

tion, and perceived value. From an IMC perspective, the price must be consistent with the perceptions of the product, as well as the communications strategy. Higher prices, of course, will communicate a higher product quality, while lower prices reflect bargain or “value” perceptions (Exhibit 2-26). A product positioned as highest quality but carrying a lower price than competitors will only confuse consumers. In other words, the price, the advertising, and the distribution channels must present one unified voice speaking to the product’s positioning.

**Relating Price to Advertising and Promotion** Factors such as product quality, competition, and advertising all interact in determining what price a firm can and should charge. The relationship among price, product quality, and advertising was examined in one study using information on 227 consumer businesses from the Profit Impact of Marketing Strategies (PIMS) project of the Strategic Planning Institute.<sup>19</sup> Several interesting findings concerning the interaction of these variables emerged from this study:

- Brands with high relative advertising budgets were able to charge premium prices, whereas brands that spent less than their competitors on advertising charged lower prices.
- Companies with high-quality products charged high relative prices for the extra quality, but businesses with high quality and high advertising levels obtained the highest prices. Conversely, businesses with low quality and low advertising charged the lowest prices.
- The positive relationship between high relative advertising and price levels was stronger for products in the late stage of the product life cycle, for market leaders, and for low-cost products (under \$10).
- Companies with relatively high prices and high advertising expenditures showed a higher return on investment than companies with relatively low prices and high advertising budgets.
- Companies with high-quality products were hurt the most, in terms of return on investment, by inconsistent advertising and pricing strategies.



**Exhibit 2-26** Some products compete on the basis of quality rather than price

The study concluded that pricing and advertising strategies go together. High relative ad expenditures should accompany premium prices, and low relative ad expenditures should be tailored to low prices. These results obviously support the IMC perspective that one voice must be conveyed.

## Distribution Channel Decisions

As consumers, we generally take for granted the role of marketing intermediaries or channel members. If we want a six-pack of soda or a box of detergent, we can buy it at a supermarket, a convenience store, or even a drugstore. Manufacturers understand the value and importance of these intermediaries.

One of a marketer's most important marketing decisions involves the way it makes its products and services available for purchase. A firm can have an excellent product at a great price, but it will be of little value unless it is available where the customer wants it, when the customer wants it, and with the proper support and service. **Marketing channels**, the place element of the marketing mix, are "sets of interdependent organizations involved in the process of making a product or service available for use or consumption."<sup>20</sup>

Channel decisions involve selecting, managing, and motivating intermediaries such as wholesalers, distributors, brokers, and retailers that help a firm make a product or service available to customers. These intermediaries, sometimes called **resellers**, are critical to the success of a company's marketing program.

The distribution strategy should also take into consideration the communication objectives and the impact that the channel strategy will have on the IMC program. Stewart and colleagues discuss the need for "integrated channel management," which "reflects the blurring of the boundaries of the communications and distribution functions."<sup>21</sup> Consistent with the product and pricing decisions, where the product is distributed will send a communications message. Does the fact that a product is sold at Neiman Marcus or Saks convey a different message regarding its image than if it were distributed at Kmart or Wal-Mart? If you think about it for a moment, the mere fact that the product is distributed in these channels communicates an image about it in your mind. (Think about the Samsung discussion at the beginning of this chapter.) Stewart gives examples of how channel elements contribute to communication—for example, grocery store displays, point-of-purchase merchandising, and shelf footage. The distribution channel in a well-integrated marketing program serves as a form of reminder advertising. The consumer sees the brand name and recalls the advertising. (Think about the last time you passed a McDonald's. Did it remind you of any of McDonald's ads?)

A company can choose not to use any channel intermediaries but, rather, to sell to its customers through **direct channels**. This type of channel arrangement is sometimes used in the consumer market by firms using direct-selling programs, such as Avon, Tupperware, and Mary Kay, or firms that use direct-response advertising or telemarketing to sell their products. Direct channels are also frequently used by manufacturers of industrial products and services, which are often selling expensive and complex products that require extensive negotiations and sales efforts, as well as service and follow-up calls after the sale. The ad for Titleist putters shown earlier reflects the higher cost and quality associated with the brand.

Chapter 15 provides a discussion of the role of the Internet in an IMC program. As will be seen, the Internet is relied upon by many companies as a direct channel of distribution, since they offer products and services for sale on their websites. Amazon.com and Barnