.

Flying Lessons.

Growing up, Bob Pittman wanted to fly airplanes, but his father wouldn't pay for flying lessons. So, Pittman paid for the lessons himself, at the age of 15, by taking a job as a part-time deejay at a Mississippi radio station.

He still often flies his own personal plane to meetings. Three Colleges Later...

He attended Millsaps College, Oakland University, and the University of Pittsburgh, but never finished.

Then again, radio programming isn't taught in very many places. He learned on his own. By the age of 21, he was the highest paid radio programmer in the country.

Pittman guided WNBC to the top AM radio spot in New York City when he was 23. (He fired Don Imus, only to rehire him a year later!) Then he moved over to television.

The Birth of MTV

Pittman (along with David Horowitz) helped launch MTV: Music Television in August 1981.

MTV was an idea that almost wasn't. The idea had been around for a while.

Pittman had produced and hosted Album Tracks in 1978 (it ran for two seasons following Saturday Night Live). Nickelodeon had run a video music show in 1980. The Warner Amex Qube cable system had produced a series of video music programs in 1979 and 1980. There was even a video music network on the air before MTV.

According to Pittman, "The success of MTV was the execution of the idea - our particular vision of the programming and the unique attitude and culture of the network that we developed."



Impact of MTV.

Briefly, here are some of the effects of MTV's introduction:

- It changed the cable industry
- It changed the music industry
- It revolutionized TV graphics

It transformed advertising - MTV rock videos popularized a new quick cut style for TV commercials.

The Journey Continues...

After putting the Morton Downey, Jr. Show into national syndication in June 1988, Pittman went to Time Warner, Inc., and managed their Six Flags theme park operations.

Then, he went to Century 21 in 1995. At Century 21, Pittman first encountered AOL.

He bought ads on the service and sponsored the real estate section. He says, "I saw a place I could advertise where my competitors weren't, yet."

He became the service's first million-dollar advertiser. "On the TV advertising, we were spending tens of millions of dollars. I got about three thousand leads a week.

"When we launched on this, which at the time had about 6 million subscribers, we got about 16 thousand leads a week."

"You've Got Fan Mail!"

As a big AOL advertiser, Bob became acquainted with Steve Case and others at AOL. And they became acquainted with him. He became president/CEO of AOL in October of 1996.

And, in the tradition of revolution, he started changing things. He brought a new revenue model to AOL - more dependence on advertising and e-commerce, with no connect-time revenues.

A Convenience Strategy

Pittman believes that brands will dominate in cyberspace much as they do else where, and that convenience, even more than content, is king. He believes the strength of AOL is as a content aggregator of convenience online.

His goal is to transform AOL into a mass medium with the brand recognition of Coke and the prime-time draw of NBC. "AOL has built a consumer brand no one else has... TV is the number one rival for our customers' time and that's where the battleground is."

Pittman says that online advertising must be part of the convenience, like newspaper ads that let people easily find out when and where the movie they want to see will be playing.

"The consumer's always going to want to improve their life through more convenience."

Online advertising allows marketers to get consumers' attention, educate them, and consummate the deal.

"Extending the Brand."

In America, he believes, "big brands win."

To meet that goal, AOL has to reach people who aren't yet online. That includes people who don't yet own computers, who don't know how to use them, who couldn't care less about them - and persuading them to make AOL part of their lives.

Gaining Consumer Acceptance. "This Is Not a Test..."

As computer prices fall, consumers will become even more likely to purchase a computer for their homes.

Only 27% of US households had a PC in 1995. In 1998, more than half of all American homes had a PC, and the increase in penetration was across all economic segments.

Nearly half of online consumers say that being online is just about a necessity in their lives.

More than three-fourths of consumers who go online say that being online has made their lives better in some way. And the move to go online is increasingly mainstream.

According to Pittman:

"The Internet has arrived. It is mass market.

"This is not its test phase."

Advertising - Slower acceptance.

While consumers are accepting the medium at an increasingly fast rate, acceptance of advertising on the Internet moves a bit slower. Let's review the issues raised by P&G and FAST.

A Need for Standardizing Measurement

As with all media, advertisers want to be able measure their advertising's audience, effectiveness, etc. However, with online advertising, what exactly constitutes an impression - a click, etc.? And are these the best measurements for evaluating an online advertising campaign?

In March 1999, FAST completed an initial set of guidelines for audience and impression measurement on the Web, but these guidelines are just the beginning of a continuous process to establish reliable measurement on the Internet.

Defining Ad Models and Creative Formats.

Print and television have accepted standards for size and placement of advertising.

These types of standards are still evolving on the Internet. For example, the IAB/CAS IE guidelines for banner ad sizes are voluntary. Only time will tell if they become de facto standards.

As rich media and other technology evolve, standards will have to change.

Making Online Media Easier to Buy.

The lack of measurement standards and consistent creative formats make online media particularly difficult to purchase.

There is no standard format for an insertion order.

Plus, what standard of performance will be used?

In print media, publishers provide tear sheets. In broadcast media, log reports verify that commercials did in fact run.

There is no current system available to guarantee to an advertiser that an ad actually loaded on a consumers monitor.

Privacy and Security. Cookies and Hackers.

Consumer privacy is another concern.

Particularly after a mailbox full of Spam, many consumers are concerned about what marketers plan to do with all the data that is so quickly and easily gathered in cyberspace.

A "**cookie**," is a unique data file that a site leaves on your computer. These data files contain information the site can use to track your behavior on that site.

Security is Also A Concern, Especially For E-commerce.

The real-life ability of unlawful elements to clone cell phones and use phony credit card information makes consumers understandably concerned about what will happen when these transactions can occur in cyberspace.

The Internet & The Business of Brands.

THE IMPACT OF THE INTERNET, and particularly the World Wide Web, is being felt throughout the business of brands. New marketers, new kinds of agencies, new media, and new specialists have emerged.

And with them, a variety of new opportunities for advertising and marketing graduates who understand this exciting new medium. This section takes a brief look at some of the players in the Internet advertising game.

New Marketers

Already, we are seeing important new brands emerge.

Yahoo! The Super-Portal.

In 1994, two Stanford University graduate students, Jerry Yang and David Filo, created Yahoo! an Internet portal.

A portal is simply a gateway through which many Internet users will pass. By adding value to that portal through features and services, Yahoo! Became an Internet mega-brand and the leading Internet portal.

Business Week defined four different types of portals:

- Doorways
- Channels

- Programs
- Marques

Yahoo! fits all four definitions. Do you Yahoo!?

Amazon.com

In 1998, Intelliquest asked 10,000 randomly selected Internet users to name the brands they associate with books.

56% named Amazon.com.

Not bad for a company that has never made a profit (Amazon. Com reported a 1999 first-quarter revenue of \$293.6 million and loss of \$61.7 million).

But Wall Street believes in Jeff Bezos. So does Jeff Bezos. Founded in 1995, Amazon.com is the fastest growing e-commerce retailer on the Internet, with more than 8 million registered online customers. Yet, Amazon.com wants to be much more than an online bookstore.

In May of 1999, Amazon.com broadened their business when they purchased an interest in HomeGrocer.com. David Risher, Amazon.com's Senior Vice President for Product Development, commented, "We want to be the place where people come to find or discover anything they want online, and we think groceries are a big part of that."

They've continued expanding services, even offering an auction service to compete with Internet auction house eBay.

The Amazon brand has expanded in the media as well.

Instant Competition

Amazon.com has competition, too. Barnes & Noble, the leading bookseller, has clearly seen the challenge and the advantages of search-engine-based technology.

And, once again, the marketplace is at work. As you can see by the ad on the right, B&N is aggressively promoting barnesandnoble.com their new Internet brand.

New (and Old) Agencies

The Internet has also had a dramatic effect on the ad agency industry, creating new opportunities for new agencies and challenging traditional agencies to develop new skills and capabilities.

Here are some of the new agency brands that have demonstrated Internet-related capabilities.

Modem Media. Poppe Tyson.

Modem Media was an Internet pioneer among advertising agencies. In 1994, Modem Media launched the very first commercial Web site for Coors'

Zima brand.

They purchased the first ad banners on the HotWired Network, and pioneered the placement of Web addresses on consumer product labels.

In May 1998, Modem Media and Poppe Tyson, Inc., combined to become Modem Media. Poppe Tyson, with Chicago-based True North as the majority owner.

CKS (Now MarchFirst)

In the sidebar is the continuation of an interview with one of the first people we talked to for this book - Mark Kvamme of CKS.

CKS's unprecedented application of the productivity of today's computer-based technology has set new standards in the industry. What industry? It's hard to say.

Their company is a state-of-the-art blend of graphic design, technology applications, integrated marketing consulting, and Silicon Valley public relations.

They not only do great work, they manage to get great press. Leveraging their technology expertise, they've become an important new player as an agency.

New Media Companies.

When the class-testing version of this book was written, AOL and Time Warner were separate companies.

Let's look at them separately, and then look at the synergies. AOL.

You've already met Robert (Bob) W Pittman, who became President/CEO of AOL Networks in October 1996.

Given his track record, let's take another look at his plans. Pittman's goal is to transform AOL into a mass medium with the brand recognition of Coke and the prime-time draw of NBC. "AOL has built a consumer brand no one else has. TV is the number one rival for our customers' time..."

Pittman believes that brands will dominate in cyberspace much as they do elsewhere, and that convenience, even more than content, is king.

He argues that the strength of AOL is as a content aggregator of convenience online.

And online advertising must be part of that convenience, like newspaper ads that let people easily find out when and where the movie they want to see will be playing. "The consumers always going to want to improve their life through more convenience."

Time Warner.

Time Warner's New Media Unit started Pathfinder in 1994 as one of the first corporate sites to open on the Web.

It offered access to all of Time Warner's publications. Originally, Time Warner was going to charge for access to Pathfinder, but it didn't generate enough interest to justify the fee.

For a while, Pathfinder was consistently one of the most visited Web information/entertainment sites.

However, over time it became apparent that Web users would prefer to go directly to the magazine they want.

So, in April 1999, Time Warner announced a new Internet Web strategy of developing five thematic Time Warner Web hubs to replace Pathfinder. The new hubs are: Business News, Sports, Entertainment, Lifestyle, and General News.

AOL/ Time Warner

If you only needed one example of how fast the marketplace can change, AOL buying Time Warner would be that example.

Time Warner was an old media company, with substantial debt. Meanwhile, AOL, a stock-market darling, had a huge market capitalization. Just as stock market values affected the fate of agencies in the '80s, the new century saw greater than ever impact.

You won't need this book to keep in touch with the changes. ABC-Disney.

After having similar problems with their sites, Disney purchased the Go Network. They're hoping to establish Go as a major Internet brand. However, it seems clear that this media company will grow in a different way - stay tuned

Outpost. com

Strategy is about choice. It's easy to understand the choice this brand made to go for maximum name awareness.

Nobody's quite sure what they do, but everyone remembered the gerbil in the cannon commercial.

Or did they? Do you? Internet brands are finding that it's a lot easier to start an Internet business than it is to stay in business.

New Marketing Services.

The Internet has specialists who provide marketing services.

Example: Omnitech

Mike Krauss went from the agency side at FCB to the client side at Swift, and then to Arthur Anderson & Co, helping them develop their marketing capabilities - a primary task was helping transform the consulting division of Arthur Anderson & Co into Andersen Consulting.

With Andersen Consulting as a client, he helped start Omnitel, specializing in high-tech consulting and marketing research.

The firm developed a reputation - one that was recognized by Diamond Technologies, one of the leading business strategists in the digital space. And they bought Omnitech.

Now he is their Chief Marketing Officer.

Mike Krauss



Marketers, Agencies, Media Companies, and Marketing Services - the Internet has room for them all.

Innovation in Marketing Services

WHERE DOES INNOVATION COME FROM? Two people we'll profile here address innovation and change in dramatically different ways. Lynne O'Shea started inside marketing and advertising and moved outside to consulting.

DeeDee Gordon started outside the industry and moved inside. Each brings innovation to whatever they do.

Missouri, Texas, Washington DC, Cincinnati...

Lynne's journey in innovation started in 1968.

Graduating from the U of Missouri with degrees in journalism and political science, she first went to help a Texas Congress-

sional candidate named George Bush - and helped him win. After a short stint in DC, she got her master's and then to P&G in Cincinnati.

The Ivory Palace.

Innovation can start anywhere.

In this case, it started with a run in a stocking.

Lynne was on a sales training visit when it happened - at a supermarket. She asked the store manager if he carried pantyhose. He pointed to flat boxes stacked somewhere near the magazines (this was years before [eggs]).

She found out something else - those boxes delivered huge margins to the grocer; he just didn't have anywhere else to put them. One of P&G's brands was Ivory Liquid, which was good for washing fine fabrics - like pantyhose.

Lynne went to Tom Laco with her idea - and The Ivory Palace was born. It was a round end aisle display (remember, the world hadn't seen a [eggs display yet]).

On the lower level were small sizes of Ivory Liquid (they'd been having trouble getting distribution for that size). At eye level, the store could display pantyhose, etc... any brand.

On top, there was a free small pamphlet on fine fabric care, which Lynne wrote. It was a big success.

The promotional program ran for three Nielsen periods, grew Ivory Liquid business, and took a good-sized hunk out of the competition - Woolite.

FCI, IH, AA, IPG...

Feeling more in tune with Chicago and the agency business, Lynne went to work for FCB/Chicago. She helped develop the global campaign for First National Bank of Chicago.

Then she moved on to International Harvester (IH) as Director of Communication. IH was a company that didn't make the turn.

Out-of-control costs, a strike, and a shrinking market for more expensive-than-ever farm equipment gave her a taste of crisis management - with an unhappy ending.

A better time was had as Director of Marketing at Arthur Andersen & Co (AA&Co), a leading accounting firm

She worked in strategic planning at Interpublic (IPG) and then at Gannett Media, where she helped develop the Gannettwork-an innovative project to integrate Gannett's media properties.

Ad Woman of the Year.

In 1989, while at Gannett, the Women's Advertising Club of Chicago named her Ad Woman of the Year.

Today, she's with ATKearney, one of the country's top consulting firms. She's not in advertising any more, but the lessons she learned are serving her well. Her comments. . .

"What I got out of advertising was an ability to understand - and fall in love with - the consumer. In every business, you have a target customer of some kind, but in advertising, the good agencies are better at generating the insights and the emotional connection.

"I believe that ability has helped me across a range of businesses. A related skill is a passion for business, business

problems, and for finding the heart of the communication you need to make.

"Because when we communicate with real feeling, this adds a richness - a value - to all of our communication.

"Now, I'm intrigued with employee communications - because people have to believe in their brands.

"With Kearney, we deal with a whole other kind of information with IT (Information Technology) capability that is cutting edge.

"Right now, I feel agencies are kind of limited in that area. The medium is the message and we know the new medium - the Internet." Cutting Costs for Kellogg's. A current project has been involved with the operations and marketing at Kellogg's. She refers to the "4 Cs" mentioned earlier in this chapter.

"Our job is cost. Peter Drucker refers to the difference between cost driven pricing, where you add up costs and that's your price, and price driven costing, where you focus on a target price, and then you work to get there.

"We're doing that right now. "It's as important as the advertising - because if we do our job, after those wonderful ads run...when you go to the store, you'll see a better price on that Kellogg's cereal box."

From Inside to Outside.

From inside The Business of Brands, to becoming an outside advisor - the experience you gain one place can often be used to good advantage at the next.

It helps Lynne add value with change and innovation. Innovation can make a difference wherever you are - and whatever you're doing.

From Placid Planet to Planet Hollywood.

DeeDee Gordon started working in a store in Boston called Placid Planet. It was very hip, and, for a small unique lifestyle boutique, very successful.

She sort of designed her own major - she took some accounting courses and textile courses ("so I'd have a better understanding of how things are made. I wasn't sure if I wanted to buy, or design my own.")

One day a woman came in showing her some products "and asking me tons of questions... what's cool and how do you know... she came in a couple of times and then she showed up with the agency." This was DeeDee's "light bulb" moment.

"I realized I was helping them make decisions - and that I could shape their line and make money doing that.

"I was helping them understand what their target was - which in one case was completely different from what they thought.

"For example, they had a product they thought boys would buy and I told them, 'a lot of women will want this style and you'd better make enough in smaller sizes.'"

Her journey took her to working for Converse and then on to marketing projects too secret to mention.

The L Report.

Since 1994, she's been tracking trends in the teen market and reporting them in The L Report, which is offered by the company she works for, Lambesis Advertising.

It's \$20,000 a year. (Sorry, there's no student rate.)

DeeDee works for top retailers, movie studios, car companies, packaged goods marketers, apparel and cosmetic companies, and others in the entertainment industry.

The Importance: of Information for Innovation.

The kind of information DeeDee brings to the table is key

Because new information is one of the ways we are able to develop new insights. She realized the need as she looked at the research that was available.

"We were given a lot of money to get research - and everything we got was a rearview mirror, it was all what had already happened. We needed to figure out how to get in touch with the kids who were making the decisions."

DeeDee's Secret Database.

DeeDee tracks down the trendsetters - the first kid in your high school to create a totally new look - or get excited about a band that becomes a hit - someone whose taste is a little bit more ahead of the curve.

Conclusion: The Business of Innovation.

Whether It's Finding "The Next Big Thing" or lowering the cost of a box of corn flakes, innovation plays a part. Because our antennae are always tuned for something new.

The Business of Brands is always working to add value to their brands. Innovation is one of the ways to do it.

Once upon a time, Tide brought a new kind of technology to getting clothes clean. Today, part of their heritage is based on the fact that they continually improve their formula.

And, when there is another major detergent technology, this might also be a reason for another brand.

When P&G developed the capability of putting flourescers into a detergent formula that actually made the colors in clothes look brighter, they introduced a new detergent - Bold.

They were able to introduce a new brand because of another innovation - Neil McElroy's brand management system, which allowed a company to compete with itself.

This continuing cycle of competition - competing with other companies, as well as with your own performance - drives today's marketplace.

It's a continuing challenge, where the standards are always getting higher.

Changing the Game.

Yet innovation has the ability to change the game.

Just as the coffee industry was grinding away as a commodity business with declining consumption, the innovations that started with Starbucks revitalized the whole coffee category.

As ever-faster, ever-larger computer chips deliver greater performance, new products, and new uses for information change the game.

After reading this book, each one of you will be able to turn to more information and more information processing power than all the scientists of the world had twenty years ago.

Yet, even in this world of high-tech computers, the high-touch techniques of DeeDee Gordon and Lisa Fortini-Campbell are

still needed to develop insights into what Kenichi Ohmae refers to as “that ultimate non-linear thinking tool, the human brain.”

And even in the world of high-tech computers, someone with a paradigm-changing vision, like Michael Dell, can take on the big boys - and win.

Come Out and Play.

And that's the world that's out there waiting for you.

You can help innovate.

You can help innovations turn into reality.

You can help a company keep on track - improving things project after project and year after year.

It can be “the next big thing” or those little daily improvements and innovations that help a company’s operations as they build brand equity.

Finding the place that's right for you is what the next section is about. We hope you find it helpful.

Because you have an exciting bit of innovation ahead, growing and building an untested brand in today's marketplace.

Its your career.

Good luck.

Discussion Questions & Activities:

1. "Click-through."
2. "Click-through" rates have declined drastically in the past few years. Think about your own experiences with banner ads. Have you ever clicked on a banner? Why?

What factors influenced your decision?

- ## 2. Secondary Research

Visit Nielsen/NetRatings at

www.nielsen-netratings.com/default.htm

to see the top 10 ad banners viewed this month.

What similarities/differences do you find among the banners?

- ### 3. Banners

Visit <http://microscope.com> to see the latest in banner ad creative work.

Each week, three reviewers analyze a recent banner campaign. Do you agree with this week's reviewers? Why or why not?

- #### 4. Advertising Evolution or Revolution?

Ten years ago, no one could have predicted the advertising revolution that the Internet would cause.

Here's your chance to predict the future:

What will happen to advertising in the next ten years?

Notes -

LESSON 35: YOU AND YOUR CAREER

"If I were starting life over again, I am inclined to think that I would go into the advertising profession in preference to any other."

Franklin D. Roosevelt

Introduction.

This section is about preparing for your career – the one you don't have yet.

Right for You.

Each represents an opportunity for you to bring your product (you) to market. And one of them probably has a job that's right for you. Your first job is to figure out which one it is.

Focus and Expand.

From that huge list of opportunities, you need to find a way to focus on those that make sense for you at the same time you expand your horizons – so that you catch as many opportunities as possible.

Which ones seem to align themselves with your meaningful points of difference, with your interests, your skills and your talents? You're still at the beginning of your explorations.

But we can help you organize that exploration.



"The Brand Called YOU."

This is a how-to for "The Brand Called You." That's the way you should think about yourself.

In a 1997 issue of Fast Company, that was the title of the cover story by marketing guru Tom Peters.

Here's some of what he has to say:

"Regardless of age, regardless of position, regardless of the business we happen to be in, all of us need to understand the importance of branding.

"We are CEOs of our own companies: Me, Inc. To be in business today, our most important job is to be head marketer for the brand called You." Peters continues...

"You're every bit as much a brand as Nike, Coke, Pepsi, or the Body Shop. To start thinking like your own favorite brand manager, ask yourself the same question the brand managers at Nike, Coke, Pepsi, or the Body Shop ask themselves:

"What is it that my product or service does that makes it different?"

Your Big Question.

During this semester you've been introduced to a lot of businesses. You've acquired a general idea about how they work together in the marketing marketplace.

Along the way, you've learned a few concepts and met a few professionals in the field with a quick snapshot of their jobs and careers.

As you went through the chapters of this book, you probably asked yourself a question. That question - the big one - was, "Where do I fit in?" Then, you - and everyone else reading this book - asked yourselves a few more questions like. . .

- Would I like that job?
- Could I do that job?
- Where do I find that job?

And, of course. . .

- How do I get that job?

This section will help you get started on some answers - that can help position you for that first job and a successful career.

How This Section Is Organized.

This section is a simple four-part plan to help you get started:

1. Understanding Yourself as a Product
2. Understanding Your Market
3. Increasing Your Market Value
4. Bringing Your Product to Market

The Three R's of Job-Hunting.

To help put those Three R's, i.e. Resource, Reference and Resume Development in perspective, we have a four stage program to help you develop that "Brand Called You."

The Tiger, the Phoenix, the Turtle, and the Dragon.

As we were writing this section, someone pointed out that each stage of the process sort of matched up with one of the Celestial Animals in Chinese mythology. (The T.I.G.E.R. Brand Profile got them started.) Check it out.

The Tiger is the strongest of the Celestial animals - it represents human nature - good and bad. Control the tiger. Understand yourself and your strengths and weaknesses.

The Tiger represents **understanding yourself as a brand.**

The Phoenix is in a constant state of rebirth. It represents the “creative destruction” of our modern marketplace. It also offers some clues to the importance of being on the right part of the cycle. The Phoenix represents **understanding the market**.

The Turtle protects and strengthens. With slow steady steps, he is the symbol of increasing your own strengths and advantages while protecting yourself from disadvantages. The Turtle is with you for long-term projects - like building your career.

The Turtle represents **increasing your market value**.

The Dragon can bring you inspiration, wealth, and great good luck as you strive toward your goal - and we assume that is your goal.

The Dragon represents **bringing yourself to market**.

If you do your part, they're all on your side, helping you prepare for the world ahead.

For, as they say, “fortune favors the prepared mind.”

Good News/Bad News.

First, here's some good news. The Business of Brands is full of rewarding, fulfilling, and exciting careers. There are a lot of jobs in the field. And you really might like the work and the people. But there's also bad news. The business of marketing and advertising is tough - make no mistake about it.

But the rewards are there - that's why a lot of people just like you want to get a start. But you may have to start at low pay. More bad news. It may take some time for you to get that job.

That's why you need to start as early as possible.

Finally, a job in this field may not be right for you. The best jobs

are inherently competitive, stressful, and insecure. It's not for everybody. But even that is something you might want to find out sooner rather than later.

So, let's get started.



Understanding Yourself as a Product.

WHEN YOU FIRST ENTER THE JOB MARKET, you'll be a commodity - a product like all others - a student with an undergraduate degree in advertising or marketing.

You've got a lot of competition. Second, you're unique. You have talents, interests, and experiences that are distinctive.

Your first step is sort of a situation analysis.

We'll be doing some evaluation, some planning, and then, of course, some implementation.

Lets start with a bit of evaluation. We call this little formula T.I.G.E.R. It stands for: Talents, Interests, Goals, Experiences, and Resources.

It's a beginning for understanding your potential as a unique product - a brand. So let's work through our formula and see what kind of brand you are.

T = Talents.

Even though no one is good at everything, everyone's good at something. Over time, why have you been congratulated? What have you been praised for? What have your parents, friends, and teachers told you you're good at?

In short, what are your talents and skills?

Start a T.I.G.E.R. worksheet.

What do you have under talents?

Writing? Math? Leading and organizing people? Presenting in front of groups? Planning? Time management?

Here's Heather Roe-Day to tell us about some talents that have helped her as a product manager at Unicovery.

"The position of product manager requires marketing skills, an understanding of basic accounting principles, analytical skills, and extensive organizational skills.

The greatest skill I use every day is the ability to organize my tasks and orchestrate the activities of others in the company to help all pro-motions grow from the concept stage to the finished product stage.

My involvement in outside activities while in high school and college built the foundation for time management and helped me learn to set intermediate goals in order to complete large tasks."

Heather was actively involved in school organizations. The things she learned developed into one of her special talents - a key to her latest success. Still another was analytical ability, something you use every day - the ability to understand the problem and solve it.

The same is true with you. What are those things you do well? What do you think are your special and unique talents?

Note them in "T" for Talents.

I = Interests.

In many cases, your talents are related to your interests. Because, chances are, you're talented in whatever interests you. Now, of course, this isn't totally true. We can have lots of interest in music or sports without having the talent to play professionally. The next useful insight into your brand profile is to identify your interests.

Example: Craig Fry, Car Guy

Craig Fry liked cars. He knew how they worked, and he knew how to fix them. This was his special interest.

When Craig prepared his portfolio, it was probably no surprise that the ads about automobiles were the best in his book. Craig

discovered, and was discovered by, agencies that worked in the “automotive aftermarket” - companies that market all the things you need to keep a car running. Craig combined his talent as a writer with his car repairing hobby and became an award-winning copywriter in this field of “automotive aftermarket” advertising.

A Tip from Tracey.

Tracey Aurich has a suggestion about how your talents and interests might be applied to your first job.

“Know that your favorite hobby or activity, no matter how obscure, probably has an industry that supports some form of advertising. So, contact the director of marketing at the company that manufactures your favorite product or provides a service aligned with your favorite hobby.

‘Join the industry’s trade association network.

“Read the industry magazines to become familiar with the companies, the language, and the people.”

Identify your interests, and you’ve gone a long way to identifying your talents as well. They tend to go together.

Not Interested? Try This.

What if you don’t know what you’re interested in? You may decide that your world-class bottle cap collection doesn’t qualify you for a career. Or, you may decide the fact that you like pretty much the same clothes, music, and movies that your friends do isn’t going to differentiate you. You might be right.

But the problem may be not really knowing what you’re interested in. Try this question exercise.

When the pressure is off and when others aren’t telling you to do something, what is it you do? Buckminster Fuller, one of the twentieth century’s most inventive and original minds, was once asked by a student how you can know what it is you should do.

Fuller observed that you can know the answer by tracing your own history and identifying what it is you did and continue to do when others (parents, friends, teachers) aren’t telling you what to do.

So what is it you do? What are your interests? Jot them down next, under “I” for interests.

What is it you do that makes time disappear?

Some of the things we do seem like they’ll never end. Other things we do we don’t want to end. What are the things you do that you don’t want to end? These are your interests, those things that take up time but that also make time disappear. Note those things that make time disappear.

What would you like to talk about on the phone?

Regardless of what career you pursue, once in it you’ll spend time on the phone. In many cases this will be significant time. So, if you had your choice, what is it you would like to talk about with someone else on the phone?

These are your interests. Jot them down - “I” for interests.

G = Goals.

They say, “When you don’t know where you’re going, any road will get you there.” We all need goals. And, when you think about it, goals are one of the things that differentiate marketers - and their brands.

Short Term and Long Term.

Your goal may be simple. Like “Get a job that doesn’t suck.” Not bad for a start. But even that goal may be a year or two away. So you may need more than one goal. You probably need a long-term goal - a great job. And you probably need a few short-term goals, too.

These short term goals may seem contradictory (for example, they may necessitate taking a job that sucks), but they should be steps on the road to your long-term goal.

Not Easy Being Green.

Steve Green was working as a PA (production assistant) on commercial shoots. Then he quit. He said, “I realized that I didn’t want to be in the film industry. And the only reason you should take a PA job is if you think you want to work in the film business. I realized that it wasn’t for me - it was just a job where you stood around in the cold and got people coffee. But, if I wanted a career in film. .. hey, then it’d be a great job.”

Goal-Setting - A Messy Business.

Now Steve is re-working some of his long-term goals. Remember, goal-setting can be a messy business. You won’t be right all the time and some goals may be out of reach. There’s one more problem. When we put that goal down in writing, in public, it can get weird. Because if we don’t reach that goal, suddenly we can feel like some sort of failure.

But if we didn’t say anything, we wouldn’t fail. That stops a lot of people from setting goals and committing to them. Well, get over it. And get used to it. People in business Jail all the time.

That’s one of the ways we get smarter. It’s why evaluation is such an important part of the process.

Some ads don’t work. Some brands fail. Some media companies go out of business - or change ownership. It happens. A lot. Part of the excitement and the energy of our marketplace has a bit to do with the fact that when you’re trying to do something new, well, you never know. You may fail at some jobs. But a job isn’t a career. And as you build your career, you’re probably going to have some ups and, probably, some downs. Deal with it. That’s part of finding your way into a career.

False Starts and Back-Tracks.

There may be false starts. You may have to backtrack. You may end up somewhere totally different than you thought. But that’s part of building your brand.

Arm & Hammer Baking Soda thought they made something for baking. But the world changed. Now it deodorizes your refrigerator. There may be a box in yours. And Steve Green, after a few days as a PA, saw that this was not the road he wanted to travel.

Good news. Steve just got a job selling for a recording company. It’s a better fit. And that’s how it works. Take a pencil. Write down some goals. “G” for Goals.

And remember, pencils have erasers.

E = Experiences.

Most of your potential employers are more interested in your experiences than your interests. They want to know where you’ve worked and what you’ve done. And even though you’re

probably young, you've probably had experiences relevant to the field, experiences that count.

Ideally, those experiences should be connected with your talents and interests. It stands to reason. You have a talent for something because you're interested and then you actualize that talent, which results in your experiences.

Now is the time to list those experiences. If you feel they're in short supply, well that tells you something right there. (Remember, you still have a bit of time to get your "brand" in shape for the marketplace.)

When you get to Step Three - Increasing Your Market Value, you can take a look at the kinds of experiences you may need to add.

A Classic Resume.

These are your experiences. You can serve them up any way you want. There's a classic example from Maxine Paetro's *How to Put Your Book Together and Get a Job in Advertising*.

Take a look at these experiences as listed in a resume:

June to Present. Part-time chauffeur/word processor for New York consulting firm specializing in non-profit organizations.

- Transport President to and from appointments.
- Edit and type staff associates' fund-raising proposals.
- Deliver and recover Blanche (President's cat) to and from vet.
- Claim Presidents fur from furrier.
- Bring in President's pearls for repair.
- June to Feb - Mr. B- New York. Live-in companion! cook to 90-year-old man.
- Accompanied Mr. B- on walks through United Nations Park. Often stopped to see Moon Rock.
- Coordinated/prepared Sunday lasagna luncheons.
- Initiated subscription to New York Times Large Print Edition.

Sept to May - New York. Au pair for divorce lawyer and her 12-year-old son.

- Laundered their dirty clothing.
- Washed their filthy dishes.
- Cleaned their stinking kitchen.
- Prepared their wretched meals.
- Never complained once.

Get the idea? On one level, these experiences were ordinary- they were commodities on the low-end of the job market. But this person made them extraordinary.

This person communicated that these were life lessons and this little resume was a window into the quality of the person who had those experiences. In addition, this person also demonstrated that he or she could flat-out write.

This is an outstanding example of what a brand personality can do to add value. The actual jobs were ordinary. The presentation

made them extraordinary. With wit and humanity Look at your experiences through the lens of your brand personality When you do that, you're beginning to position yourself in the crowded job marketplace.

R = Resources.

Marketing Strategy is the search for advantage in the marketplace. Let's look for and list some of your initial advantages:

Two E's, Three F's.

The first two will usually be:

- Education and
- Experience
- For the most part, your resources will fall into three categories:
- Family
- Friends
- Friends of the above.

These are resources that can work to your advantage.

"Don't Send Nobody Nobody Sent."

That's a saying they have in Chicago. It means that who you know counts. Is this fair? Not particularly. But it's exactly the way things work. Deal with it. Summer internships. Entry-level jobs. An interview

In many cases, resources can make the critical difference. Melissa's dad called a friend he knew The friend scheduled an interview. A job had just opened up. Melissa got the job. She got the job on her merits. But she got the interview on her relationships. Resources can make the difference.

Later, you'll be putting some of these resources to work as you bring your brand to market. But let's not get ahead of ourselves. For a start, all you need to do is begin building a list of anyone

and everyone you and your family know who has a job in marketing or advertising - with name, address, phone number, the name of the company, and that person's job title.

You might want to talk to your parents, some of their friends, and maybe a favorite aunt or uncle - see who they might know

Do your first draft now You'll be developing it further as you Bring Your Brand to Market.

"R" is for Resources.

Put Them All Together.

So, how do you look? More there than you expected? Or less? You may not have the answer yet, but we bet you've got a clue. Either way, you're starting to get a clearer picture of "The Brand Called You."

Need a little work? That's OK. We'll save that for Step Three. You can probably find a way to build each of these areas. Next, we need to take a look at how your initial brand profile matches up with the marketplace. Time for Step Two.



Understand Your Market

THE PHOENIX IS IN A STATE OF CONSTANT RE-BIRTH - much like to day's marketplace.

It's not too soon for you to start to get in touch with that marketplace. Get a feel for the changes going on and look for those that work to your advantage. Here are two examples.

Vergara's Vision.

Marcelo Vergara graduated from the University of Kansas.

As you will read, Marcelo had an excellent sense of the marketplace he was going job-hunting in. Check it out.

"I landed a great job at the moment desktop publishing became a real advertising tool, much like the Web is today. I did it by turning my resume into a campaign for me. It showed I could think, execute, and ultimately market myself. They like that, and it makes for cost-effective hiring. Pick your target employers. Be selective. They will. Choose quality firms. Research them thoroughly. Learn about their top managers, strategists, and creatives. Research in the trade press (online and off). Check the local business papers. Call the local ad club and ask for their news-letter. Learn all you can about your top choices. Develop a strategic marketing plan for your own campaign. Execute this plan and be creative with the media you choose. Your objective is to get an interview. Create your Web site/print campaign, but instead of putting a normal resume online, design a real site. Make yourself the product or service. Brand your skills. Brand your personality. Get your target to interact with you before you even meet. "Figure out a way to get them to send you an e-mail instead of the other way around. This business is all about relationships. When you get an interview, tell them how you did it and show them your strategy. It shows you have discipline, maturity, and understanding. Those are good things."

Note how important it is to target.

Marcelo had a strategic focus and plan for his "brand." Notice how he matched his brand up with the marketplace and emphasized values like "interactivity."

Also notice that he set achievable goals - get an interview, build relationships. His brand planning had a target customer focus. Marcelo knew what he wanted. Our next example, Tracey, wasn't quite so sure. Here's what happened.

Not-50-Spacey Tracey.

Tracey Aurich, a Penn State grad, found her first advertising job - one, which was outside that "box" that, says all ad agencies create ads for the Nikes of the world.

"When you think about getting a job in advertising, you probably think about creating commercials and print ads for sport utility trucks and sham-poo at a big city agency or selling ad space for a local newspaper.

Well, it turns out there are other products and services that need to be promoted, not to 'Joe Consumer,' but to specialty markets.

And within these markets, you can find a career in advertising. "It's just a matter of knowing if an opportunity exists.

Case in point . . . I fell into my first account services position at a pharmaceutical advertising agency - a specialty I didn't know existed.

As recently as five years ago, pharmaceutical advertising involved promoting prescription and over-the-counter medications to healthcare professionals only. But recent legal changes have made the field even more interesting.

Now that direct-to-consumer advertising is permitted, this specialty is becoming better known. "

Note How Fast Things Change.

Tracey entered a field that didn't do consumer advertising. Now she's involved in it in a big way - participating in a revolution in pharmaceutical marketing.

Keys to Finding Market Opportunities.

If you have a crystal ball that sees the future, turn it on, and skip this next short section.

But if you're not so sure about how to get a handle on that "fast -changing marketplace" we keep talking about, here are a few specifics: five to be exact.

1. Advertising to Sales Ratios.

Take a look at the advertising to sales ratio of various companies (A to S Ratio). It's a good measure of where some of your best opportunities might be.

For example, a steel company will probably have larger sales volume than a company that manufactures blue jeans.

But the Jeans Company spends a higher percentage of its sales on advertising and marketing.

In addition, the brands with the higher A to S ratios in their category tend to be the leading brands and the better marketers.

You can find A to S ratios in trade magazines like Advertising Age. Their "Leading Advertisers" issues contain a lot of useful information.

2. "SIC 'em!" Go to SIC Codes.

SIC codes are Standard Industrial Classification, which is a way of looking at companies by industry

Almost all businesses fall within its broad categories. Standard Rate and Data, the bible of the agency media department, also shows these SIC codes in terms of description of the industries the publications serve.

For example, farmers, chemists, agrochemical executives, farm machinery sales people, and a whole host of people who interact within this vast marketing category might read a publication about farm agribusiness.

Remember what Tracey said about hobbies being businesses, too? For fun, why not find out about companies that are involved in the things you're interested in? SIC 'em!

3. Focus on High-Growth Industries and Businesses.

When we think high tech, we think high growth.

And maybe we think high risk - but, as we've said all along, the marketplace can be a dangerous place.

Look for areas where things are happening. Consider that the financial industry, the wine industry, the travel industry, and many more industries are experiencing huge expansion.

Remember Mark and his insights into desktop publishing? Sometimes it's just certain companies within the industry - you'll want to know who those companies are. And where. The world business community continues to benefit from the information and communications explosion.

To learn about high growth industries, go to the Web and look up thestreet.com. This is a powerful place to get ideas about high growth businesses. The site is rated number one by the New York Times and gives wide-ranging opinions about the world's business opportunities and stock market projections. You can get a one-month free trial subscription by logging on. Another valuable Web resource is motleyfool.com, which delivers an idea a minute with droll humor and sharp analysis of emerging markets.

4. Consider Emerging Markets.

When companies are literally inventing themselves, it's sometimes impossible to get someone with experience. So, as they say in football drafts, go for "the best available athlete."

Stacy Smollin made that decision and she got in on the ground floor of an exciting Internet company. If you're smart, aggressive, flexible, and resourceful enough to track them down (they're too busy to look for you), you'll be who they're looking for - if they had the time to look.

Emerging Companies Need to Tell Their Story.

Emerging companies and emerging markets can't emerge without communications, advertising, and publicity to tell the world their story. Your career will go further faster when you're in a business where the rules are being written as you live it.

So you might want to segment some of your target marketing to include the emerging market firms, those that will define the first years of the new millennium.

Read All about It.

Read the trade and business magazines, Marketplace, the second section of the Wall Street Journal, are usually a good place to turn to when you see a copy of WSJ.

Get familiar with some of the "cutting edge" business magazines like Wired and Fast Company as well as the standbys, Business Week and Fortune.

At first, only bits and pieces will make sense to you - but then the connections will start to kick in.

The opinion pages on the Internet and your local business paper can help you see what's coming and who might be hiring.

5. List and Learn about the Top Companies in Your Town, City, or Region.

Many major markets now have business newspapers. You might also use your local chamber of commerce and business associations as resources to help you do this.

You may be surprised how much opportunity is right there. Check out each relevant category in The Business of Brands.

Marketers: Discover the leading companies in your area, and major branches of national companies in categories that interest you - as well as the hot new players.

Agencies: You can find advertising agencies in virtually any market by searching the Net. Then, go visit their Web sites.

Media: Don't stop with the obvious - the newspaper and the leading TV and radio stations.

Don't forget specialty magazines (some may be published in your market) or cable TV providers. Or the local suburban newspapers and "shoppers." And you might as well find out who sells the "out-of-home" media in your hometown.

Marketing Services: Go to the Business Yellow Pages (that's not the Consumer Yellow Pages where you look to see who delivers pizza - this is a separate book entirely). Look under Marketing, Marketing Services, and Public Relations. See what you find. You might be surprised.

The more you learn about your market, the better you'll understand it and your place within it. This will help you target the market like Mark did with desktop publishing.

The Power Example.

Let's take the power industry as a test example for a target marketing exercise. Why power?

First, it's a large capitalization business, to use a stock market term. Though it is a mature industry, it is now in a high growth phase again, mainly due to deregulation.

Advertising and marketing are now becoming absolute necessities because of the number of new competitors. These new marketplace means new suppliers of energy are coming to town - each with their "brand" of energy. And this means there may be opportunities for you.

Second, the industry has long-term career advantages. People will always need energy (light and heat). Electric utilities are still quasi-monopolies, and because they're capital intensive (they need lots of money to finance equipment and systems), they tend to show profitability in periods of low or falling interest rates.

Third, power companies are usually publicly traded, so there is lots of information about them. This example can be applied to your selection of industries and business, since it gives you steps for understanding your market.

Understanding the Job Market.

The marketplace isn't just industries, it's the jobs within those industries. By now you know that any list we print will be a bit out-of-date as soon as we print it.

But the following summary should provide a pretty good reference framework. It lists entry-level jobs by category within The Business of Brands.

Job Title Overview.

It's a quick review of your basic options and opportunities. By referring to the chart and the book, you'll be able to identify most of the jobs and their titles at the entry level.

There are also additional links and resources @ adbuzz.com.

Marketers:

- Review Chapter Four for ideas about jobs with companies in various industries, such as assistant brand manager. Jobs in field marketing, such as staff assistant or coordinator and assistant brand manager (notice the words assistant and coordinator, again denoting entry level from your chart).
- Don't forget field marketing. This is needed in various companies, such as franchise groups and beverage marketers. Agencies:
- New types of advertising agencies are developing; like ethnic agencies and Internet agencies.
- Review Chapter Five for jobs in ad agencies, such as junior copywriters, account executives, or production assistant.
- Media Companies:
- Review Chapter Six for jobs with various media, such as circulation promotion assistant, fulfillment assistant, or sales assistant with a newspaper.
- Marketing Services:
- Consider marketing services companies that perform agency-like functions, creative departments at media companies, design firms, interactive agencies, production companies, sales promotion agencies, public relations agencies, database marketing firms (a "hot" field), direct marketing firms, or even Web site developers.

Developing Your Target.

By now you have an initial understanding of what it takes to understand your market.

Now let's dig in a little deeper and narrow your target.

Target Marketing Yields Understanding.

By digging into your potential target markets, you'll start to crystallize your sense of yourself as a brand even more.

And you'll start to develop some thoughts on where you can make the best connection.

You don't know everything, but you're making a start.

You're beginning to understand your market.

You're beginning to understand what you have to offer.

You're beginning to understand the entry-level jobs.

Now you want to work to form a better match between what you can offer and what the market needs.

GO = Geography and Opportunity.

Now add two other things to your target definition:

- Geography
- Opportunity

There may be a particular part of the country where you want to work - or need to work.

And there may be a unique set of circumstances that creates an opportunity that you can leverage.

Geography - Where Is Your Target?

You may find them in the following places:

- Your home town.
- Your college town - if it's not your hometown.
- Your college or department's alumni directory Think hard about this one, because you can immediately establish a common ground with the target.

Identify a number of your college or department's graduates who are now working in the field.

They're likely to help you, even if only to give you some good advice or maybe a person to contact. If you're going to school in a big city, maybe your job is right where you're going to school. But maybe not.

Target Marketing Yields Opportunities.

Without knowing a single thing about you, we know there will be companies or places where you have better opportunities than others. Watch for them.

In researching your prospective target markets you should be on the lookout for opportunities, especially those that match well with your T.I.G.E.R. profile. Opportunities will surface the more you learn about the possible targets. For example, if there's a place to live while you look for a job, that place will have better opportunity.

You know what we're saying.

Target Marketing Creates Matches.

By digging into your potential target markets, you'll also crystallize your sense of yourself as a brand even more.

You'll start to feel where to make the best connection. What you're looking to do is create a better match between what you can offer and what the target needs.

And you can find potential targets in the minds of family, in the minds of friends, and in the minds of their friends. They know people. They can help you locate potential targets.

As you consider potential targets, always search for a match between your T.I.G.E.R. profile and key companies.

As You Focus, Expand Your Job Horizon.

This isn't contradictory as you focus on what you want to do, you need to expand your horizons about where you can do it. Later, in the section called "Bringing Yourself to Market," you'll create a strategy for the brand called "You."

There you'll find creative ways to expand your job horizon. But for now consider some examples of how to expand and then narrow your target. Here's what we mean.

Example: Writing Jobs

For example, assume you want a writing job, primarily because you love to write and believe you're good at it. The most obvious writing job is advertising copywriter – but don't stop there. Look at the other writing opportunities.

Marketers: If you do good business and technical writing, there may be a job at a marketer. And don't forget their corporate communications department. John's daughter was a technical writer moving to Portland. He had a friend who knew Dan Weiden. Dan got her an interview at Nike and she got a job there – as a tech writer.

Agencies: In addition to advertising, consider sales promotion (one of the text resources in the adbuzz.com study hall is an article called "How to Get a Job in Sales Promotion" by Coleen Fahey, one of the top people at Frankel. Don't forget Direct – a field that depends on good writing.

Media: There's selling and writing at a lot of media companies. Got an ear for radio? See what the stations need. Got an eye for TV? See what your local cable provider might offer.

And don't forget all the smaller media – the city business magazines, the regional shoppers and alternative press – they use writing. Of course, there will probably be phone answering and "go-fer" work attached – but that's true in most entry-level jobs. But, if it's consistent with your long-term goals, there's nothing wrong with a "stepping-stone" job.

Marketing Services: We already mentioned Sales Promotion and Direct. There's one more rich area – Public Relations. Here's a field that needs a lot of writing.

Joy Farber, a former Temple student and now a PR account executive with BSMG Worldwide in New York City, tells how she landed in public relations.

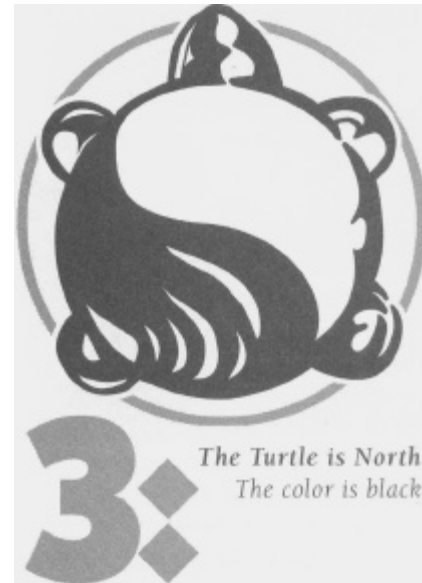
"My plan was to be a copywriter – though toward my senior year in college I had the nagging suspicion that, as much as I enjoyed writing, if I had to do it all day, every day, it would drive me bonkers.

So when I finished school, I decided to freelance while conducting my job search. It allowed me to sample different jobs, and that's how I ended up in a small, but visible PR firm.

In PR I could be on both the creative side and the business side. I could develop strategy. I could plan campaigns. I could write, and I could be the client contact. This diversity is why I chose PR.

In a small firm I could learn a lot quickly, gaining responsibility by grabbing it. Even if your aspirations are to work in a large agency – which mine always were – consider the benefits of starting small. "

In short, there are lots of writing opportunities in The Business of Brands – if you expand your horizons.



Increasing Your Market Value.

THE TURTLE CARRIES A LOT ON HIS BACK. He offers protection and strength. The steps are slow but sure.

While still a student, there are several ways for you to increase your market value.

Chances are, you have almost two years to prepare for a career in the marketplace – two years to find the right match between your "brand" and the marketplace.

That's two years to do a bit of "brand-building."

Here are four areas you can work on right now:

A. Making the most of your degree

B. Internships and summer jobs

C. Networking

D. Extras

Each can increase your value in the job market.

A. Make the Most of Your Undergraduate Degree.

There are a number of ways to make the most of your degree so that you increase your market value.

1. Take the right courses.

2. Get the right minor with your major.

3. Get involved and volunteer.

4. Look into student advertising competitions.

5. Comb your campus.

These are things you can get started on right away.

Let's look at them one by one.

1. Take the Right Courses.

When you're a freshman in college, things seem pretty much laid out for you. Your advisor tells you to take certain courses, and you do. But what your advisor might not tell you is that you should be mapping out future courses according to your career interest.

That sounds fine, but the problem is, do you really know what that interest is or even will be? Much like anything else, there is a curve of learning here re-garding your courses and career interest.

The curve begins as a freshman.

- You start with prescribed and required courses because you must. During this first year you begin to learn what subjects you like, and perhaps more importantly, what subjects you don't like (be careful not to have your liking or disliking dependent too much on the pros, but rather have it dependent on the actual subject matter).
- The curve continues into your sophomore year, when your interests are probably coming more into focus.
- You're still taking required courses, but now is the time to begin considering, and even taking specific courses in, your interest area.
- When you're a junior, you may be well into your major field of study, but even if you're not, you at least begin to recognize things that interest you, things that you can see yourself pursuing in the years to come.
- In your senior year you're settled well into your major and career interest.

Or at least that's the way it's supposed to work.

People Change.

True, it may not always work that way, especially when you consider that many people change not just jobs but careers three or four times in their lifetime. Since this is the case, consider yourself fortunate if you're one of the few who knows exactly what you want to do for your career.

And since this is the case, don't be upset if you've changed your mind once or twice already - maybe you're still not sure. Take heart. If you keep focused and productive, chances are you'll find the niche in the marketplace that's just right for you.

Meanwhile, the courses you take can go a long way toward sharp-ening your talents and interests.

2. Get the Right Minor with Your Major.

As an added bonus, consider a minor. Often a minor to go along with your major degree (advertising, marketing, etc.) can help dif-ferentiate you from others and sharpen your talents.

In most cases, a minor may only require satisfactory comple-tion of six or seven courses.

If you've been dabbling in a particular subject area with certain course selections, by the time you're a junior you may already have completed two, three, or more of those courses. Obvi-ously, you should check carefully with your advisor and an advisor in the department of your minor. But here are some thoughts as to the kind of minors that can help:

- If you're interested in account services work, then psychol-ogy, sociology or marketing may offer valuable minors.
- If you're interested in creative work, then English, art, computer graphics, photography, or psychology may be suitable minors.

- If you're interested in media or research, economics, statistics, marketing, psychology, or sociology may be good minors.
- This is a business where presentation is key, whatever you do. If you enjoy theater, improv comedy, or want to become a better public speaker, develop those skills as well.
- But there's even more you can do to increase your market value. Because there's more to school than taking classes.

3. Get Involved. Volunteer.

You want to make the most of your undergraduate degree, and the way to do that is by getting involved. Join clubs and organiza-tions, particularly those in the field.

Most have events that need advertising and promotional pro-grams - projects that will help you develop time-organizing skills.

Of course, once you get the habit of volunteering your time, you might find you like it.

That's what Dawn Vaughn does now as a professional in the industry. By getting involved and volunteering, you'll serve your practical need for getting that good first job, but you'll also serve your soul, as Dawn put it, by contributing and making a difference. And don't stop once you've started work.

Often the advertising or marketing group in your area will have some sort of charitable effort - it's a good way to help, and it's a good way to network.

From Alderman to Oval Office.

At the beginning of his career, Bruce volunteered to write copy for a local aldermanic candidate in Chicago.

That led to other freelance work - most of it for free. Eight years later that led to a paying job as Creative Director for the President of the United States. Hey, you never know.

4. Look into Student Advertising Competitions, Particularly the AAF/NSAC Competition.

There is one experience in particular that is extremely valuable for advertising majors: it's the AAF NSAC (American Advertis-ing Federations National Student Advertising Competition), also called "The College World Series of Advertising."

Its a competition participated in by most of the ad programs at US colleges and universities.

And a lot of people think it's the best "real world" advertising experience offered at universities.

How the NSAC Works.

A prominent national advertiser presents a case. Past sponsors have been American Airlines, Chevrolet, Hallmark, Kellogg's Nestle, Pizza Hut, Toyota, and Visa.

They provide the initial input.

Each school forms an agency-like advertising team.

Then the "fun" begins. First, market research, then a complete marketing and advertising plan, and, finally, creating a full-fledged advertising and promotional campaign for a prestigious client. Its sort of like all the things we talked about in this book. Only, instead of talking about them and taking a test, you get to really do it - and then see how you measure up.

The plan and campaign are coordinated into a plans book and actually presented to the client and a panel of nationally renowned judges at the opening district competitions. Each team winning a district competition then goes on to compete at the “world series” final competition.

How It Benefits Your Career.

It's no secret those students whose teams do well at the district and especially the national “world series” competition also do well in the job marketplace. Their experience with the AAF's NSAC is one of the main reasons they have value in the job marketplace.

In fact, right now, you might want to find out when the district competition is in your area. If it's close enough, you might want to consider taking day off and seeing seven ad teams in action. You'll see what we mean.

Mack Attack!

Mack Owen is a graduate of Texas Tech University and now in charge of his own in-house advertising department for a major chain of car dealerships in western Texas.

In the sidebar, see what he has to say about MF.

5. Comb Your Campus.

Beyond participating in competitions, search out, work for, or volunteer your time to key campus organizations and groups.

- **Campus media** may include your campus newspaper, radio station, or even an allied department on campus that works with the media, such as your sports information, university relations, or communications departments. They may need your help.
- **Work study programs** often allow you to work within your major or minor department while going to school.
- **Internships.** Remember, it may be possible to take more than one internship over the course of two or three years.
- **Join various campus organizations** that will help differentiate you as a brand, while simultaneously improving your skills in a particular area. For example, if you're interested in a “people” job position, then think about becoming a campus counselor or tour guide for new or prospective students on campus.

Think about becoming involved with your student activities center on campus, as well.

- **Start a student agency.** Remember Roy Spence and GSD&M? Maybe you want to be the next student agency that turns into a real ad agency. Why not find out?

Form a student agency - do work for the student paper, for student groups, for non-profits.

Make some noise. Have fun. Create great samples.

Almost everything you do will be increasing your market value.

B. Get Practical Experience.

There are two good ways to get it:

1. Internships, and
2. Summer jobs.

And you have a chance to get more than one of each.

1. Internships.

Try to get at least two before you graduate. Internships often provide valuable work experience and contacts. Remember, it's not uncommon for student interns to continue working for the sponsoring company after the internship is over.

Differentiating a “Commodity.”

As we've said, your degree will be, in many ways, a commodity. It will be viewed very similarly with all the other degrees from your classmates at your school and other schools.

That's why activities that separate you from those classmates are often considered the most valuable by those making decisions about who gets the jobs.

Some companies look for on-the-job advanced work.

For example, production companies look for someone who has done apprentice or intern work in the production field.

Big media companies, such as major television stations, often look for sales people who have trained at smaller media companies, such as local cable TV stations.

Make note of these special experiences. You should also consider adding those you plan on developing in the near future. This will help keep you on course in your career pursuit.

Differentiating a Resume.

Bruce Bendinger believes internships can differentiate you - because they “introduced you to the student behind the resume.”

In addition, Bruce says you should “be ready to tell me the story of your background in an interesting and engaging way.”

Internships Get You Connected.

The Business of Brands is interconnected.

Here's what happened to Mack Owen when he interned in a business he didn't think he'd be interested in. “Even though I didn't have any real interest in the newspaper business, I decided to accept an offer to intern at a small newspaper in west Texas. With the small paper I was able to work directly under the advertising manager.

He gave me the opportunity to sell on the streets just like every other sales representative at the paper.”

As a result, Mack learned to sell- something that will serve you well wherever you go in The Business of Brands.

By the way, David Ogilvy advises that virtually anyone in advertising should, at some point, be in sales. And the earlier the better.

Create Your Own Internships.

The importance of digging up internships, literally creating them, is dramatized by Gregg Friedmann, a Penn State graduate now a copywriter for the Torre Lazur pharmaceutical advertising agency.

“Odds are that somewhere near you - either at school or home - there is an advertising agency or department that might be willing to give you an internship.

“During my junior year I called a wide selection of ad agencies close to where I live and asked about internships. One local agency gave me a shot, even though they never had an intern before.

"Thanks to the contacts I made during that summer internship, I not only got a lead on my first job, but I am now working at the same agency I had interned at years before.

"Here are some ways to make this happen for you:

- "When you call the agency, you'll get the receptionist. Ask to speak to the person in charge of internships. If there is no such person, ask to speak to the creative director or the account planner or someone in the field you're suited for.
- "Don't let go of this contact, even if the person didn't return your call. Send an e-mail, a letter, or tell your story on voicemail. If it seems fruitless after awhile, move on to the next person and agency.
- "Beyond arranging for an internship yourself, go to your school's career placement office or your department's internship office or director. Make your plans known and make repeated visits to obtain the latest information on available internships."
- Whether you secure an internship from your school, department, or through "hitting the streets" on your own, the main point is to get at least one during your college career.

2. Summer Jobs.

Don't get just any summer job. Get a job in advertising or marketing. Even if you're sweeping floors, making copies, sitting only occasionally in meetings, or answering the phone. Here is where your real first job may be.

And here is where you'll expand your own experiences, adding more bulk and substance to The Brand Called You.

And Summer Trips.

If you need to work most of the summer to help with school costs, consider what you can do in a week or two.

More from Bruce - he took a week during one of his summers and stayed with a friend to do informational interviewing.

"I spent a week in New York the summer after my junior year. I knocked on doors, got advice from strangers, and tried to understand what they were looking for.

"By the time graduation rolled around, I knew the agencies. I also knew by then that I wanted to work in Chicago - not New York.

"They were seeing me with my third sample book, completely changed from front to back.

"It worked. I had offers from Chicago's three biggest agencies.

"That early start made a huge difference. And going to New York really helped me get a job in Chicago."

So, when you plan your summer trip, think about the long-term payoff, too. Even if you don't end up there.

C. Networking.

On some levels, it's as simple as the law of averages.

The way to get connected is to get connected. Build your knowledge. Build your connections. Build your relationships.

The more people you know, the more help you get the better your odds. You'll have more to choose from, you'll be able to make better judgments.

Here are some useful guidelines for building your network:

1. Find a mentor
2. Get to know important others
3. Look for people you can learn from

Let's take them one at a time.

1. Find A Mentor.

Still another vital concern for you is to begin developing your contacts and references - your network.

Some will come from your own personal networking, which means you should be active in your local advertising or marketing organizations, including those in your college and regional area. But others will come from those people you have contact with daily, your professors.

You should remember, too, that finding contacts, a good mentor, or a network of colleagues won't work if you wait until your senior year. You need to begin developing those relationships early on, and the earlier the better.

2. Get To Know "Important Others."

Start by targeting key people, such as your profs or those you meet at professional meetings in your local area.

Write them. Keep up with them and what they're doing. Maintain their contact. Don't lose touch. Terryl Ross, a 1990 graduate of Syracuse University, has this to say about the importance of networking,

- "Establishing a network with people in your field is the key to start-ing and maintaining a successful career.
- "Of the jobs and contracts I have had in my eight years in recreation, 85% have come from the networks I created.
- "Establish networks by joining clubs, attending conferences, meeting alumni, and volunteering for projects related to advertising.
- "Keep in touch with people you meet. Send e-mails, cards, and examples of what you have produced. Ask for advice.
- "Establish networks in other fields where you have an interest.
- "Remember, it's never too early to start building your network, and your network can never be too large."

3. Look for People You Can Learn From.

It's critical during your first few jobs that you find people you can learn from.

At the beginning of your career, learning good habits is even more important than making good money. These days, it's not as easy as it used to be.

Everybody's busier, so it's harder to find that time when you can really hear what more experienced people can teach you. But it's one of the most important things you can do.

D. Extras.

It doesn't stop there.

Here are a few more ways you might consider adding to your value - though some of them might cost a bit.

1. Interview extras
2. Building your "book"
3. An advanced degree

Remember, you're competing against a lot of other smart, dedicated people. And your target market is looking for people who have something extra. Give them what they want.

1. Interview Extras.

When you go on an interview, you want to be able to show something more than your diploma, grade point, and a resume. Here are some thoughts on giving your presentation something extra.

Testimony through Letters and Commendations.

As you work and/or volunteer throughout your college career, you'll develop references, those who can and will speak kindly of you as a coworker and person.

Often they're pleased to write you letters of recommendation or support.

If you've been particularly successful on a certain project, then letters of commendation to complement the letters of recommendation lend testimony to your talents and skills.

Produced Work.

Through your classes and experiences, what work have you actually produced that warrants notice?

Are there posters and support materials for some project you worked on? They can help dramatize the event.

- Did you put together a marketing plan for a campus group that helped stimulate the group's constructive thinking about its future?
- Have you spearheaded the fraternity recruitment drive with great success? You might consider some short one-sheet case histories that highlight projects you've worked on.
- Have you helped someone solve a marketing or advertising problem? Be ready to show or discuss these achievements.

Look for ways to visualize and dramatize accomplishments.

Nothing communicates the good job you're going to do like the good job you've done.

Don't have any accomplishments yet to visualize and dramatize? Looks like you've got one more goal.

2. Building Your Book.

For those of you interested in the creative side of advertising, showing something when you're done means your "book."

Once again, Gregg Friedmann offers some advice, "If you've already told any of your professors or anyone in the ad business that you want to be a copywriter, that person probably told you that you'll need to put your book together.

"Allow me to tell you a few things about that book.

"First of all, when you graduate, no one is really going to care that you aced 'Biomechanics of Basket Weaving' or 'Small, Meaningless Mam-mals 101.' That's because whoever interviews you is going to want to see what you can do.

"That's where your book comes in.

"Your book is a binder or portfolio case filled with samples of your

work. This is the one thing that will make or break you more than anything else. Your book can speak volumes about your conceptual ability and your writing skill. So make the most of it.

"You should start thinking about it all the time as early in your college career as possible. I highly recommend Maxine Paetro's *How to Put Your Book Together and Get a Job in Advertising*, which will give you specific guidelines for your book."

More Book Tips.

Chris Smith, a copywriter in Houston, has some more specifics. "When should you start working on your book? Start yesterday. "You can stop the same day you accept the gold Rolex at your retirement party.

"Never stop hammering your book into shape."

Here are some tips from Chris:

- "Take what you think is currently your strongest campaign and work on new ones until it's your weakest.
- "Team up with an artist (if you're a writer) or a writer (if you're an artist). That way, both your books will be better.
- "Focus on ideas and only finish the great ones.
- "Don't waste time on polishing waste. Waste the bad ideas.
- "Show your work to as many industry people as possible and then heed their advice.
- "Keep your eye on CMYK Magazine and student competitions. That's the kind of work being done at the portfolio schools, and that's what you'll be competing with when you graduate.
- "Fill your book with ads that reflect your style. The really great creatives make each ad their own without straying from a clients' appropriate tone or strategy."

The advanced advertising schools described earlier make it a point of having you leave their programs with a "book."

What If You're Not Creative?

For a start, if you were on an MF/N5AC team, you'd have a plans book you can show.

Add Post-Its™ on parts where you contributed. And be sure to have a summary - verbal or written. MF Plans Books can be quite daunting to interviewers who aren't familiar with them.

3. Think About An Advanced Degree (maybe).

An advanced degree isn't for everyone, nor does it guarantee career success. But for some people, it helps.

Advanced degrees like MBAs, MAs, and MFAs can provide you with additional skills, prospects, and a certain degree of prestige - depending on who you're talking to.

Going into marketing? Consider an MBA.

For ad agency work, an MBA for account execs or a "portfolio" school for creatives may be a good decision.

Advanced Degrees in Marketing.

Many market research companies prefer advanced degrees and most marketing companies look for MBAs in marketing.

Good News! Your Company Might Help with Your MBA.

You've just finished paying tuition for your undergrad degree, and you want to get started on your career.

So two more years of school may not be quite what you had in mind. Don't worry, a lot of people feel that way. In fact, quite a few get their MBAs while they're already working.

Most cities have MBA programs designed for people who are work-ing 9 to 5 - with lighter course loads and evening class. And many com-panies have programs where they'll pitch in and help with the tuition.

You might even let people know you're interested in getting an MBA during your interview.

Even though you don't have that MBA on your resume yet, the fact that you want to get one will show prospective employers that you want to keep moving ahead.

Advanced "Creative" Degrees.

In advertising education today, one of the most cov-eted advanced degrees is not traditional; it's the comple-tion of intensive creative advertising work, including stra-tegic planning, account planning, ad campaign develop-ment, design, and copy.

Keep Increasing Your Market Value.

Once you graduate and get that first job, your brand-building doesn't stop. Here's an example.

Cody's Career Path.

Cody Aufrecht's first job was with a small agency - Snelson Advertising in Midland, Texas. Snelson was a fairly small business -to-business advertising agency specializing in oil and gas and financial advertising. Cody spent his first two years as an account exec, moving up to Senior AE in 1983 and then to vice president/partner in 1985.

By 1988, he was Ad Manager of International Telecharge, Inc., a \$300 million publicly held telecom company. By 1990, he was that company's Manager of Marketing Services. After marketing management positions for PHH Vehicle Man-agement Services, Inc. during the early 1990s, Cody moved on as Director of Marketing for Today's Temporary, Inc., a \$180 million staffing company.

Now, he develops and directs the overall marketing strategy for 120 company-owned and franchise offices in the US and Canada, directs all market research programs, and manages all marketing communications.

The lessons to be learned from Cody's career growth:

- He started small where he could learn the business.
- He proved himself enough to move up (to manager).
- He moved up again, this time to director.

The entry-level job was as an account executive (at larger agencies his title probably would have begun or ended with junior, assistant, or coordinator).

The jobs showed increasing responsibility - from AE to ad manager to director of marketing.

This is a fairly common pattern for career success in The Business of Brands - step by step, up the ladder - and you can get a head start while you're in school.



Bringing Your Product to the Market

According To Chinese Mythology, The Dragon is the most powerful of the celestial animals. Chi - the Dragon's Breath, flows all around us. The Dragon brings good luck and inspiration. You'll need all you can get as you work to connect.

Let's start with two examples - Dawn and Bruce.

Dawn's Marketing Campaign

Remember Dawn Vaughn and the pick-up truck?

She'd sent resumes to over 20 Atlanta advertising companies during her senior year's spring break. She then followed up with each company before she headed south.

Her first position came from a newspaper ad. It was an entry - level job as account coordinator for a small agency. She did every-thing for the company, including layout, answering the phone, and coordinating services for the accounts.

In 1995 she moved on to Fahlgren Advertising (a larger agency with 30 employees), where she began as Account Coordinator and quickly moved up to Account Executive, working on the Atlanta McDonald's account.

In 1997 she moved on to what is now Fletcher Martin Associates, a "hot" Atlanta agency employing 85 people.

As this book was written, she was an Account Manager working exclusively on the Arby's Midwest restaurant account - but we won't be surprised if her career keeps growing.

The lessons to be learned from Dawn's career growth:

- Her campaign had a target. She followed up. And she followed up on her follow-up. Then she moved up.
- Move on and up when the opportunity presents itself. For Dawn, this meant going from account coordinator to account executive to account manager.

Bruce's Early Start

Bruce again. He started early. As a writer, musician, and cartoonist in college, he also focused on the right target - at the time.

He recalls when he was a student like you.

"It's funny. Even though my father was in advertising, I didn't really consider it until my junior year. But once I decided, I really focused -and that gave me a big advantage.

"As I mentioned earlier, I spent a week in New York the summer after my junior year. I knocked on doors, got advice from strangers, and tried to understand what they were looking for.

"My opening story was that I was looking to be the kind of person they'd want to hire a year from now. I remember I got excellent advice from Dave Ochsner at Hoffman LaRoche and Bill Casey at Papert Koenig & Lois, who had started up one of the early copywriter courses.

"They may not know how much they helped me early on, but they were hugely helpful- in visits of less than an hour.

"For a variety of reasons, I decided on Chicago, the number two ad mar-keet in terms of size. A fraternity brother's father was exec AD at one of the agencies in Chicago. I imposed myself on their hospitality over the Christ-mas holidays and tried to connect with as many major agencies as possible.

"I think I got in for interviews at eight of the top twelve agencies.

"My story had evolved to one where I was working to become the person they wanted to hire. I was first in line for campus interviews for all the agencies - plus P&G. (I had a different story for them - I told them that I was probably going to be an agency guy, but that I sure was interested in their company. Somehow that was enough to get them to fly me to Cincinnati for an interview.)

"By the time graduation rolled around, I knew the agencies. They were seeing me with the proof of my dedication - my third sample book, completely changed from front to back.

"I had offers from Chicago's three biggest agencies.

"That early start made a huge difference. And being able to get ac-quainted while I listened and learned what they were looking for helped me get it right. "

Bruce had a story, and he had a campaign.

Well, Dawn and Bruce have their jobs. What about you?

Your Pre-Launch Checklist.

Launching your brand in the marketplace will take a few things. Here's a quick checklist.

- **Your resume and more.** You'll need a resume that does the job - plus a few other things to differentiate yourself from every other resume-packing graduate.
- **Your brand story.** This is an interesting way of presenting your brand and your brand personality. We'll help you get started on your story.
- **Your market.** We'll review Step Two and talk about some ways to define your target and hit it effectively.
- **Your campaign.** Finally, we'll talk about how to put all of the elements together into a winning campaign.

The day may be a few years off - but it's not too early to start talking about it and thinking about it.

Your Resume & More

Where's your resume? You should have one right now.

You should be growing your resume regularly - watching it build as you add value to your brand.

Tight and Right.

A resume does more than list what you've done.

It also represents how you present yourself.

It should have clarity and purpose.

Have a few people look at your resume and get suggestions.

If you want a few more tips, check the resource section in the back and look at a few basic formats. And then develop the resume that's right for you.

Your resume is a summary of your knowledge, experiences, and skills. Its chock full of facts about you. On one page, you should be able to present - in writing - why you are qualified for an entry-level job at a company in your target.

And because its one of the first and most important ways your target will get to meet you, it's important. It should be brief, pointed, dynamic, and well organized.

- **Brief.** Use one side of one sheet of paper.
- **Pointed.** It should note the experiences and skills tailored to your target and the position you're applying for.
- **Dynamic.** Select your words carefully. Use action verbs - they're the writer's best friend.
- **Well organized.** There are two basic formats for resumes: chronological and functional.

The Chronological Resume.

The most common format is to present information in reverse chronological order, with the most recent experience first. A good outline for the resume would be the following:

Contact Information

Your name, addresses, and phone number.

Objective

A single, brief statement of the professional goal you have for that first job.

Education

Your degree, major/minor, month/year of graduation, and name of school.

Special honors or achievements

This may include dean's lists, high GPA, leadership roles in organizations, or special commendations from faculty or professionals.

Experiences/Employment

Your title, name and location of employer, and dates of employment.

If possible, include brief descriptions of those jobs that reflect well on you and relate to your objective or what you believe fits well with your employer's need.

If you paid for a large percentage of your college costs, you may even want to state that percentage, since this will reflect well on you as an ambitious and self-sacrificing individual.

If appropriate, you may want to break your experiences or employment out into two sections: related experience and additional employment.

Activities & Interests

Very brief lists or descriptions of those activities that personalize you for the employer and also reflect well on how you would fit with the company

References

Generally, the rule is to avoid listing references on your one-page resume; however, if you have strong references who have enthusiastically agreed to support you, then you should seriously consider including them on a separate piece of paper, urging the employer to contact them.

Of course, you should include name, title, address, and phone number for each reference. And you should always make certain that your references agree in advance to your request to use them as part of your job search.

The Functional Resume.

The functional resume is based on your skills, rather than chronology per se. It is meant to highlight the match between your skill set and what the employer needs. Still, for the most part it follows the basic chronological resume format.

- Contact information Objective
- Education
- Experiences
- Skills

Note those skills you've gained from previous experiences or employment that relate to those desired by the employer. For example, you may title one of the sections, "Organizational Skills."

Then describe those skills as they have been developed and refined in your previous jobs.

& More?

What else do you have along with your resume? For example, do you have your own stationery?

Do you have any examples of the work you've done - a business card for your lawn-mowing service.

The poster for the school fund-raising drive you headed up. Even if you aren't looking for a creative job, using writing or graphic samples, you should look for ways to make your accomplishments tangible.

Remember, one of the big jobs of services marketing is to make the benefits tangible. You should work to make the benefits of hiring you exactly that - tangible.

B. Your Brand Story.

Your story will give a focus to "The Brand Called You." In a few comfortable sentences, you should be able to introduce yourself and position yourself in a memorable way

Every brand needs a story For you, it's a way to get focused on how you will introduce yourself to the people who might want to hire you. Why is this important? Bill Dauphanis of Price waterhouse/Coopers LLP has some insights.

"Brands are built around stories. And stories of identity - who we are, where we've come from - are the most effective stories of all. This is a powerful way to bring them to life."

Stories help us connect with each other as human beings.

They're a great way to make lessons tangible and real. So, instead of saying "plan your campaign," we tell you the story of Dawn and her pick-up truck. Get it?

So, What's Your Story?

Those employers understand that a brand has a story behind it, one that's meaningful to the customer. It's also a story that creates a "point of difference" for the brand, something that makes the brand unique in the marketplace. This is part of what goes into their many advertising decisions.

Before they hire you they'll want to know your story At least part of it should come from what you learned about your position among your competition.

Here's what Lee Clontz, a graduate of the ad program at the University of South Carolina, has to say about "building your own story"

"The quickest way not to get a job is to bore an interviewer. Nothing is worse than a boring applicant. College is a tremendous opportunity to do different things, explore exciting options, and take interesting classes. Do something different, something impressive.

"Have an interesting story ready that will set you apart from the hordes of other people your interviewer will meet. "Do something others aren't doing. You've got to build your story. Be ready with concrete ways you can demonstrate your leadership skills, your talents, your initiative, and your versatility.

"There's nothing wrong with an interviewer thinking of you as 'that Peace Corps person' or 'the newspaper editor.' In a pile of resumes, you're trying to be more than just a name. To do that, you've got to be different, and you've got to be interesting. "

How to Build Your Story.

What is a key event or accomplishment that dramatizes your brand personality? How do you fill in the blank?

A Story Builds Your Brand. "The person."

How you fill in that blank will define your brand. Remember what Lee Clontz said, "There's nothing wrong with an interviewer thinking of you as 'that Peace Corps person' or 'the newspaper editor.'"

For your target, that means you need a story that says "Peace Corps" or "newspaper editor."

The story should convey a single strong meaning in much the same way that Heinz Ketchup's story is all about "slow," while Federal Express's story says "fast" and Volvo's says "safe."

This story will be yours and yours alone. It should be organized and memorable.

What Is a Story? Five Steps.

Structure. First, know the main structure of a story. A story has a beginning, middle, and end, and usually flows through time.

In some of the best stories, like the movie *Good Will Hunting*, the end is very much like the beginning (same scene and characters). It's like a circle.

Motifs. Second, a story has motifs - threads that wind their way through the story details so that, in the end, the viewer, listener or reader can see a discernible pattern. The motifs can be repeated im-ages or words, those central to the story's meaning.

Drama. Third, a story has drama. Action that rises and crests in the mind of the person on the receiving end.

Anchor. Fourth, a story has an anchor, which is its dominant meaning or theme. It is the single most important message you want remembered. And the beginning, middle, end, motifs, and drama should all be tied to that anchor.

Surprise. Fifth, there's a bit of a surprise, a punch line, some sort of reward to the story that makes it worth remembering. During and after a story is told to someone, that person should be able to condense and wrap it into a tight package of meaning.

The Potato Chip Story.

For example, consider the story crafting power of Chris Pultorak, a graduate of Temple University and now an Account Executive with FCB (Foote, Cone & Belding) in Chicago.

"In college I interviewed for a combination scholarship/internship program that was being offered by a local advertising organization. Right in the middle of my interview, the four board members were de-livered their lunch. Everything was fine until they realized that the delivery guy stiffed them on their potato chips.

"You can imagine the panic. I don't think they heard a single thing I said after that. I talked. They ate.

"And they grumbled about not having potato chips.

"Then they nodded and thanked me for coming.

"On my way out, I noticed the next candidate waiting in the lobby for his interview. I also noticed a food vendor who was parked right in front of the building. So, I bought four bags of chips, handed them to the next candidate, and said, 'Here, they'll love you for it.'

"The next day I received a call from the review board awarding me the scholarship. And I became known as 'that potato chip guy.' "

But notice his story and how it positions Chris as that "potato chip" guy. How it flows through time. How it contains a beginning, middle, and end. How it carries a motif of potato chips throughout. And the simple surprise of the punch line.

And finally, how all of these story-building elements are anchored to the main message of making Chris memorable.

Building Your Story.

First, you have to decide what you want remembered as that single minded meaning about you.

Of course, that meaning should be vital to how you want to position yourself in the mind of your target. And it should sell you in a memorable way.

Second, that single-minded meaning should relate instantly to the interest of your target.

This is what Chris did to gain the scholarship. They wanted potato chips. He provided them.

As you did earlier, you may want to role-playas that target so you craft your story with the target in mind.

Third, you should select an experience that best relates to the meaning you want conveyed and give it shape and form through the passage of time.

For example:

First this happened. Then that happened. Then there was a prob-lem. And things weren't looking good.

But after working on it and visiting the right people, things began looking up. Until another problem.

But working on it again produced positive results. Until the work made it through and got published and now my name's on it because I was "the writer who wouldn't say No."

Short Stories and Long

Notice how short the story can be. A brief paragraph. Perhaps two. Notice that it leaves room for a motif - perhaps a recurring problem.

It builds a bit of drama by creating some tension as to whether things will work out.

And finally, with a bit of surprise, it positions the person as a certain type of writer, a type that would be memorable. The story of your life might be a long and interesting one, but the interview won't be. Bruce's story was that he wanted to become someone they wanted to hire. That's a pretty short story. Yours can certainly be longer than that, but it's not a novel -save the long version for your memoirs.

C. Your Market.

There are a number of ways to narrow down your target market. Chances are, you're already starting to do that. And, since the market match is so different for each individual, it's hard for us to give you specific advice.

So let's review what we've already discussed. A Brief Review. First, you have your T.I.G.E.R profile of you as brand.

You've identified your talents and interests, stated your goals (short- and long-term), described your experiences, and tapped into those resources needed to find that first job.

You're now closer to understanding yourself as a product.

Second, you also understand more about your potential market. The different types of organizations where you may fit, such as ad agencies, marketing services firms, or individual media.You know how to look for them.

Your Initial Target.

In your local area, you've already taken a look at advertising-to--sales ratios, S.I.C. codes, emerging markets, and specialized fields, such as event marketing or retail.

Third, you know what it means to increase your market value while in school. Taking the right courses. Working as an intern. Volunteering. Finding a mentor. Increasing your value through the work you produce, the people you know, and the experiences you've had.

Market Match-ups: Skills, Regions, Categories, Companies.

Based on what you know about yourself and your market, find the matches between the two.

To do that, think creatively about those matches. These are some of the categories most of us use:

- **The skill:** What do you bring to the party? Where would your skills fit in The Business of Brands? Verbal? Visual? Managerial? Marketing? Advertising? Sales?
- **The region:** Where do you want to be working? There are a lot of hours when you're not on the job. Where do you want to be when you get out of work?
- **The category:** What part of The Business of Brands do you think you fit into? Sports marketing?
- **The company:** Is there a company you want to work for more than anything? Does your family own it?

Think about Making Those Connections.

After you've identified your targets, you might want to start planning your strategy for contacting them. It might not happen for a while, but it never hurts to think ahead.

To do this, think like they think and do as they do. Be creative here as well. What are they impressed by? What do they like? What are they like? Put yourself in their place.

For example, if you were an agency executive with hiring power, would you be interested in hiring someone who knew specific details about the advertising your agency was currently running? Would you be interested if that someone knew the agency's history? Its client base? Its manner of doing business?

Knowing the answers to such questions will help you impress your target at the outset.

Plus, answering those questions will go a long way to giving you something to say when you contact your targets. Now you need a fourth thing - your campaign.

D. Your Campaign.

Planning Your Launch.

It's a process - sometimes a long one.

While a few are lucky enough to know right off what they want to do and where they want to do it - for most of us it's the process of a year or two.

Putting It Together.

Here's where you put it all together. While every campaign is different, since you have a different product (you), and a slightly different market (your target), the details will vary:

But most campaigns have these building blocks:

1. **Your resume.** On one page, you should be able to present, in writing, why you are qualified for an entry-level job at a company in your target.
2. **Your brand story.** In a few comfortable sentences, you should be able to introduce and position yourself in a memorable way
3. **Extras.** You should have more than a resume. No stupid pet tricks please, and don't bring a musical instrument, but whether

it's a bit of writing you did, or a letter or article about you, try to bring something extra.

4. **Your target list.** Names and addresses of the companies on your target list. Plus the people you should contact. Plus some information about them.

5. **Your initial contact.** Some sort of written communication to introduce yourself and present your resume. Tell them you will con-tact them. And do it. It's not their job to contact you.

6. **Follow-up.** Now you have to do what you say you'll do. Follow-up and try to schedule some sort of initial interview - if there's no job, try to schedule an "informational interview."

7. **Follow-up your follow-up.** Pleasant tenacity should be one of the skills you develop at this stage of the game. We'll talk about how to project a feeling of being positive and organized - rather than a desperate nag.

8. **The roll-out.** Finally, whether you've got a V-Haul, a portfolio, or a one-page resume, you're ready to make the connections that will ultimately lead you to that first job - the first step on your career path.

Deep breath...

OK, let's go over the campaign game plan. If you've just finished up the Intro course, you should think of this section as something you'll skim for future reference.

If you don't - Relax and enjoy it feel at home Get the concepts into your head and let them cook.

They can simmer for up to a year.

But . . .

If you took the course a year or so ago, it's time to get serious. So let's dig in together. We've got work to do.

Here are some areas of your "launch" that might need work.

Extras.

You should really consider extras not so extra. They're necessary. And they should demonstrate your talent. You may want to use them when contacting targets. Or, you may want to bring them with you when you visit or interview:

Here's a list of some extras to consider:

- Your own stationery and business card
- A mini-brochure/resume for handouts

You really should have more than a resume. Think of it this way: you're a product, a brand. Doesn't every brand deserve a bit of a promotional brochure? Of course it does!

The Mini-Resume Promotional Piece.

Bruce remembers going to finals for the College World Series of Advertising (aka the AAF/NSAC).

"The professor from West Florida, Tom Groth, had encouraged every student to develop a small pocket-size promotional piece - and to hand them out.

"Within fifteen minutes, I had five or six of them in my pocket - and I looked at them the next day. They were simple little one-fold brochures that dramatized the benefits of hiring that person.

“Each one was different - different type, different design, different message - but they all worked.”

You should consider developing one for yourself.

Work Samples.

- Student advertising competition entries or submissions, especially if you've done well at the competition level.
- Ads or campaigns you've worked on during your internship or while in school.

For example, have you organized a recruitment campaign for a school organization or for your sorority or fraternity? If so, is it worth showing? If yes, then show it.

- Commendation letters for work performed. Many times “men-tor” pros will be glad to write a commendation letter.

Your Initial Contact.

Decide what you're going to say before you say it. And make sure that what you're going to say is in your target's best interest, as well as your own. Just like the advertising for brands, you need to consider the benefits for your target if they hire you. These should be the centerpiece of what you say

Some Initial Contact Tactics:

Here are some choices of how to contact them:

Send a letter. Make it short. Make it good.

If you want to sell yourself as a writer, there's no better opportunity than the cover letter. Make it creative, energetic, FUN!

Joy Farber wrote her first letters in the third person, signing them ‘Joy's Agent.’ Why? “So I could spout my attributes without sounding cocky.”

- **Pick up the phone and call.** Get names and titles (Note: secretaries, executive assistants, and receptionists are worth their weight in gold generally, and when tact someone, they're the key.)
- **Go there.** Don't just drop in gathering session, being right up front with who you are and your interest in the company. Once there, ask for advice. This good, and you'll be getting smarter. By the way, don't forget to bring a few intelligent questions.
- **Consider guerrilla marketing.** Since you're an unknown commodity in the marketplace, you may be needed to be especially creative in how to make contacts.

Example: The Tuesday Campaign

Here's what Tuesday Poliak did to get interviews for jobs. Tuesday wanted to work for a major California market, but as knew it would be difficult to get. What Tuesday did worked for her.

Tuesday duplicated photos of key agency CEOs into simulated driver's licenses. She then put the licenses into wallets and placed the wallets on the floors of restrooms of agency offices.

When the wallets were found they were promptly given to the respective CEOs, who

upon opening them, found Tuesday's story inside.

Tuesday was given three interviews within a week.

Are You Ready?

By now you know the main message from this chapter. Start formulating the marketing of “The Brand Called You”

It will take work. But it will be worth it. You'll probably be going back over this chapter a number of times as you get your brand ready.

Are you ready? How about a quick review of things you have to do? You can make certain you've covered all your basics by answering these questions:

- Do you understand yourself a you completed your T.I.G.E.R. pre how to differentiate yourself as a
- Do you understand your mar which companies are in your target them? Can you think like they thin
- Do you have plans to internships. Course selection. Networking
- Do you have a plan of action Is your resume ready? How about can demonstrate your talents?

Get Ready to Roll...

As we said, if you've just finished up the intro course, think of this section as something you'll skim for future references. But as we also said, the sooner you start, the better you'll do. So think about getting started. Even if you start early, you've got some work to do.

Tom Peters has a few well-chosen closing words.

“It's this simple. You are a brand. You are in charge of your brand.

There is no single path to success. And there is no one right way to create the brand called **You**.

“Except this: Start today. Or else.”

Job-Hunting's Three R's.

Resources, References, and Resumes

Here's an initial list of places to find out the things you'll need to know. And, of course, you'll want to see what you can find @ adbuzz.com - see you there.

“As I mentioned earlier, I spent a week in New York the summer after my junior year. I knocked on doors, got advice from strangers, and tried to understand what they were looking for.

“My opening story was that I was looking to be the kind of person they'd want to hire a year from now. I remember I got excellent advice from Dave Ochsner at Hoffman LaRoche and Bill Casey at Papert Koenig & Lois, who had started up one of the early copywriter courses.

“They may not know how much they helped me early on, but they were hugely helpful- in visits of less than an hour.

“For a variety of reasons, I decided on Chicago, the number two ad mar- ket in terms of size. A fraternity brother's father was exec AD at one of the agencies in Chicago. I imposed myself on their hospitality over the Christ-mas holidays and tried to connect with as many major agencies as possible.

“I think I got in for interviews at eight of the top twelve agencies.

“My story had evolved to one where I was working to become the person they wanted to hire. I was first in line for campus interviews for all the agencies - plus P&G. (I had a different story for them - I told them that I was probably going to be an agency guy, but that I sure was interested in their company. Somehow that was enough to get them to fly me to Cincinnati for an interview.)

“By the time graduation rolled around, I knew the agencies. They were seeing me with the proof of my dedication - my third sample book, completely changed from front to back.

“I had offers from Chicago’s three biggest agencies.

“That early start made a huge difference. And being able to get acquainted while I listened and learned what they were looking for helped me get it right. “

Bruce had a story, and he had a campaign.

Well, Dawn and Bruce have their jobs. What about you?

Your Pre-Launch Checklist.

Launching your brand in the marketplace will take a few things. Here’s a quick checklist.

- Your resume and more. You’ll need a resume that does the job - plus a few other things to differentiate yourself from every other resume-packing graduate.
- Your brand story. This is an interesting way of presenting your brand and your brand personality. We’ll help you get started on your story.
- Your market. We’ll review Step Two and talk about some ways to define your target and hit it effectively.
- Your campaign. Finally, we’ll talk about how to put all of the elements together into a winning campaign.

The day may be a few years off - but it’s not too early to start talking about it and thinking about it.

Your Resume & More

Where’s your resume? You should have one right now.

You should be growing your resume regularly - watching it build as you add value to your brand.

Notes -

ADVERTISING CAMPAIGN - I

Advertising Campaign I

Rasna: a True Story

1. Introduction

Rasna soft drink concentrate as one of the five marketing and advertising successes of the eighties. Even today, Rasna is a major brand name. During 80's and 90's, Rasna had a marketable share of 76% by volume and 50% by value among the non-aerated soft-drinks. Thus, in the year 1987, about 800 million glasses of Rasna were consumed.

Rasna, the Product: It is a soft drink concentrate. Rasna comes in a paper carton containing a bottle of liquid flavour base and pouch of concentrate in form of powder. Because of this dual format, the taste of Rasna is better than any other form of non-aerated soft-drink (powder or syrup form, i.e.). Besides, to the housewives, the dual format provides the much needed psychological satisfaction of her involvement in the preparation of the drink. Currently, Rasna is available in about 15 flavours, a range not matched by any other company.

2. Relaunch of Rasna in 1983

2.1 Introduction

The brand was launched as 'Jaffe' in 1976 and was distinguished regionally until 1978. In 1979, it was renamed as Rasna. Initially, the sales were around Rs. 1 crore per annum, in 1982, the sales dipped to Rs. 80 lakhs. So, it was decided to Relaunch Rasna.

2.2 Market Scenario (1982)

In 1982, the soft-drink concentrate was a little known concept. In other words, consumers were relatively unaware that a delicious soft drink could be prepared at home through the use of concentrates. For Rasna, the awareness, comprehension and the recall of the advertisements were low. The benefits of this innovative product category were not well understood by the consumers. To them, soft-drinks meant aerated soft-drinks, marketed in bottles and mainly consumed outdoors. Branded soft-drinks which were used at home were made from squashes and syrups. Purely on price considerations, there was also extensive use of home made *sharbets*, primarily of lime.

In 1982, the non-aerated soft-drink market was estimated at around Rs. 13 crore. Squashes and syrups were the leading product categories, accounting for 84% of the market.

2.3 Research

It was decided that a proper advertising communication would help the brand sell more. To arrive at directions for the advertising campaign, a research study was initiated. The study tried to find out: (a) the area of dissatisfaction, in any, with the soft-drink; and (b) the opinion on Rasna; after trying the brand for a few days. The research found that aerated soft-drinks were found to be costly and were not recommended for children.

Squashes and syrups were found to be costly. Added to this was the dissatisfaction of a limited flavour range. Home made *sharbets* felt short of the consumers' take expectation, besides being cumbersome to prepare.

When given Rasna, practically everyone liked it because of the taste and economy factor. This (taste and economy) thus became the positioning platforms.

2.4 Advertising Objectives

The objective thus became: To persuade consumers to try Rasna by creating/re-awakening their interest in the brand.

2.5 Target Audience

Housewives in the age group of 20 plus with per capita income of Rs. 750/- p.m or more.

2.6 Influencer

Child in the family, who for the first time in Indian Advertising history, was recognised as the major influencer in the purchase of a household product.

2.7 Creative Strategy

A conscious decision was taken to highlight the economy without the mention of the price, to avoid the product being perceived as cheap. This helped in building a better image for the brand from day one. The other aspect of the strategy was to involve both the mother and the child. In 1983, the brand had one press Ad. The Ad had a visual of 32 glasses. The headline said: "Just one wonder pack of Rasna makes 32 glasses of delicious soft drinks and a one minute film to be screened in the cinema halls.

2.8 Media Strategy

The basic objective was to build quick noticeability and persuasion. The strategy consisted of:

- Extensive use of an audio-visual medium- cinema
- Use of colour Ads.
- Use of vernacular (i.e. regional language) press.
- Use of publication with better image.

The media expenditure for 1993 was equal to Rs. 20 lakh (which in today's terms would mean at least Rs. 2 crores) a figure which was 25% of the total 1982 sales. This indicated the firm faith in advertising which was exhibited by the company.

2.9 Sales

The sales went up to Rs. 1.44 crores, an 805 increase over the previous year's figure. The market share increased from 6% (1982) to 9% (1983). While squashes retained their market share, the share of syrups declined by 4% points.

3. Continuation in 1984

The sales of 1983 clearly showed that the marketing and the advertising were on right tracks. The strategy was right and the communication was affective. The client was now convinced that advertising was an integral part of the brand. The mood

was one of confidence and optimism when a substantially increased advertising outlay planned for 1984.

3.1 Creative Strategy

It was an extension of the 1983 strategy. Taste and economy continued to be the main USPs. In addition, 'ease of preparation' was also brought in. In the advertising campaign children were used to convey this, with a touch of emotion and humour. The campaign consisted of two press Ads. In one Ad the kid says in the lead line: "Rasna: Today, I made it all by myself." In the second Ad the lead line was: "The most delicious, just in a minute", soft drinks for your guests and your parties! Plus two 30 seconds commercials (an Ad on TV/Radio is called commercial)

3.2 Media Strategy

Rasna being a family product, TV was a very appropriate media. Hence, 50% of the budget for audio-visual medium (which would also include cinema, etc.) was used for TV Ads.

3.3 Sales in 1984

Sales more than doubled to 3.18 crore. In value terms, Rasna achieved 17% share in the non-aerated soft drinks market. (Looks at table below): And in fact volume sales of Rasna had overtaken the volume sales of squashes and syrups but together.

Market Shares of Non-aerated Soft Drinks (%)

	1982	1983	1984
Rasna	6	9	17
Soft drink conc.	7	11	21
Squashes	42	42	36
Syrups	42	38	36
Others	9	9	7

Brand wise Share of non-aerated Drinks 1984 (%)

Rooh Afza	23.8
Rasna	17.0
Kissan squash	16.1
Dippy's squash	12.8

3.4 Other Parameters

A research study was conducted at the end of summer 1984, to ascertain brand awareness. Ad recall and Ad comprehension. The research was carried out in 17 towns and 4665 families. The results obtained are shown in the table below:

Results of 1984 Survey			
1. Brand Awareness	2. Brand associated as:	3. Users opinion	
- Spontaneous: 80%	- Soft Drink	25%	- Recall 64%
- Promoted : 0.8%	- Soft Drink at home	55%	- Message: easy to prepare 34%
	- Soft Drink concentrate	20%	Tasty 42%
	- Good quality drink		20%
	Ads are:	Attractive 83%	
		Interesting 75%	
		Convey well the method of prep. 62%	

4. Other Components of the Marketing Mix

A question that always comes up is: is it advertising that worked or were it the other element of the marketing mix that led to the success of the brand? Well, in case of Rasna, the pack

was not changed. Price infact was raised by Re. one. While more retailers started stocking the product, this itself was due to advertising of Rasna. Thus, the advertising worked.

Having achieved the primary objectives of creating a satisfactory level of awareness of Rasna and its features, the subsequent years saw the creation of a distinct brand personality, a brand that is a member of the family – warm, reassuring and worth showing off. It was recognized that in creating such a personality, a child would be the best route to take. Thus the character of a kid – Ankita, was born.

Between 1983-87, Rasna took advantages of sponsorship of very relevant sponsored programs such as *Superman*, *Ek Do Teen Char*, and *Contact quiz* to further strengthen the brand personality. By 1987, Rasna's share in non-aerated brands market rose to 40% while Rooh Afza share declined to about 18%. In fact, while between 1984-1987, the share of Rasna went up, shares of Rooh Afza, Kisan and Dippy went down.

5. Karisma Kapoor is Rasna New Face

Rasna Cola Cola juice concentrate has sold 150 million sachets in the first month of its launch. The sachets, which cost Rs 50 paise each, were launched a month ago by Ahmedabad-based Rs 225 crore Rasna with actor Karisma Kapoor as its brand ambassador.

The company targets to sell 1 billion sachets of Rasna Cola Cola by the end of 2004-05. Rasna claims a 93 per cent market share in the Rs 300 crore soft drink concentrate market. Rasna currently sells about 2 billion sachets across all flavours every year.

Rasna chairman and managing director Piruz Khambatta said, "We had introduced Rasna Cola Cola in sachets with the intent to make cola an affordable and easily available drink for the masses. With Rasna Cola Cola, we would be able to increase our sales by 50 per cent as we hope to sell a billion glasses of Cola Cola this financial year." Cola Cola is Rasna's latest product in the '1 ka 2' range.

Rasna also plans to expand its target audience from just children to mothers and other adults as well. Karisma Kapoor, who plays a young mother in the Rasna advertisement, said, "I chose Rasna because it has no artificial flavours."

However, when asked if this would stop her from being hired by one of the cola majors, she said, "One of my contracts has just ended with one of them."

When Rasna approached me, it seemed like a novelty, and a family product, which is why I chose to endorse it."



"I love you Rasna"

Rasna Ad in 2002 Storyboard



The shot of a group of kids frolicking in the downpour.



They get drenched to the bone and enjoy a glassful of Rasna.



Cut to a young man, as he sips his glass of Rasna and looks longingly at his attractive neighbour.



The girl returns the stare shyly, but retreats as she spots an older man next to the boy.



Cut to a market place, a stray ball falls into a lady's shopping-basket.



She spots a gang of kids on a terrace waving out for the ball. She flings it back...



...towards them and laughs about her brashness over a glass of Rasna.



Product window. Super: 'Rasna. Relish a Gain.' Source: TV Ad Index.

ADVERTISING CAMPAIGN - II

PARLE

Introduction

A long time ago, when the British ruled India, a small factory was set up in the suburbs of Mumbai city, to manufacture sweets and toffees. The year was 1929 and the market was dominated by famous international brands that were imported freely. Despite the odds and unequal competition, this company called Parle Products, survived and succeeded, by adhering to high quality and improvising from time to time.

A decade later, in 1939, Parle Products began manufacturing biscuits, in addition to sweets and toffees. Having already established a reputation for quality, the Parle brand name grew in strength with this diversification. Parle Glucose and Parle Monaco were the first brands of biscuits to be introduced, which later went on to become leading names for great taste and quality.

Did you know, how **Parle fought** to make biscuits affordable, despite World War II

How Parle fought to make biscuits affordable to all.

Biscuits were very much a luxury food in India, when Parle began production in 1939. Apart from Glucose and Monaco biscuits, Parle did offer a wide variety of brands.

However, during the Second World War, all domestic biscuit production was diverted to assist the Indian soldiers in India and the Far East. Apart from this, the shortage of wheat in those days, made Parle decide to concentrate on the more popular brands, so that people could enjoy the price benefits.

Thankfully today, there's no dearth of ingredients and the demand for more premium brands is on the rise. That's why, we now have a wide range of biscuits and mouthwatering confectionaries to offer.

The strength of the Parle Brand

Over the years, Parle has grown to become a multi-million US Dollar company. Many of the Parle products - biscuits or confectionaries, are market leaders in their category and have won acclaim at the Monde Selection, since 1971.

Today, Parle enjoys a 40% share of the total biscuit market and a 15% share of the total confectionary market, in India. The Parle Biscuit brands, such as, Parle-G, Monaco and Krackjack and confectionery brands, such as, Melody, Poppins, Mangobite and Kismi, enjoy a strong imagery and appeal amongst consumers.

Be it a big city or a remote village of India, the Parle name symbolizes quality, health and great taste! And yet, we know that this reputation has been built, by constantly innovating and catering to new tastes. This can be seen by the success of new brands, such as, Hide & Seek, or the single twist wrapping of Mango bite.

In this way, by concentrating on consumer tastes and preferences and emphasizing Research & Development, the Parle brand grows from strength to strength.

The Quality Commitment

Parle Products has one factory at Mumbai that manufactures biscuits & confectioneries while another factory at Bahadurgarh, in Haryana manufactures biscuits. Apart from this, Parle has manufacturing facilities at Neemrana, in Rajasthan and at Bangalore in Karnataka. The factories at Bahadurgarh and Neemrana are the largest such manufacturing facilities in India. Parle Products also has 14 manufacturing units for biscuits & 5 manufacturing units for confectioneries, on contract.

All these factories are located at strategic locations, so as to ensure a constant output & easy distribution. Each factory has state-of-the-art machinery with automatic printing & packaging facilities.

All Parle products are manufactured under the most hygienic conditions. Great care is exercised in the selection & quality control of raw materials, packaging materials & rigid quality standards are ensured at every stage of the manufacturing process. Every batch of biscuits & confectioneries are thoroughly checked by expert staff, using the most modern equipment.

The Marketing Strength

The extensive distribution network, built over the years, is a major strength for Parle Products. Parle biscuits & sweets are available to consumers, even in the most remote places and in the smallest of villages with a population of just 500.

Parle has nearly 1,500 wholesalers, catering to 4,25,000 retail outlets directly or indirectly. A two hundred strong dedicated field force services these wholesalers & retailers. Additionally, there are 31 depots and C&F agents supplying goods to the wide distribution network.

The Parle marketing philosophy emphasizes catering to the masses. We constantly endeavour at designing products that provide nutrition & fun to the common man. Most Parle offerings are in the low & mid-range price segments. This is based on our cultivated understanding of the Indian consumer psyche. The value-for-money positioning helps generate large sales volumes for the products.

However, Parle Products also manufactures a variety of premium products for the up-market, urban consumers. And in this way, caters a range of products to a variety of consumers.

The Customer Confidence

The Parle name conjures up fond memories across the length and breadth of the country. After all, since 1929, the people of India have been growing up on Parle biscuits & sweets.

Today, the Parle brands have found their way into the hearts and homes of people all over India & abroad. Parle Biscuits and confectioneries, continue to spread happiness & joy among people of all ages.

The consumer is the focus of all activities at Parle. Maximizing value to consumers and forging enduring customer relationships are the core endeavours at Parle.

Our efforts are driven towards maximising customer satisfaction and this is in synergy with our quality pledge. "Parle Products Limited will strive to provide consistently nutritious & quality food products to meet consumers' satisfaction by using quality materials and by adopting appropriate processes. To facilitate the above we will strive to continuously train our employees and to provide them an open and participative environment."

Parle G - The Evolution !!!

Parle-G has been a strong household name across India. The great taste, high nutrition, and the international quality, makes **Parle-G** a winner. No wonder, it's the undisputed leader in the biscuit category for decades. **Parle-G** is consumed by people of all ages, from the rich to the poor, living in cities & in villages. While some have it for breakfast, for others it is a complete wholesome meal. For some it's the best accompaniment for chai, while for some it's a way of getting charged whenever they are low on energy. Because of this, **Parle-G is the world's largest selling brand of biscuits.**

Launched in the year **1939**, it was one of the first brands of **Parle Products**. It was called **Parle Gluco Biscuits** mainly to cue that it was a glucose biscuit. It was manufactured at the Mumbai factory, **Vile Parle** and sold in units of half and quarter pound packs.

The incredible demand led **Parle** to introduce the brand in **special branded packs** and in larger festive tin packs. By the year **1949**, **Parle Gluco** biscuits were available not just in **Mumbai** but also across the state. It was also sold in parts of **North India**. By the early **50s**, over **150 tonnes** of biscuits were produced in the **Mumbai** factory. Looking at the success of **Parle-G**, a lot of other me-too brands were introduced in the market. And these brands had names that were similar to Parle Gluco Biscuits so that if not by anything else, the consumer would err in picking the brand. This forced Parle to change the name from Parle Gluco Biscuits to **Parle-G**.

Originally packed in the wax paper pack, today it is available in a contemporary, **premium BOPP pack** with attractive side fins. The new airtight pack helps to keep the biscuits fresh and tastier for a longer period.

Parle-G was the only biscuit brand that was always in short supply. It was heading towards becoming an all-time great brand of biscuit. **Parle-G** started being advertised in the **80's**. It was advertised mainly through press ads. The communication spoke about the basic benefits of **energy** and **nutrition**. In **1989**, **Parle-G** released its **Dadaji commercial**, which went on to become one of the most popular commercials for **Parle-G**. The commercial was run for a period of **6** years.

Parle-G grew bigger by the minute. Be it the packs sold, the areas covered or the number of consumers. It became a part of the daily lives of many Indians. It wasn't a biscuit any more. It **had become an icon**. The next level of communication associated the brand with the **positive values of life** like **honesty, sharing and caring**.

In the year **1997**, **Parle-G** sponsored the tele-serial of the Indian superhero, **Shaktimaan** that went on to become a huge success. The personality of the superhero matched the overall superb benefits of the brand. **Parle** extended this association with **Shaktimaan** and gave away a lot of merchandise of **Shaktimaan**, which was supported by **POS and press communication**. The children just could not get enough of **Parle-G** and **Shaktimaan**.

In the year **2002**, it was decided to bring the brand closer to the child who is a major consumer. A national level promo - '**Parle-G Mera Sapna Sach Hoga**' was run for a period of **6** months. The promo was all about fulfilling the dreams of children. There were over **5 lakh** responses and of that, over **300** dreams were fulfilled. Dreams that were fulfilled ranged from trips to **Disneyland at Paris & Singapore**; meeting their favorite film star **Hrithik Roshan**; free ride on a **chartered plane**; **20** scholarships worth **Rs 50,000**; a special cricket coaching camp with the Australian cricketer - **Ricky Ponting**; etc.

The year **2002** will go down as a special year in **Parle-G's** advertising history. A year that saw the birth of **G-Man** - a new ambassador for **Parle-G**. Not just a hero but also a super-hero that saves the entire world, especially children from all the evil forces. A campaign that is not just new to the audiences but one that involves a completely new way of execution that is loved by children all over the world - Animation. A TV commercial that showed **G-Man** saving the children from the evil force called **Terroline** launched this campaign. It was also supported by print medium through **posters** and streamers put up at the retail outlets. **G-Man**, a new superhero of **Parle-G** has the potential of making it big. And will be supported by a campaign that will see many a new creative in the future so as to keep the children excited and generate pride in being a consumer of **Parle-G**.

To make the brand much more interesting and exciting with children, it was decided to launch a premium version of **Parle-G** called **Parle-G Magix** in the year **2002**. **Parle-G Magix** is available in two exciting tastes - '**Choco**' and '**Cashew**'. The year **2002** also witnessed the launch of **Parle-G Milk Shakti**, which has the nourishing combination of milk and honey, especially launched for the southern market.

Parle-G continues to climb the stairs of success. Take a look at the global market where it is being exported. First came the **Middle East** then **USA** followed by **Africa** and then **Australia**. An Indian brand, that's **exported** to almost all parts of the world. After all that's what you would expect from the **Parle-G World's Largest Selling Biscuit**.

Story board for TV ads

Parle Krackjack



A girl pushes her boyfriend away as he tries to share a biscuit with her.



Next she goes on to tell him, "Rahul, I know tum mujse bahuth pyar karte ho, lekin Vicky ke saath..."



...it just clicks you know. We fell in love ithani jaldi ki pata he nahin chala." Ignoring his embarrassment she chatters on about her lovelife.



Placing their engagement ring on the table she sweetly says, "Aaj se hum doste hain, ok."



Sprinkling salt on the wound, she gets up and pulling his cheeks says, "Shooo sweet, shaadi pe zarur aana."



Not accepting his defeat so easily our friend kicks the chair off, making her land on the floor instead of the chair.



As our hero enjoys the twist he gave to the story the MOV goes, "Aakhir mithas ki..."



...bhi had hoti hai Parle Krackjack, kuch meetha kuch namkeen bhi."

Source: TV Ad Indx

Parle-G

Speaking to the camera, a young guy tells us, “Zabardast barish ka din tha....”



...Main fantoosh pahunch gaya bike leke college. Maan tha obviously.”



Smiling at his good luck, he confesses, “Par Tina ne lift mang li yaar.”



“Lekin, vo to puri, puri problems ki potli nikli.” he reveals, about his luck gone sour.



Imitating her, he says, “Thand lag rahi hai, bhuk lag rahi heh, raste ka bhajiya nahi khaungi.” “Pakka diya yaar.”, he complains.



Talking about his pauperized condition, he says, “Aur meri jeb main vo phata hua dus ka note.” But his ego does not allow him to borrow from her, “Usse paise mangata?”



Attempting to keep his reputation intact, our hero figures out a way. “Dhabe pe bike roki,...



...ek cutting chai, aur ek Parle G. Uska to mood bangaya yaar.”, he tells us excitedly.



“Aur meri, meri to life bangayi yaar. Dus rupay main TDE, total digital experience.”, he discloses gleefully.



MVO: “No fazul, paisa vasul. Parle G, duniya ka sabse zyada bikane vala biscuit.”

Source: TV Ad Indx

Press ad for Monaco

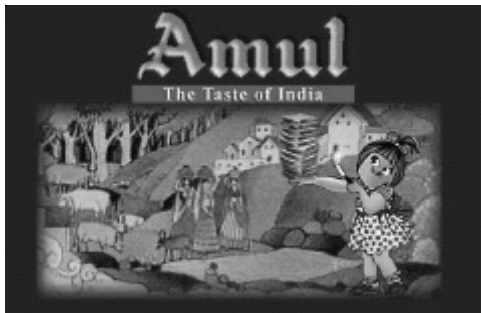


ADVERTISING CAMPAIGN - III

A Brand Story of



Introduction



Amul

The Taste of India, a brand so distinctively Indian, has been a part of our lives for nearly five decades now and still is able to touch a chord in our hearts. As a brand Amul has grown from being merely a differentiating factor to protect the interests of producers and consumers, and has now become a critical success factor in the very existence and growth of a movement that started way back in the pre-independence India.

The Genesis

Amul sprung from the seeds sown in the black soil of Charotar, an area in the Kaira district of Gujarat, as a cooperative movement to empower the milk producers. The beginning of the journey this brand embarked upon is itself quite unique and needs greater scrutiny. The milk producers' cooperative formed in Gujarat was in response to the monopoly that existed since the time of colonial India. At that time Polson Dairy was the biggest buyer of the milk being produced in Kaira. Polson was built on the basis of providing superior quality products to up-market consumers. "Polson" was in fact a brand as synonymous with butter as "Xerox" is with photocopy. However Polson's products were not the reason that led to the rise of Amul, it was its exploitative practices that started the cooperative revolution. Polson indeed played the role of Goliath to Amul's David. The challenge that lay before the milk cooperative was not only to upstage Polson's monopoly on the supply side, but also to capture the booming milk products market with a their own brand. So the very basis of competition became high quality value-for-money products.

It was under such circumstances that the foundations of Amul were laid. For several years the Kaira cooperative supplied milk and allied products without a formal distribution network leave alone a brand name. However under the leadership of Verghese Kurien the brand name Amul was formally adopted. When the need of a brand name for the Kaira Cooperative was felt initially, the word was circulated in Anand (the birth place of Amul) among friends and cooperative members. The name Amul was most probably suggested by a quality control expert in Anand. It was derived from "amulya", which in Sanskrit, Gujarati and many other Indian languages, means priceless, and implies matchless excellence. As an Indian name, it associated itself with pride in swadeshi goods, a striking contrast to the English sound of Polson. The name was short, memorable and easily pronounced. It could also serve as an acronym for the organization – the unusable KDCMPUL (Kaira District Cooperative Milk Producer's Union Limited) taken from Kaira Cooperative's full name, could be substituted by AMUL, standing for Anand Milk Union Limited. Although not the Cooperative's true name it unmistakably conveyed the desired meaning. Even though Amul products have been in use in millions of homes since 1946, the brand Amul was registered only in 1957. The difficulty in registration stemmed from the fact that the cooperative had to prove enough sales and advertisements before this common word could be established as a brand name of a dairy product.

The Growth Era

Amul came into being as a consequence of a revolution and it has continued to be revolutionary in every stage of its life. It initially started as a means to balance the fluctuating milk supply and grew at a phenomenal rate as a liquid milk supplier. The Kaira Union began pasteurizing milk for the Bombay Milk Scheme in 1948. However by the 1950s it was amply clear that the future lay in manufactured dairy products. Amul responded by embarking on a wide range of dairy processing activities, involving new technologies, and by expanding its processing facilities. It challenged the established Polson brand in butter manufacturing, and then moved on to sweetened condensed milk in direct confrontation with the international giant Nestle. It also locked horns with Glaxo over the production of baby food in India. On all of these occasions Amul not only displayed feats of resilience but in fact came out much stronger than ever before. Amul realized it as early as late 1960s that the only way it could increase the share of the market was by maintaining the reasonable prices of its products, but widening the range. During 1966-1970, Amul added sweet buttermilk powder, a second brand of baby food (Amulspray) and a high protein weaning food (Balamul). In 1974 the Amul Milk Chocolate was released commercially and was followed by several varieties of chocolates and chocolate confectionaries. Also, Nutramul, a malted cocoa beverage was launched in 1976. Cheese powder was released commercially in the early 70s.

As district unions multiplied, Kaira Cooperative recognized the benefits of a marketing federation and thus the Gujarat Cooperative Milk Marketing Federation (GCMMF) was established in 1973. GCMMF commenced marketing on April 1, 1974 under the single brand name of Amul. In 1978-79 it registered a turnover of Rs. 100 crore which grew to Rs. 539.67 crore in 1987-89. In 2002-03 the turnover stood at Rs. 2745.70 crore. At present GCMMF has 2.28 million producer members with a total milk collection in 2002-03 being 1.86 billion litres.

The success rate has been to the extent that GCMMF has now become India's largest food products marketing organization. GCMMF test marketed Amul Cheese spread in 1983 following it with a new softer cheese spread. In 1982, it introduced Amul Shrikhand in Bombay, and brought out new flavors between 1986 and 1989. Amul UHT milk in tetra packs, with a shelf life of 15 days, was released in 1983 and by 1988-89 UHT milk with shelf life of 60 days had become available. Between 1987 and 1989, Amul Choco Shake, Amul Elaichi Shake, and Amul Lassi were successfully marketed in tetra bricks.

In the 1990s, Amul continued on an expansion path and several new product ranges were added to its portfolio. A much deeper Amul Cheese range with Amul Malai Paneer and Amul Pizza Cheese, extended Amul Mithaee range with Gulabjamuns and Kulfi mix, a wider UHT milk range Amul Taaza milk and Amul Fresh Cream, fresh milk range with brands like Amul Gold, Amul Smart and Amul Shakti, a new Curd range with Amul Masti Dahi, and a new Milk drink – Amul Shakti Flavored Milk. Amul also started aggressive marketing of its wide array of Ice creams posing stiff competition to established players like HLL's Kwality Walls and Mother Dairy. Recently it also introduced ready to serve soups under the brand name of Masti.

Today Amul Butter, Amul Milk Powder, Amul Ghee, Amulspray, Amul Cheese, Amul Chocolates, Amul Shrikhand, Amul Ice cream, Nutramul, Amul Milk and Amulya have made Amul a leading food brand in India. Amul has evolved from its traditional image and now is a symbol of many things. Of high-quality products sold at reasonable prices. Of the genesis of a vast co-operative network. Of the triumph of indigenous technology. Of the marketing savvy of a farmers' organisation. And of a proven model for dairy development.

The Amul Butter Girl



The moppet who put Amul on India's breakfast table 50 years after it was first launched, Amul's sale figures have jumped from 1000 tonnes a year in 1966 to over 25,000 tonnes a year in 1997. No other brand comes even close to it. All because a thumb-sized girl climbed on to the hoardings and put a spell on the masses. Bombay: Summer of 1967. Mrs. Sheela Mane, a 28-year-old housewife is out in the balcony drying clothes. From her second floor flat she can see her neighbors on the road. There are other people too. The crowd seems to be growing larger by the minute. Unable to curb her curiosity Sheela Mane hurries down to see what all the commotion is

about. She expects the worst but can see no signs of an accident. It is her four-year-old, who draws her attention to the hoarding that has come up overnight. "It was the first Amul hoarding that was put up in Mumbai," recalls Sheela Mane. "People loved it. I remember it was our favorite topic of discussion for the next one week! Everywhere we went somehow or the other the campaign always seemed to crop up in our conversation."

Call her the Friday to Friday star. Round eyed, chubby cheeked, winking at you, from strategically placed hoardings at many traffic lights. She is the Amul moppet everyone loves to love. How often have we stopped, looked, chuckled at the Amul hoarding that casts her sometime as the coy, shy Madhuri, a bold sensuous Urmila or simply as herself, dressed in her little polka dotted dress and a red and white bow, holding out her favourite packet of butter.



One of the first Amul hoardings

For 30 odd years the Utterly Butterly girl has managed to keep her fan following intact. So much so that the ads are now ready to enter the Guinness Book of World Records for being the longest running campaign ever. It all began in 1966 when Sylvester daCunha, then the managing director of the advertising agency, ASP, clinched the account for Amul butter. The butter, which had been launched in 1945, had a staid, boring image, primarily because the earlier advertising agency which was in charge of the account preferred to stick to routine, corporate ads. In India, food was something one couldn't afford to fool around with. It had been taken too seriously, for too long. Sylvester daCunha decided it was time for a change of image. The year he took over the account, the country saw the birth of a campaign whose charm has endured fickle public opinion, gimmickry and all else. For the first one year the ads made statements of some kind or the other but they had not yet acquired the topical tone. In 1967, Sylvester decided that giving the ads a solid concept would give them extra mileage. From then on Amul began playing the role of a social observer. Over the years the campaign acquired that all important Amul touch.



Amul's point of view on the MR coffee controversy

India looked forward to Amul's evocative humour. If the Naxalite movement was the happening thing in Calcutta, Amul would be up there on the hoardings saying, "Bread without Amul Butter, cholbe na cholbe na (won't do, won't do). If there was an Indian Airlines strike Amul would be there again saying, Indian Airlines Won't Fly Without Amul. Despite some of the negative reactions that the ads have got, DaCunhas have made it a policy not to play it safe. There are numerous ads that are risqué in tone. From the Sixties to the Nineties, the Amul ads have come a long way. While most people agree that the Amul ads were at their peak in the Eighties they still maintain that the Amul ads continue to tease a laughter out of them. Where does Amul's magic actually lie? Many believe that the charm lies in the catchy lines. That we laugh because the humor is what anybody would enjoy. They don't pander to your nationality or certain sentiments. Its pure and simple everyday fun. Today, after becoming everyone's favorite little "utterly butterly delicious" girl through print and television ads, the Amul Butter Girl has finally come alive. The search for an Amul Butter Girl and an Amul Cheese Boy was conducted in 2000, through a national Amul Surabhi search contest. The agency created the Amul Cheese Boy character to promote Amul's cheese range of products with the base line "Amul Cheese, Yes Please!". With this advancement Amul has tried to infuse fresh energy into its long running campaign and bring a more human face to its brand.

The Road Ahead

What does the Amul saga tell us after all? Is it just a play of Indian sentiments or Amul needs more than the magic of its Butter Girl? Well let us now take a look at some of the recent initiatives taken by Amul and try to visualize the brand some years down the line.

Growing Exports:

GCMMF is India's largest exporter of Dairy Products today with a "Trading House" status. Many of Amul's products are now available in the USA, Gulf Countries and Singapore. Amul has successfully capitalized its quality product offerings to win the hearts of overseas consumers and thereby has opened vast international markets for products like Amul Butter, Pure Ghee, Mithai, Cheese, Nutramul etc. With a strong domestic brand image Amul is now in the process of transforming itself into a truly global brand. A pat on the back is that Young & Rubicam's proprietary Brand Asset Valuator (BAV), which has studied brands worldwide since 1993, has recognized Amul as a highly respected brand in league with Maruti and Raymond's.

Developing e-Competency:

Amul made an important decision in 1995 to adopt "information technology integration" as a strategic thrust. The objective was to create new efficiencies in all aspects of business, heighten competitiveness, and extend market reach (both within India and in export markets). A website (<http://www.amul.com>) was constructed featuring

sports information, recipes and quizzes (to stimulate buyer interest and to establish national brand recognition) and business-to-consumer order placement. Amul cyberstores have now been set up in 125 locations in India, the USA, Singapore

and Dubai. Amul has now set up separate cyber stores for its popular ice creams as well. Each visit to the Indian cyberstore sites results in purchases averaging over Rs. 300. An e-mail database of customers is also being prepared. The remarkable thing is that all this has been achieved in a matter of just 7-8 years despite a high "touch-and-feel" consumer culture in India. As the company website claims "The Taste of India is now a few clicks away from your doorstep..."

Adding a Service Dimension:

Recently Amul undertook an initiative which is still quite untested but which offers a marketing move that can play a branding role, boost sales and add new revenue stream. This all could be possible as Amul is now adding a service element to its product offerings. Amul has started preparing and selling pizza slices that prominently feature generous portions of Amul cheese. Amul's pizza slices are being sold through super markets and large departmental stores that have snack counters and microwave ovens. The move to add a service dimension was necessitated by the fact that Amul now faces stiff competition on many fronts with Britannia as its leading competitor. The increased competition in cheese market motivated Amul to expand its business into selling pizza slices, in the hope that it will boost sales and make cheese products more accessible.

Search for New Markets:

Amul recently entered the fresh milk market in Delhi, the stronghold of National Dairy Development Board's (NDDB) Mother Dairy. This move was met with an unprecedented demand which has altered the entire competitive scenario in Delhi. Amul currently has a capacity of only 80,000 litres per day (LPD) which it plans to ramp up to three lakh litres per day (LLPD). It is believed to be actively looking at alliances with dairies located around Delhi and its neighborhood. It is also planning to set up a new five lakh litre per day (LLPD) dairy plant in Haryana to cater to the northern market. It seems Delhi's just the beginning and Amul is all set to tap the dairy business all over India leveraging its brand.

In June 2003 Amul tied up with petro retailer IBP for selling its products like ice creams, flavored milk, pizzas and sweets from its retail outlets. This alliance not only adds value to the petrol stations but also provides Amul a whole new nation-wide retailing chain through which it can tap currently unexplored markets.

Enhancing Visibility

According to RS Sodhi, General Manager (Marketing), GCMMF "An umbrella brand has a universal core value like a family tree. However, until and unless an umbrella brand is strong and trustworthy enough, consumers and retailers will be hesitant to easily accept any new product doled out from the same company, even if the new product category is associated with its umbrella brand. Also, a successful umbrella brand will enable a company to spend one per cent on advertising campaigns, as compared to six to seven per cent which is otherwise spent on promoting an independent brand." Taking from this viewpoint the marketing strategy of Amul becomes clear where the brand "Amul" is extensively promoted in all of its advertisements. Amul is now aggressively promoting its brand through all kinds of media and especially the thrust recently has been on

the newly introduced products like ice creams. Although some advertisements maybe product-specific yet the power of brand Amul is always there.

A Final Word

Amul is an amazing and inspiring story of how a milk producers' cooperative movement created a brand so powerful that it has not only lasted for five decades but has grown into a giant in the food industry. It has risen from Indian soil and it remains Indian in every sense. With roots well established in the domestic market Amul is all set to fight in the global arena. With the commitment it has shown in the past it will not be too long when Amul emerges a winner on all fronts.

Complete List of Products Marketed under Amul Brand

Breadsreads:

- Amul Butter
- Amul Lite Low Fat Breadsread
- Amul Cooking Butter

Cheese Range:

- Amul Pasteurized Processed Cheddar Cheese
- Amul Processed Cheese Spread
- Amul Pizza (Mozarella) Cheese
- Amul Shredded Pizza Cheese
- Amul Emmental Cheese
- Amul Gouda Cheese
- Amul Malai Paneer (cottage cheese) Frozen and Tinned
- Utterly Delicious Pizza

Mithaee Range (Ethnic sweets):

- Amul Shrikhand (Mango, Saffron, Almond Pistachio, Cardamom)
- Amul Amrakhand
- Amul Mithaee Gulabjamuns
- Amul Mithaee Gulabjamun Mix
- Amul Mithaee Kulfi Mix

UHT Milk Range:

- Amul Taaza 3% fat Milk
- Amul Gold 4.5% fat Milk
- Amul Slim-n-Trim 0% fat milk
- Amul Chocolate Milk
- Amul Fresh Cream
- Amul Snowcap Softy Mix
- Amul Taaza Double Toned Milk

Pure Ghee:

- Amul Pure Ghee
- Sagar Pure Ghee
- Amul Cow Ghee

Infant Milk Range:

- Amul Infant Milk Formula 1 (0-6 months)
- Amul Infant Milk Formula 2 (6 months above)
- Amulspray Infant Milk Food

Milk Powders:

- Amul Full Cream Milk Powder
- Amulya Dairy Whitener
- Sagar Skimmed Milk Powder
- Sagar Tea and Coffee Whitener

Fresh Milk:

- Amul Taaza Toned Milk 3% fat
- Amul Gold Full Cream Milk 6% fat
- Amul Shakti Standardised Milk 3% fat
- Amul Smart Double Toned Milk 1.5% fat

Sweetened Condensed Milk:

- Amul Mithaimate Sweetened Condensed Milk

Curd Products:

- Amul Masti Dahi (fresh curd)
- Amul Butter Milk
- Amul Lasse

Chocolate & Confectionery:

- Amul Milk Chocolate
- Amul Fruit & Nut Chocolate
- Amul Eclairs

Brown Beverage:

- Nutramul Malted Milk Food

Milk Drink:

- Amul Shakti Flavoured Milk

Ready to Serve Soups:

- Masti Tomato Soup
- Masti Hot & Sour Soup

Amul Ice-creams:

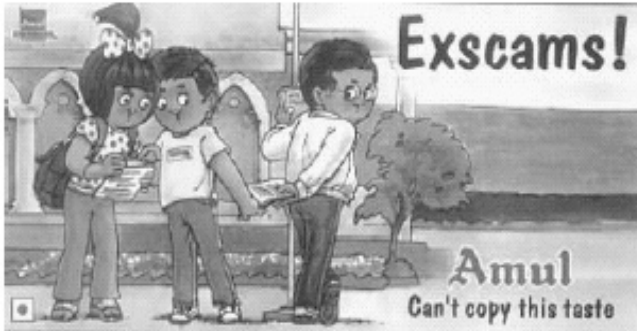
- Royal Treat Range (Rajbhog, Cappuchino, Chocochips,

Butterscotch, Tutti Frutti)

- Tricone Cones (Butterscotch, Chocolate)
- Nature's Treat (Alphanso Mango, Fresh Litchi, Anjir, Fresh Strawberry, Black Currant)
- Nut-o-Mania Range (Kaju Drakshi, Kesar Pista, Roasted Almond, Kesar Carnival, Badshahi Badam Kulfi, Shista Pista Kulfi)
- Utsav Range (Anjir, Roasted Almond)
- Simply Delicious Range (Vanilla, Strawberry, Pineapple, Rose, Chocolate)
- Sundae Range (Mango, Black Currant, Chocolate, Strawberry)
- Millennium Icecream (Cheese with Almonds, Dates with Honey)
- Milk Bars (Chocobar, Mango Dolly, Raspberry Dolly, Shahi Badam Kulfi, Shahi Pista Kulfi, Mawa Malai Kulfi, Green Pista Kulfi)
- Cool Candies (Orange, Mango)
- Cassatta

- Megabite Almond Cone
- Frostik - 3 layer chocolate Bar
- Fundoo Range - exclusively for kids
- SlimScoop Fat Free Frozen Dessert (Vanilla, Banana, Mango, Pineapple)
- Health : Isabcool

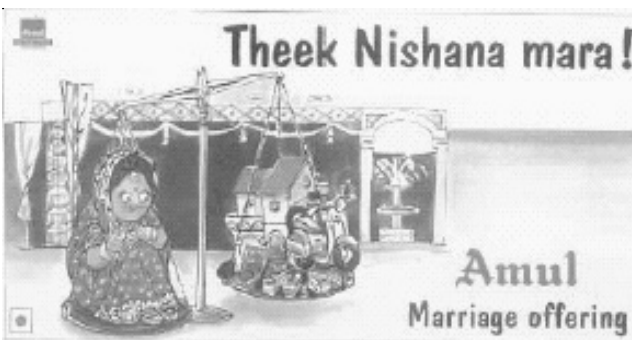
Select Amul Topicals from 2003-2004



Question paper leakage of Common Admission Test (CAT) for seats to the Indian Institutes of Management

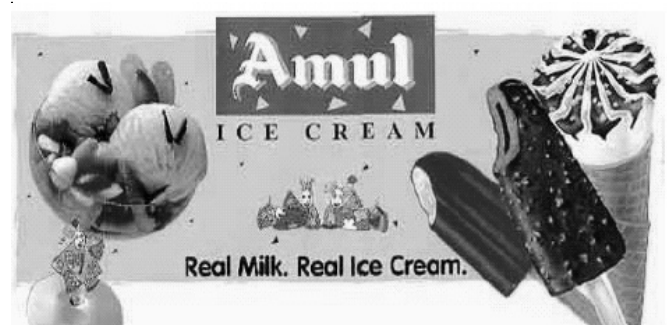



Pun on the storyline (the fashion world meets the Underworld) of the hyped up Bollywood film 'Boom'



Nisha Sharma refused to marry her groom-to-be after additional dowry demands were made on the wedding day.


Select Amul Advertisements over the years






**SOME OF THE MOST
BEAUTIFUL FEELINGS IN THE WORLD
ARE STILL INDIAN.**

WE MAKE INDIAN FRESH BUTTER,
GHEO/ANARDESI, CHEESE SPREADS,
BROWN BEVERAGE, INSTANT MILK,
CHEESE, SWEET MILK, MILK POWDER.



READY-SPREAD, CATER LITE, DOBBI,
WHITENED ANARDESI AND WHOLEMILK,
KNOCKOUT, KNOCK DODDER, ALL THE
WAY TO THE TOP AND GOLD MEDALS.

LIKE US.




© 2004 Gujarat Cooperative Milk Marketing Federation Ltd., Amul 544 501



Have a little
of nature's
goodness,
every
morning.

Refresh, whenever milk is now available at your doorstep,
every morning. Thanks to Amul Milk. The milk that's protected
and packed hygienically so as to keep it in the freshest and
good taste. It's the way mother nature always wanted it to be.



**Amul
Milk**
The milkier milk.

© 2004 Gujarat Cooperative Milk Marketing Federation Ltd., Amul 544 501



Should you settle for a bigger refrigerator?



You're a delicious new addition. Amul Cheese Spread demands a little
more space now. Because we have added two more flavours: Pepper And
Garlic. A dash of the former. And just a speckling of the latter. Plus,
the good old creamy Flavour. And all in beautiful new packs. And all at the
same old price. Plus, you can buy one at all your favourite stores. They
are all low-fat. So you deserve a golden. But how come you're smiling?

NOTHING BETTER.



**Amul
Chocolates**
- a gift
for
someone
you
love

Will you be mine?
(I'll give you Amul Milk Chocolate every day)

Never leave me
(I hate eating Amul Fruit Envy alone)

I understand ...
(Your weakness for Amul Crisp)

I care
(I will always be there
with Amul Crunch)

Till we meet again
(Smile. Here's your favourite
Amul Orange)

Forgive me
(Here's Amul Badam Bar
- the memory bar)

Why do I love you so much?
(Maybe because both of us
long for Amul Bitter)

Forgive me
(Only 18 g. I know you are dieting)

Manufactured by
Gujarat Cooperative Milk Marketing
Federation Ltd., Amul 544 501

Source: <http://www.amul.com>

CASE STUDY 1: KEO KARPIN HAIR OIL

Keo Karpin Hair Oil

Background

Until the early 80's, particularly in the Eastern region, the hair oil market was dominated by brands like Jabakusum, Mahabringaraj, and coconut based oils. These were thick hair oils, which were promoted as ideal for nourishment and maintenance of strong, beautiful hair. At that time the fashion, particularly for women, was to have long thick, beautiful hair.

Dey's Medical, a pharmaceutical house in Calcutta, decided to make an entry into this market in 1985, with their hair oil Keo Karpin. They found that the thick hair oil market was stagnating with the changing fashion trends which advocated the use of less sticky oil. Besides, all the brands were sold on the generic platform of nourishment and cooling with no clear positioning and advertising was restricted to only a few stray press ads.

Keo Karpin took advantage of the situation and repositioned itself, non-sticky hair oil that aided styling. It breathed freshness into an increasingly mundane category and, supported by sleek advertising and high visibility(in the newly introduced popular TV medium), carved out a distinctive category for itself- that of light hair oils. As luck would have it, the hair styling fashion scenario also changed at about the same time. Women now preferred, what could be called 'fluffy hair', and sometime short hair, which meant that they needed non sticky hair oils. As a result keo Karpin fitted the bill of current hair style requirements with its need for light hair oil. Through 1958-88 'me-toos' like Tata Green and Dabur Special joined the fray but without much success, as keo Karpin exploited a phenomenon growth rate to consolidate its position in the north and the east. Table 4.1 shows the growth rate

Table 4.1	Keo Kaprin Growth rate (%)
1985	57.7
1986	23.7
1987	24.2

1988 24.7

1989 18.6

Competitors' activities

During 1989-90, marico came out with a two prolonged attack on Keo Karpin(parachute and Hair & care). It relaunched Parachute as a light and contemporary coconut oil, attempted to refocus users towards a time tested hair oil. Other coconut oil manufacturers followed suit, modernising their own brands and together they started eating into the Keo Karpin user base. Launch of Hair & Care, value added modern option (lightness+ nourishment of vitamin E modern packaging and aggressive) appealed to young consumers

Keo Karpin was now under pressure to retain its market share. As a result , primary sales stagnated in 1990-91. further in 1992-93, primary sales declined. This prompted a total rethinking of the brand.

New strategy

In 1993-94 therefore, the primary task was to bring the brand onstream once again and to stop erosion. To help understand both the market and the users, qualitative research was undertaken.

This qualitative research unearthed some valuable insights, such as

- Keo Karpin was no longer a modern brand
- Lightness was not Keo Karpin's a exclusive property anymore.
- No physical value addition had been done to the brand vis-à-vis the competitive trend of having extra value proposition
- Yet the brand commanded 67% of the market in the light hair oil category, it was therefore necessary to look at the brand equity balance sheet. This can be summarised as-

Brand Equity Laddering	Kk Equity Laddering	
(D) BONDING	how do I relate?	(D) KK my intimate confidante
(C) EMOTIONAL	what does this mean for you?	(C) makes me feel young, modern and confident- a new me
(B) RATIONAL BENEFIT	what do I do for you?	(B) gives healthy manageable hair, I can style it any way I want
(A) PHYSICAL ATTRIBUTE	what am I?	(A) light, nourishing, non sticky perfumed hair oil.

CASE STUDY 2: ARVIND'S ORIGINAL DENIM

Arvind's Original Denim

Background

Sometime in the middle of 1980's Arvind Mills decided launch denim in India. This was the first time any mill India was introducing this material and, Arvind Mill was very keen to make it a success.

When the matter was discussed with the advertising agency, Trikaya – Grey, the consensus was that the company should introduce the product as a brand. Arvind mills, even then was a well-known mill, and had very good distribution channels to sell its products throughout India. The Arvind name was synonymous with quality fabric, particularly in certain specialized items like voiles, dhotis, sarees – superior quality, 100% cotton. Another question that was raised in that meeting: why can't denim be sold as quality 100% cotton fabric, also through the same trusted distribution channels.

Market

A study of the denim users however revealed that the product was primarily used by the manufacturers of denim trousers and shirts. Relatively, a very small quantity of the product would be purchased directly by the consumers, unlike voiles, dhotis and sarees, or even shirtings. Naturally, therefore, it would make sense to create a separate distribution channel to sell *Arvind's Denim* to these manufacturers directly, thus saving, in the bargain, the middleman's commission. That money then would be ploughed back into advertising and promotion of the product.

The market as such should be big – both immediately, as well as in the future. It was generally known that smuggled denim trousers of well known brands, like *Levis Wrangler*, etc., were already available in the market; some of the Indian brands, like *Wings, FU*, etc., were importing, or buying imported denim fabric from the grey market.

It was that in a hot country like India, trousers made from 100% cotton fabric should be welcomed. Also denim trousers can be worn again and again; and need less washing comparatively. All in all, therefore, once the trend catches on, the denim market should be enormous. And of course, the size of the population, particularly the middle class, would ensure a huge market. Economic development and industrialization would also imply a more than average growth in the middle class. It generally appeared that there would be a huge market for a product like denim.

Strategy

Since there was every likelihood that the other mills would also start manufacturing denim in the future, particularly if *Arvind Denim* met with success, it was felt that Arvind's denim should a special identity, so that in the future it could be differentiated from other denims. And what better to do that than by making

it a brand. Thus, the concept of introducing Arvind's denim as a brand was conceived.

Accordingly, at the briefing session, Arvind's marketing team and Trikaya's creative team agreed that Arvind's denim would be introduced in the Indian market as a brand. Arvind also informed the agency that quality-wise it would be comparable to the best available anywhere in the world. In fact it would definitely be second to none. Arvind also informed the agency that it was in touch with foreign brands like *Levis, Wrangler, Gloria Vanderbilt*, etc., to sell *Arvind Denim* to these companies. It therefore meant that the product should be promoted not only as a quality product, but as a product that could match the best, anywhere in the developed countries. This fact needed to be factored into the final branding.

Target customers

1. Primarily, manufacturers of the denim trousers and shirts
2. Secondly, users (or consumers) of those trousers and shirts.

Creative objective

As state earlier, the creative briefing stressed two points:

1. The product would be promoted as brand.
2. The quality aspects had to be stressed – should be comparable to the best available anywhere in the world.

Agency's recommendation

Accordingly Trikaya presented a series of layouts, which while emphasizing the 'product is of world quality', also must stress that it was really as good as the 'original' denim, available in the developed world. That was how the brand was named *Arvind's Original Denim*. In all advertising material, including press, TV, point-of sale material, hoardings, etc., "Original Denim" in a circular, logo form became part and parcel of the advertising campaign. The essence of the brand value was the core proposition of the brand, it was this unique essence that would set apart this brand from the products made by other denim manufacturers in the future.

Distribution

Since it was evident that distribution would play a very important part in the overall marketing plan, it was agreed that a dual distribution system was called for.

1. For manufacturers of trousers and shirts – direct selling by the company's representative, thus eliminating all middlemen. This would also help in getting quick feedback about the quality from these manufacturers.
2. For consumers, and those small manufacturers who preferred to buy from dealers (mainly because of credit facilities) appointment of Preferred Dealers or Wholesalers. Care was taken to have a limited number of such dealers, so that they would take interest, particularly in the initial stage,

to store and sell product. After all, this was a new product for them.

Execution of the Advertising Campaign

Once the advertising campaign was finalised, it was released throughout India, both in the electronic media, i.e., TV, and in the press. To give the campaign the 'Original flavour', well known American icons were superimposed.

It is to be noted here that the advertising agency, as well as the company, treated the product as if it was a fast moving consumer product; and gave the necessary input to make sure that the campaign was visible to all the potential consumers of the finished products manufactured out of the 'Original' denim. Obviously, the buyers of the denim fabric, who then converted the fabric into trousers and shirts, were also automatically exposed to these media inputs.

Performance

Inspite of some initial hiccups, *Arvind's Original Denim* is a success story. Not only did the product do well in the Indian market, the company was able to sell the product to almost all the leading manufacturers of branded denim products such as *Levis*, *Wrangler*, *Lee*, etc., in the developed markets. In fact, export became such an important market, that Arvind had to open new offices in New York, London and Hong Kong. Eventually it became the third largest manufacture of denim in the world. The fact that other well-known textile mills followed Arvind into this new field, in the years to follow, tells its own story. Today when you talk of denim, you automatically think of *Arvind's Original Denim*!

Notes -

CASE STUDY 3:

AXE

Axe: Drawing attention through innovation

Shoppers who flock to the elevator leading to the Pyramid Megastore at Crossroads, Mumbai, wouldn't really mind the sight of the elevator doors closing on them even as they approach the doors. Which is pretty unnatural. But in this case, the sight of the closing doors actually elicits a smile – or a startled jaw drop – in people.

Picture this. As the open doors of the elevator begin closing, the life-size images of a man and a woman with their backs to one another come into view – the man on the left-hand door, the woman on the right-hand one. As the doors come together, one notices that the woman's hand is strategically positioned... to fit snugly over the man's (ahem!) posterior. A graphic of a can of Axe, with the line 'The Axe Effect', adorn the bottom of the doors.

"Axe has always been supported by advertising that has been completely out of the box and witty," says a spokesperson for Lowe Lintas, the agency handling the Axe account. "Axe advertising is innovative, with a lot of tactical work and timely surprises that the brand has sprung on its core target group."

"Successful Seduction' is the core promise of the brand," she continues. "In the sense that 'women just can't help getting carried away by men using Axe.' The communication objective has been the fact that the fragrance of Axe mesmerizes women in such a way that they end up doing things to men that they wouldn't dream of doing in the normal course of their lives."

With exaggeration an essential element of Axe's communication, quite a lot of innovative work has come to be associated with the brand. For instance, the recent 'missing women' campaign, where one hoarding showed the Manhattan skyline, minus the Statue of Liberty. Courtesy Axe, of course. Another example is the ad that Axe ran on last year's Valentine's Day, in the 'love messages' section in The Times of India. Amidst all the predictably saccharine ads, Axe's black-and-white ad stood out with its message, 'Don't use Axe today, give the other guys a break.'

"This style of advertising has appealed to the Indian youth, and has helped boost the imagery of the brand," says the spokesperson. Speaking about the 'elevator' innovation, she said, "Lintas had approached Crossroads sometime ago to explore advertising opportunities there. Crossroads is a popular hangout for the youth, and it was an opportunity we didn't want to miss. When the question of where in Crossroads to showcase Axe arose, we were told about the elevator and how no one had ever explored that medium. We jumped at the offer."

Apparently, the creative team working on the account came up with the "brainwave of an idea". As the idea revolved around the theme of seduction, and was visually a traffic-stopper, the agency and the client (HLL) went ahead with it. "Crossroads

had tied up with 3M processors for this innovation, hence the production took place via 3M," the spokesperson reveals. "The entire process of shooting the models to the printing of the vinyl was done in a record time of five days."

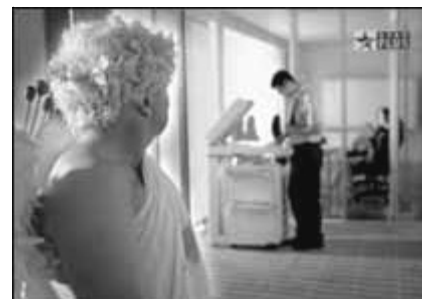
The total deodorant market in India is estimated to be at close to 1,300 tonnes, and has been growing at a rate of almost 100 per cent per annum (in 1997, it was estimated at 308 tonnes, and by 1998, the figure had touched 616 tonnes). HLL literally lords over the aerosol can segment of this market, with its flagship unisex deo brand, Rexona, being the undisputed market leader. Apart from Axe and Rexona, the other deo brands from the HLL stable are Denim (for men) and Pond's (for women).

HLL apart, the deo market has quite a few players, including J.K. Helene Curtis (Premium and Park Avenue), CavinKare (Spinz), Cussons (Graphite), Baccarose (Copper and Onyx), Sara Lee (Eva) and Henkel (Fa). Of course, the deo market, as a whole, is pretty much swamped by the grey market, with the likes of Adidas, Polo and Faberge jostling for mind space.

Axe, which was launched in India in November 1999, has apparently garnered "an outstanding 21-per cent market share within the first year of its launch", according to the Lintas spokesperson. Also, it turns out that this is the first time that an Axe launch in any country has met with such a response.

A good part of Axe's success can be attributed to communication that has found bull's-eye. The elevator, for instance. "The initial feedback from Crossroads very clearly indicates that the idea has taken people by surprise, and people have actually been caught staring at the lift. Comments such as 'Very Axe' and 'Cool stuff' has been heard at Crossroads," the Lintas spokesperson says. She also revealed that a plan is being worked out to take this elevator to other cities as well. "It would happen in the near future," she assures.

Axe Deo Advertisement Story Board



Cupid walks in on two people miffed with each other.



With a broad grin he draws fletching to ear and is about to shoot...



...and Cupid is dismayed at having been thwarted again.



...when the babe grabs the guy and is about to kiss him.



Nocking an arrow and taking care full aim he is about to let loose when...



Cupid's taken aback at the sudden change even though he hasn't struck.



...all of a sudden these two girls sit next to this guy and start cuddling.



Supermodel of the year pulls the photographer down onto the table...



He throws his hands up in resignation and...



...turns about, to find himself facing a huge hoarding of Axe.



The next moment he gets down to the floor and starts swinging to the music ignoring the strange looks he invites from the other men.



MVO and product shot: 'The Axe Effect.'



Seeing him dance two gorgeous women join him and start rocking with him.



An unemployed Cupid sings a lone song.



And before they know it the trio set the floor on fire swaying and jiggling to the music.

Axe Pulse Advertisement Story Board



Sitting in a restaurant with a foot-tapping number playing in the background, a man finishes his coffee.



Meanwhile, even as the other guys stand wondering our hero walks away with the two stunning women.



MVO: "Pulse. The new fragrance from Axe." Super: "The new fragrance from Axe."

Source : TV Ad Indx.

CASE STUDY-MERCEDES-BENZ

The unique features of the Mercedes-Benz A-Class present a classic marketing challenge for one of the world's best known brands – how to get serious prospects into showrooms for a test drive. How did an on-line partnership with MSN Cars help solve the problem?

The Marketing Challenge

Think Mercedes-Benz – you already have a picture in your mind. The well established Mercedes-Benz C-Class and E-Class are familiar, recognizable faces in the prestige car market.

But it is unlikely the car you are picturing is the Mercedes-Benz A-Class. With prices starting from £13,025 and seating for five adults, the A-Class is a clear alternative to the familiar family hatchback or compact people carrier.

As Mercedes-Benz builds market share, the A-Class is playing a key role in changing perceptions of the brand. For the first time, many new car buyers are finding they can enjoy the Mercedes-Benz ownership experience with a car that suits their lifestyle and their budget.

But the marketing challenge for Mercedes-Benz is to get potential customers into the car; to allow them to appreciate its unique features and driving experience. That means making them aware of the car, getting it on their shopping list and then getting them down to the dealership for a test drive.

The Marketing Solution

To crack the problem BJK&E Media, which handles the Daimler Chrysler account in the UK, launched a specific campaign with the principal aim to generate test-drives.

Alongside conventional advertising in national and specialist press, online was particularly valuable for this initiative. Importantly, it offered instant information gathering and delivering on the number of test-drives that resulted from the medium.

They chose to work with MSN Cars (then called MSN Carview). “We looked at all the major online portals but particularly liked MSN’s creative ideas,” explains Katy Driver, Senior planner buyer on the campaign. “The service levels they were able to provide, the technical expertise they brought to the project and the support of a viable editorial team were all important considerations.”

As with other advertisers on MSN Cars, Mercedes-Benz was also attracted by the audience reached through this part of the MSN site: 97% ABC1, 60% male and below average consumers of commercial television.

“By using MSN Cars as part of an integrated campaign, including specialist and national press, BJK&E was able to target an audience that is notoriously hard to reach through other media,” says Katy. “We wanted a means of data capture and therefore create a relationship with our customers.”

The Campaign

BJK&E set three elements to the creative brief:

1. **Awareness** – frequent exposure of a simple message – “test drive the Mercedes-Benz A-Class”.
2. **Understanding** – the ability to deliver more complex messages – in-depth information on the car for those who need/want it.
3. **Relevance** – targeting the message to the right type of internet users and eliminating wastage.

As a multi-media portal, MSN was able to offer creative solutions which not only satisfied each element of the brief but also offered a degree of interaction with the potential customer that could not be achieved by traditional print or television media.

The MSN Cars campaign was based initially around a one-month bespoke promotion. The key elements were a “Featured Car of the Month” online advertorial and a “Digital Road Test”.

The “Featured Car of the Month” is a detailed review of the car by the MSN Cars editorial team that runs to two-screens in length. With its editorial feel and constructive, informative content, the review is both a beneficial read for the interested buyer and a good sales tool for Mercedes-Benz.

The “Digital Road Test”, a three-minute video clip that could be downloaded or watched on screen, gives the opportunity for the user to properly “see” the car in action: making use of the interactivity the internet brings whilst using TV-style visuals at the same time.

“An important aspect of the campaign was the respect for the MSN Cars editorial team,” explains Katy. “Their editorial focus is on being genuine and user-friendly, so giving their readers an informative, constructive read.”

The Digital Road Test clearly satisfied the brief to deliver more complex messages and create a relationship with the customer. Carview presenter, Victoria Macmillan-Bell, was able to describe the A-Class in detail and show the car in motion in real-life situations.

Just as important was the in-depth support of the MSN technical team. Full production of the Digital Road Test, from initial filming to final approved edit, was the responsibility of MSN and just one element of a comprehensive customer service package.

Both the Featured Car advertorial and the Digital Road Test were backed up by a Category Ad in the site’s small cars listing, where the A-Class could be compared against competitors in its class. Hotlinks allowed visitors to jump instantly to the Mercedes-Benz website for more information or to apply for

In order to achieve relevance in the test drive requests, a minor level of qualification was created during the request process. Completed requests were forwarded to a fulfillment agency but, just to be certain of the quality, MSN also monitored them to clean the responses and remove any duplication.

“A great deal of thought went into the test drive request form,” explains Penny Barnes, MSN Cars account manager who worked on the project. “We wanted to make it long enough to filter out time wasters – but not so complicated that it put off genuine applicants.”

With so much targeted activity, it was important to achieve wider awareness and deliver traffic volume to MSN Cars. A promotion on the MSN.co.uk home page (the Network Information Page - NIP), which has more than two million visitors a day, was designed to do just that.

The NIP message changed constantly from a simple invitation to book a road test to a more complex editorial feature.

Once again the MSN Cars editorial team was brought into play with a specially commissioned lifestyle feature entitled ‘Tate a Tate’. In search of a little culture, the journalists took a Mercedes-Benz E-Class from the Tate Britain in London to the newly opened Tate St Ives, giving site visitors yet more insight into the car and its driving characteristics.

The Campaign’s Success

The MSN Cars campaign was so successful it was extended for a further two weeks.

Over 700 test-drive bookings resulted – more than three times the initial Mercedes-Benz target for the period.

“At the end of the day, MSN Cars delivered,” concludes Katy Driver. “The MSN solution was complex, but competently organised with most of the hard work done for us. They answered the brief and simply got on with the job. We couldn’t ask for more.”

Professional Terms In Advertising

A

Account management: People and processes at an ad agency that facilitate the relationship between the agency and the client.

Account planning process: A process of using research to gain information about the brand in its marketplace, the consumer's perspective, or both and to use that research to contribute directly to advertising development.

Account planner: The person responsible for the strategy and its implementation in the creative work.

Adaptive marketing: A marketing process in which the marketer continually revises the product offering to satisfy individual customer demands.

Adese: Formula writing that uses – clichés, generalities, stock phrases, and superlatives.

Advertiser: A person or organization that initiates the advertising process.

Advertising plan: A plan that proposes strategies for targeting the audience, presenting the advertising message, and implementing media.

Advocacy advertising: A type of corporate advertising that involves creating advertisements and purchasing space to deliver a specific, targeted message.

Affiliate: A station that contracts with a national network to carry network-originated programming during part of its schedule.

Animatic: A preliminary version of a commercial with the storyboard frames recorded on videotape along with a rough soundtrack.

Animation: A film or video technique in which objects or drawings are filmed one frame at a time.

Annual report: A financial document legally required of all publicly held companies.

Answer print: The finished version of the commercial, with the audio and video recorded together.

Aperture: The ideal moment for exposing consumers to an advertising message.

Appeal: A message element that moves people.

Arranger: The person who orchestrates the music, arranging it for the various instruments, voices, and scenes.

Art: The visual elements in an ad, including illustrations, photos, type, logos and signatures, and the layout.

Art director: The person who is primarily responsible for the visual image of the advertisement.

Association: The process used to link a product with a positive experience, personality, or lifestyle.

Attitude: A learned predisposition that we hold toward an object, person, or idea.

Awareness: The degree to which a message has made an impression on the viewer or reader.

B

Banner ad: Small, often rectangular-shaped graphic that appears at the top of a Web page.

Benefits: Statements about what the product can do for the user.

Big Idea: A creative idea that expresses an original advertising thought.

Bind-ins: Cards bound into the binding.

Blow-ins: Cards blown in loose between the pages of a publication.

Body copy: The text of the message.

Boldface: A type variation in which the strokes of the letters are made wider to create a bolder image for the letter.

Brainstorming: A creative thinking technique using free association in a group environment to stimulate inspiration.

Brand equity: The value associated with a brand; the reputation that the brand name or symbol connotes.

Brand image: A mental image that reflects the way a brand is perceived, including all the identification elements, the product personality, and the emotions and associations evoked in the mind of the consumer.

Branding: The process of creating a unique identity for a product.

Brand loyalty: Positive opinions held by consumers about the product or service that make them want to repeat their purchase of this brand.

Broadband: A bandwidth that has more capacity to send data and images into a home or business through a cable television wire than the much smaller capacity of a traditional telephone wire or television antenna system.

Broadsheet: A newspaper with a page size eight columns wide and 22 inches deep.

Broadsheets: A full-size news page sheet.

Business strategic plan: A business plan that deals with the broadest decisions of the organization. **Business-to-business advertising:** Targets other businesses.

C

Cable television: A form of subscription television in which the signals are carried to households by a cable.

Call to action: A concluding line that tells people how to buy the product.

Campaign: A comprehensive advertising plan for a series of different but related ads that appear in different media across a specified time period.

Car cards: Small advertisements that are mounted in racks inside a vehicle.

Carryover effect: A measure of residual effect (awareness or recall) of the advertising message some time after the advertising period has ended.

Casting: Finding the right person for the role.

Cause marketing: Sponsoring a good cause in the hope that the association will result in positive public opinion about the company.

Cease-and-desist order: An FTC remedy for false or deceptive advertising that requires an advertiser to stop its un-lawful practices.

Channel of distribution: People and organizations involved in moving products from producers to consumers.

Circulation: The number of copies sold.

Claim: A statement about the product's performance.

Classified advertising: Commercial messages arranged in the newspaper according to the interests of readers.

Claymation: A stop-motion animation technique in which figures sculpted from clay are filmed one frame at a time.

Clip art: Generic copyright-free art that can be used by anyone who buys the book or service.

Closing: Represent the last date to send an ad to production.

Clutter: The excessive number of messages delivered to a target audience.

Co-branding: A product offered by two companies with both companies' brands present.

Cognitive dissonance: A tendency to justify the discrepancy between what you receive and what you expected to receive.

Collateral materials: Brochures and other forms of product literature used in support of an advertising, public relations, or sales promotion effort.

Color separation: The process of splitting a color image into four images recorded on negatives; each negative represents one of the four process colors.

Co-marketing: Programs through which manufacturers partner with retailers in joint promotions.

Commercial speech: Our legal right to say what we want to promote commercial activity as defined by the First Amendment.

Commission: The amount an ad agency charges to the client, often a percentage of media cost.

Composer: The person who writes the music.

Comprehensives: A layout that looks as much like the final printed ad as possible.

Consent decree: A formal FTC agreement with an advertiser that obligates the advertiser to stop its deceptive practices.

Consumer behavior: The process of an individual or group selecting, purchasing, using, or disposing of products, services, ideas, or experiences to satisfy needs and desires.

Consumers: People who buy or use products to satisfy needs and wants.

Continuity program: A marketing program that rewards consumers for the continued use of a product or service.

Continuity: Even, continuous advertising over the time span of the advertising campaign.

Conviction: A particularly strong belief that has been anchored firmly in one's attitudes.

Co-op advertising: Also called cooperative advertising; an arrangement between a retailer and manufacturer in which the manufacturer reimburses the retailer for all or part of the retailer's advertising costs.

Cooperative advertising: See Co-op advertising.

Copy: The written elements in an ad, including headlines, underlines, loose and overlines, subheads, body copy, captions, slogans, and taglines.

Copywriter: The person who writes the text for an ad.

Corporate identity advertising: A type of advertising used by firms to build awareness of a company, its products, and the nature of its business.

Corporate image: a perception of a company that its stakeholders create in their minds from messages and experiences with the company.

Corporate or institutional advertising: Advertising used to create a favorable public attitude toward the sponsoring organization.

Corrective advertising: An FTC directive that requires an advertiser to run truthful ADS to counter deceptive ADS.

Cost Per Rating (CPR): A method of comparing media vehicles by relating the cost of the message unit to the audience rating.

Cost Per Thousand (CPM): The cost of exposing each 1,000 members of the target audience to the advertising message.

Coupons: Legal certificates offered by manufacturers and retailers that grant specified savings on selected products when presented for redemption at the point of purchase.

Crawl: Computer-generated letters that move across the bottom of the screen.

Creative brief: The document that outlines the key strategy decisions and details the key execution elements.

Creative concept: A Big Idea that is original, supports the ad strategy, and dramatizes the selling point.

Creative director: The person responsible for managing the work of the creative team.

Creative platform: A document that outlines the message strategy decisions for an individual ad.

Creative strategy: A plan that identifies the general problem the message faces and suggests how it can be solved.

Cross-functional management: A practice that uses teams to coordinate activities that involve different areas in and outside a company.

Culture: The complex whole of tangible items, intangible concepts, and social behaviors that define a group of people or a way of life.

Cultural and social influences: The forces other people exert on your behavior.

Customs: Culturally accepted ways of behaving in specific situations.

Cut: An abrupt transition from one shot to another.

Cutouts: Irregularly shaped extensions added to the top, bottom, or sides of standard outdoor boards.

D

Databases: Lists of consumers with information that helps target and segment those who are highly likely to be in the market for a certain product.

Data sheets: Advertising that provides detailed technical information.

Dealer tag: Time left at the end of a manufacturer's TV or radio commercial to insert local retail store information.

Demography: The study of social and economic factors that influence how individual consumers behave.

Desktop publishing: A type of in-house publishing that uses a personal computer to set type and create and assemble the image.

Diagnostic research: Research used to determine what the best approach from among a set of alternatives might be.

Directional advertising: Tells people where to go to find goods and services.

Direct mail: A type of direct marketing that sends the offer to a prospective customer by mail.

Direct marketing: A type of marketing that uses media to contact a prospect directly and elicit a response without the intervention of a retailer or personal sales.

Director: The person in charge of the actual filming or taping of the commercial.

Direct-response advertising: A type of marketing communication that achieves an action-oriented objective as a result of the advertising message.

Direct-response counts: Evaluative tests that count the number of viewers or readers who request more information or who purchase the product.

Discretionary income: The money available for spending after taxes and necessities are covered.

Display advertising: Sponsored messages that can be of any size and location within the newspaper, except the editorial page.

Display copy: Type set in larger sizes that are used to attract the reader's attention.

Dubbing: The process of making duplicate copies of a videotape.

E

Early feedback: Preliminary reactions to alternative creative strategies.

E-commerce: Selling goods and services through electronic means, usually over the Internet.

Editor: The person who assembles the best shots to create scenes and who synchronizes the audio track with the images.

Effective frequency: A planning concept that determines a range (minimum and maximum) of repeat exposures for a message.

Endorsement or testimonial: Any advertising message that consumers reasonably believe reflects the opinions, beliefs, or experiences of an individual, group, or institution.

Evaluative research: Research that determines how well the ad achieved its goals.

Exchange: The process whereby two or more parties transfer something of value to one another.

Execution: The form taken by the finished advertisement.

Extensions: Embellishments to painted billboards that expand the scale and break away from the standard rectangle limitations.

Exterior transit advertising: Advertising posters that are mounted on the sides, rear, and top of vehicles.

F

Family: Two or more people who are related by blood, marriage, or adoption and live in the same household.

Feature analysis: A comparison of your product's features against those of competing products.

Federal Communication Commission (FCC): A government agency that regulates broadcast media and can eliminate ads that are deceptive or offensive.

Federal Trade Commission (FTC): A U.S. government agency responsible for regulating several advertising issues including banning deceptive or misleading advertising.

Fee: An hourly amount charged to the client by the agency.

Film: A strip of celluloid with a series of still images called frames.

Film-to-tape transfer: A procedure by which film is shot processed, and then transferred to videotape.

Flighting: An advertising scheduling pattern characterized by a period of intensified activity called *allight*, followed by a period of no advertising called a *hiatus*.

Focal point: The first element in a layout that the eye sees.

Focus group: A group discussion that tries to stimulate people to talk candidly about particular topics or products.

Font: The basic set of letters in a particular typeface.

Food and Drug Administration (FDA): A regulatory division of the Department of Health and Human Services that oversees package labeling and ingredient listings for food and drugs.

Frame-by-frame test: Tests that evaluate consumers' reactions to the individual scenes that unfolds in the course of a television commercial.

Freestanding insert advertisement: Preprinted advertisement placed loosely in the newspaper.

Frequency: The number of times an audience has an opportunity to be exposed to a media vehicle or vehicles in a specified time span.

Frequency: The number of radio waves produced by a transmitter in 1 second.

Fulfillment: The back-end operations of direct marketing, which include receiving the order, assembling the merchandise, shipping, and handling returns and exchanges.

Full-service agency: An agency that provides clients with the primary planning and advertising services.

G

Global brand: One that is marketed with the same name, design, a creative strategy in most or all of the major regional market blocs.

Global perspective: A corporate philosophy that directs products and advertising toward a worldwide market.

Gutenberg diagonal: A visual path that flows from the upper left corner to the lower right.

Gross impressions: The sum of the audiences of all the media vehicles used within a designated time span.

Gross Rating Points: The sum of the total exposure potential of a series of media vehicles expressed as a percentage of the audience population.

H

Halftone: (Continuous Tone): Image with a continuous range of shades from light to dark.

Hard sell: A rational, informational message that emphasizes a strong argument and calls for action.

Headline: The title of an ad; it is display copy and set in large type to get the reader's attention.

Hierarchy of effects: A set of consumer responses that moves from the least serious, involved, or complex up through the most serious, involved, or complex.

High-involvement decision process: A decision process that relates to higher risk products purchased infrequently.

Horizontal publications: Publications directed at people who hold similar jobs.

Household: All those people who occupy one living unit, whether they are related or not.

I

Ideation: The process of creative thinking that leads to creative ideas.

Image: The use of intangible attributes to create a specific perception.

Impact: The effect of a message on the audience.

Inbound: Incoming calls initiated by the customer.

Industrial advertising: Targets OEM.

Inflatables: Three-dimensional form of outdoor advertising made of durable nylon. They can be freestanding or used as a billboard extension.

Infomercial: A long-format commercial that presents extensive information about the product.

Informational advertising: Advertising that presents a large amount of information about the product.

In-house agency: An agency within an advertiser's organization that performs all the tasks an outside agency would provide for the advertiser.

In-market tests: Tests that measure the effectiveness of advertisements by measuring actual sales results in the marketplace.

Institutional retail advertising: Focuses on the image of the store rather than selling merchandise.

Integrated marketing: The process of meeting customers' needs through the coordination of the marketing mix and the other business functions.

Integrated Marketing Communication (IMC): The practice of unifying all marketing communication efforts so they send a consistent, persuasive message to target audiences.

Interconnects: A special cable technology that allows local advertisers to run their commercials in small geographic areas through the interconnection of a number of cable systems.

Interior transit advertising: Advertising posters that are mounted inside vehicles such as buses, subway cars, and taxis.

Interlock: A version of the commercial with the audio and video timed together, although the two are recorded separately.

Internal marketing: Providing information about marketing activity and promoting it internally to employees.

International advertising: Advertising designed to promote the same product in a number of countries.

International brand: A brand or product that is available in most parts of the world.

Intranets: Networked systems of electronic communication that allow employees to be in touch with one another from various locations.

Involvement: The intensity of the consumer's interest in a product.

Issue management: The practice of advising companies and senior management on how public opinion is coalescing around certain issues.

Italic: A type variation that uses letters that slant to the right.

J

Jingles: Commercials with a message that is presented musically.

Justified: A form of typeset copy in which the ends of the lines in a column of type are forced to align by adding space between words in the line.

K

Key frame: A single frame of a commercial that summarizes the heart of the message.

Key visual: A dominant image around which the commercial's message is planned.

Kiosks: Multisided bulletin board structures designed for public post-ing of messages

L

Layout: A drawing that shows where all the elements in the ad are to be positioned.

Licensing: The practice whereby a company with an established brand "rents" it to another company.

Lifetimes customer value: An estimate of the revenue coming from a par-ticular customer (or type of customer) over the lifetime of the relationship.

Lifestyle: The pattern of living that reflects how people allocate their time, en-ergy, and money.

Line art: Art in which all ele-ments are solid, with no interme-diate shades or tones.

Local brand: A brand that is marketed in one specific country.

Logo (logotype): A distinctive mark that identifies the product, company, or brand.

Low-involvement decision process: A decision process that relates to products purchased frequently with low risk.

Loyalty program: A program de-signed to increase customer retention by rewarding customers for their patronage.

M

Mail order: Buying merchandise that is distributed through the mail or other delivery services.

Makegoods: Compensation that media give to advertisers in the form of ad-ditional message units. These are common-ly used in situations involving production errors by the medium and preemption of the advertiser's programming.

Market: An area of the country or a group of buyers.

Marketing: Business activities that direct the exchange of goods and services between producers and consumers.

Marketing communication: The element in the marketing mix that commu-nicates the key marketing messages to tar-get audiences.

Marketing communication mix: A combination of market-ing communica-tion activities, such as personal selling, ad-vertising, sales promotion, marketing public relations, and packaging, to produce a coordinated message strategy.

Marketing mix: A blend of four main activities: designing, pricing, distrib-uting, and communicating about the product.

Marketing mix modeling: A modeling technique that allows marketers to determine the precise impact of the media plan on product sales.

Marketing plan: A written docu-ment that proposes strategies for using the elements of the marketing mix to achieve objectives.

Marketing Public Relations (MPR): A type of public relations that supports marketing's product and sales focus by increasing the brand's and com-pany's credibility with consum-ers.

Marketing research: Research that investigates all elements of the mar-keting mix.

Market research: Research that gathers information about specific markets.

Market segmentation: The process of dividing a market into distinct groups of buyers who might require sepa-rate products or marketing mixes.

Mass customization: A product development process that relies on flexible manufacturing to customize products for select markets or individuals.

Mechanicals: A finished paste up with every element perfectly positioned that is photographed to make printing plates for offset printing.

Media: The channels of communi-cation that carry the ad message to target audiences.

Media-buying services: Service providers that specialize in the purchase of media for their clients.

Media mix: Selecting the best combination of media vehicles, nontradi-tional media, and marketing communica-tion tools to reach the targeted stakeholder audiences.

Media planning: A decision process leading to the use of advertising time and space to assist in the achievement of marketing objectives.

Media tour: A traveling press conference in which the company's spokesperson travels to different cities and meets with the local media.

Merging: The process of combin-ing' two or more lists of data.

Mission marketing: Linking the mission of the company to a good cause and committing support to it for the long term.

Mixing: Combining different tracks of music, voices, and sound effects to create the final ad.

Morphing: A video technique in which one object gradually changes into another.

Motive: An unobservable inner force that stimulates and compels a behav-ioral response.

N

Needs: Basic forces that motivate you to do or to want something.

Network radio: A group of local affiliates providing simultaneous programing via connection to one or more of the national networks through AT&T tele-phone wires.

Newsprint: An inexpensive paper with a rough surface, used for printing newspapers.

News release: Primary medium used to deliver public relations messages to the media.

Noise: Anything that interferes with or distorts the advertising message's delivery to the target audience.

Nontraditional delivery: Delivery of magazines to readers through such methods as door hangers or newspapers.

Norms: Simple rules that each culture establishes to guide behavior.

O

Objective: The goal or task an individual or business wants to accomplish.

Open pricing: A pricing method in which prices are negotiated on a contract-by-contract basis for each unit of media space or time.

Original: One of a kind; unusual and unexpected.

Outbound: Telemarketing sales calls initiated by the company.

Out-of-home advertising: All advertising that is displayed outside the home, from billboards, to blimps, to in-store aisle displays.

P

Participations: An arrangement in which a television advertiser buys commercial time from a network.

Percentage-of-sales method: A budgeting technique based on the relationship between the cost of advertising and total sales.

Perception: The process by which we receive information through our five senses and acknowledge and assign meaning to this information.

Perceptual map: A map that shows where consumers locate various products in the category in terms of several important features.

Personality: Long-lasting personal qualities that allow us to cope with and respond to the world around us.

Persuade: Establish, reinforce, or change an attitude, build an argument, touch an emotion, or anchor a conviction firmly in the audience's belief structure.

Persuasion test: A test that evaluates the effectiveness of an advertisement by measuring whether the ad affects consumers' intentions to buy a brand.

Photoboard: A type of rough commercial, similar to an animatic except that the frames are actual photos instead of sketches.

Pica: A unit used to measure width and depth of columns; there are 12 points in a pica and 6 picas in an inch.

Point: A unit used to measure the height of type; there are 72 points in an inch.

Point Of Purchase (POP) display: A display designed by the manufacturer and distributed to retailers to promote a particular brand or line of products.

Population: Everyone included in a designated group.

Position: The image that distinguishes the product from both competitive products and other products marketed by the same company.

Positioning: The process of creating a product position.

Positioning: The way in which consumers perceive a product in the marketplace.

Preferred positions: Sections or pages of print media that are in high demand by advertisers because they have a special appeal to the target audience.

Premium: A tangible reward received for performing a particular act, such as purchasing a product or visiting the point of purchase.

Press conference: A public gathering of media people for the purpose of establishing a company's position or making a statement.

Press kit: A folder containing a news release and other supporting documents such as speeches, background sheets, photographs, maps, and renderings.

Price deal: A temporary reduction in the price of a product.

Primary research: Information that is collected from original sources.

Process colors: Four basic inks—magenta, cyan, yellow, and black—that are mixed to produce a full range of colors found in four-color printing.

Producer: The person who supervises and coordinates all of the elements that goes into the creation of a television commercial.

Product differentiation: A competitive marketing strategy that tries to create a competitive difference through real or perceived product attributes.

Product placement: The use of a brand name product in a television show, movie, or event.

Product retail advertising: Focuses on selling merchandise.

Production house: The outside agency that provides the director as well as the technical expertise and equipment needed to produce the commercial.

Professional advertising: Advertising that is targeted at professionals.

Profile: A composite description of a target audience using personality and lifestyle characteristics.

Program preemptions: Interruptions in local or network programming caused by special events.

Prospecting: In database marketing, this is the process of identifying prospects based on how well they match certain user characteristics.

Psychographics: All psychological variables that combine to share our inner selves and help explain consumer behavior.

Publicity: Information that catches public interest and is relayed through the news media.

Public opinion: People's beliefs, based on their conceptions or evaluations of something rather than on fact.

Public relations: A management function enabling organizations to achieve effective relationships with various publics in order to manage the image and reputation of the organization.

Publics: The groups or individuals involved with an organization, including customers, employees, competitors, government regulators, and consumer groups.

Public Service Announcement (PSA): A type of public relations advertising that deals with public welfare issues and typically is run free of charge.

Puffery: Advertising or other sales representation that praises a product or service using subjective opinions, superlatives, and similar techniques that are not based on objective fact.

Pulsing: An advertising scheduling pattern in which time and space are scheduled on a continuous but uneven basis; lower levels are followed by bursts or peak periods of intensified activity.

Purging: The process of deleting duplicative information after lists of data are combined.

Q

Qualitative data: Research that seeks to understand how people think and behave and why.

Quantitative data: Research that uses statistics to describe consumers.

R

Reach: The percentage of different homes or people exposed to a media vehicle or vehicles at least once during a specific period of time. It is the percentage of unduplicated audience.

Reason why: A statement that explains why the feature will benefit the user.

Rebate: A sales promotion that allows the customer to recover part of the product's cost from the manufacturer in the form of cash.

Recall: The ability to remember specific information content.

Recall test: A test that evaluates the memorability of an advertisement by contacting members of the advertisement's audience and asking them what they remember about it.

Recognition: An ability to remember having seen something before.

Recognition test: A test that evaluates the memorability of an advertisement by contacting members of the audience, showing them the ad, and asking whether they remember having seen it before.

Reference group: A group of people that a person uses as a guide for behavior in specific situations.

Refund: An offer by the marketer to return a certain amount of money to the consumer who purchases the product.

Regional brand: A brand that is available throughout a regional trading block.

Register: The alignment of colors in printed images.

Relationship marketing: The on-going process of identifying and maintaining contact with high-value customers.

Release prints: Duplicate copies of a commercial that are ready for distribution.

Relevance: The degree to which ads speak to our personal concerns or interests.

Reliability: The degree to which a test yields essentially the same results when the same advertisement is tested time after time.

Reputation: A general estimation in which a company is held by the public, based on its practices, policies, and performance.

Retail advertising: A type of advertising used by local merchants who sell directly to consumers.

Reverse type: A technique in which the type appears in a light color against a dark background.

Rough cut: A preliminary edited version of the commercial.

Rough layouts: A layout drawn to size but without attention to artistic and copy details.

Rushes: Rough versions of the commercial assembled from unedited footage.

S

Sales promotion: Marketing activities that add value to the product for a limited period of time to stimulate consumer purchasing and dealer effectiveness.

Sample: A selection of people who are identified as representative of the larger population.

Sampling: Allowing the consumer to experience the product at no cost.

Sans serif: A typeface that does not have the serif detail at the end of the strokes.

Screen: A process used in printing that reduces a continuous tone image to patterns of dots that can be reproduced using a limited palette of inks.

Script: A written version of a radio or television commercial.

Secondary research: Information that already has been compiled and published.

Selective distortion: The process of interpreting information in a way that is consistent with the person's existing opinion.

Selective exposure: The ability to process only certain information and avoid other stimuli.

Selective perception: The process of screening out information that doesn't interest us and retaining information that does.

Selective retention: The process of remembering only a small portion of what you are exposed to.

Self-liquidator: A type of mail premium that requires a payment sufficient to cover the cost of the item.

Selling premises: The sales logic behind an advertising message.

Semicomps: A layout drawn to size that depicts the art and display type; body copy is simply ruled in.

Serif: Typeface in which the end of each stroke is finished off with a little flourish.

Set: A constructed setting in which the action of a commercial takes place.

Share of voice: One brand's percentage of advertising messages in a medium compared to all messages for that product or service.

Signal: A series of electrical impulses used to transmit radio and television broadcasting.

Signature: The name of the company or product, written in a distinctive type or style.

Simulated test market: Research procedure in which respondents are exposed to advertisements and then permitted to shop for the advertised products in an artificial environment where records are kept of their purchases.

Single-shot ads: Ads that are designed to work alone rather than as part of an ongoing campaign.

Situation analysis: The first section in a campaign plan that summarizes all the relevant background information and research and analyzes its significance.

Slogans: Frequently repeated phrases that provide continuity to an advertising campaign.

Social class: A way to categorize people on the basis of their values, attitudes, lifestyles, and behavior.

Social marketing: Marketing with the good of society in mind.

Soft sell: An emotional message that uses mood, ambiguity, and suspense to create a response based on feelings and attitudes.

Sound effects: Lifelike imitations of sounds.

Specialty advertising: Free gifts or rewards requiring no purchase and carrying a reminder-advertising message.

Spectaculars: Illuminated billboards.

Sponsorship (Television): An arrangement in which the advertiser produces both a television program and the accompanying commercials.

Sponsorship (Cause or Event): Arrangement in which a company contributes to the expenses of a cause or event to increase the perceived value of the sponsor's brand in the mind of the consumer. **Spot announcements:** Ads shown during the breaks between programs.

Spot color: The use of an accent color to call attention to an element in an ad layout.

Spot radio advertising: A form of advertising in which an ad is placed with an individual station rather than through a network.

Stakeholders: Groups of people with a common interest who have a stake in a company and who can have an impact on its success.

Stereotyping: The process of positioning a group of people in an unvarying pattern that lacks individuality and often reflects popular misconceptions.

Stock footage: Previously recorded film, video, or still slides that are incorporated into a commercial.

Stop motion: An animation technique in which inanimate objects are filmed one frame at a time, creating the illusion of movement.

Storyboard: A series of frames sketched to illustrate how the story line will develop.

Strategic research: All research that leads to the creation of an ad.

Strategy: The means by which an individual or business accomplishes objectives.

Subliminal message: A message transmitted below the threshold of normal perception so that the receiver is not consciously aware of having viewed it.

Superimpose: A television technique in which one image is added to another that is already on the screen.

Supplements: Syndicated or local full-color advertising inserts that appear in newspapers throughout the week.

Surprinting: A technique in which the type is printed over a patterned background such as a piece of art or even other type.

Survey research: Research using structured interview forms that ask large numbers of people exactly the same question.

Sweepstakes: Contests that require only that the participant supply his or her name to participate in a random drawing.

SWOT analysis: An analysis of a company or brand's strengths, weaknesses, opportunities, and threats.

Synchronize: Match the audio to the video in a commercial.

Syndication: Television or radio shows that are reruns or original programs purchased by local stations to fill open hours.

Synergy: The principle that means that when all the pieces work together, the whole is greater than the sum of its parts.

T

Tabloid: A newspaper with a page size five to six columns wide and 14 inches deep.

Tactic: The specific techniques selected to reflect the strategy.

Taglines: Clever phrases used at the end of an advertisement to summarize the ad's message.

Talent: People who appear in television commercials.

Target audience: People who can be reached with a certain advertising medium and a particular message.

Target market: The market segment(s) that the marketer wants to sell a product to.

Task-objective method: A budgeting method that builds a budget by asking what it will cost to achieve the stated

objectives.

Telemarketing: A type of marketing that uses the telephone to make a personal sales contact.

Tie-ins: A promotion tool that promotes two products together to increase both brands' visibility

Tint blocks: A screen process that creates shades of gray or colors in blocks.

Tip-ins: Preprinted ads that are provided by the advertiser to be glued into the binding of a magazine.

Trade deal: An arrangement in which the retailer agrees to give the manufacturer's product a special promotional effort in return for product discounts, goods, or cash.

Traditional delivery: Delivery of magazines to readers through newsstands or home delivery.

Trailers: Advertisements shown in movie theaters before the feature.

Typography: The use of type both to convey words and to contribute aesthetically to the message.

Thumbnail sketches: Small preliminary sketches of various layout ideas.

U

Undifferentiated or market aggregation strategy: A view of the market that assumes all consumers are basically the same.

Unique selling proposition: A benefit statement about a feature that is both unique to the product and important to the user.

V

Validity: The ability of a test to measure what it is intended to measure.

Values: The source of norms; values are not tied to specific objects or behavior, are internal, and guide behavior.

Values and Lifestyles System (VALS): Conceptual models that categorize people according to their values and then identify the consumer behaviors associated with those models.

Vampire creativity: An advertising problem in which an ad is so creative or entertaining that it overwhelms the product.

Vendors: A group of service organizations that assist advertisers, ad agencies, and the media; also known as freelancers.

Vertical publications: Publications targeted at people working in the same industry.

Video News Releases (VNRs): Contains video footage that can be used during a television newscast.

Videotape: A type of recording medium that records sound and images electronically.

Voice-over: A technique used in commercials in which an off-camera announcer talks about the on-camera scene.

W

Web page: Computer-generated information, usually sponsored by one company or institution, that provides information about the entity and is accessible via the Web.

Z

Zapping: Avoiding commercials by changing channels.

Zero-based planning: The practice of analyzing the strengths and weaknesses of the various marketing communication tools and then matching them to the problem identified in the situation analysis.

Advertising Reference Books and Websites.

Name of Book	Author
1. Advertising	U C Mathur
2. Advertising Procedure	Klepper's
3. Contemporary Advertising	
4. Integrated Advertising,	Promotions & Marketing Communications Kenneth E Clow & Donald Baack
	Advertising
5. How to produce Successful	A D Farbey
6. Strategic Marketing Communications	P R Smith & Taylor
7. Advertising	R White
8. Below the Line Promotions	RJ Wilmhurst
9. Advertising Media Planning	Larry D Kelly & Donald W Jugenheimer
10. The 360 Degree Brand in Asia	Mark Blair, Richard Armstrong
11. Consumer Behavior	Leon G Schiffman, Leslie L Kanuk
12. Advertising in a Multi-Media Age	Brian & Margot Blunden
13. Advertising	Sandeep Sharma & Deepak Kumar
14. Successful Branding	Pran K. Choudhury
15. Marketing Communication & Advertising	R. C. Bhatia
16. Advertising & The Business of Brands	
17. Advertising Principles and Practice	
18. Marketing Management	Philip Kotler
19. Advertising Management	Aaker & Myers
20. Strategic Branding	Subrato Sen Gupta

Websites.

21. www.agencyfaqs.com
22. www.adbuzz.com
23. www.adforum.com
24. www.advertising.com
25. www.brandchannel.com
26. www.exchange4media.com

Name of Book	Author	Cost(Rs)
1. Mass Communication in India	Keval Kumar	175/-
2. Journalism based on Indian National movement	Deshpande	165/-
3. Advertising	pardeshi	150/-
4. You can win	Shiv Khera	325/-
5. Living with Honour	Shiv Khera	275/-
6. History, Culture and Society in India and West	Karan Singh	550/-
7. Politics and Beyond	Roy	495/-
8. Terrorism in South Asia	Sridhar Khatri	950/-
9. Planned approaches for getting best results	Surya Lovejoy	250/-
10. Changing the Bottom line	Allen Warner	250/-

11. Improving Communication skills	Jon McDermott	275/-
12. Handbook of Team Working	Stewart	950/-
13. Handbook of Communication	Scholes	950/-
14. Appropriate Management Tech for 21 st . Century	Ghosh	650/-
15. Effective P R in Public and Private Sector	Bauk	125/-
16. Advertising Management	Batra	250/-
17. Negotiating World Wide	Heddon	275/-
18. Business letters	Dugger	125/-
19. Politics And Society	Roy	495/-
20. Editing and revising Text	Billingham	145/-
21. How to read a film	Monaco	900/-
22. World Development Report - 2004		495/-
23. Indian Health report 2003		545/-
24. Indian Sustaining reform, Reducing Poverty		325/-

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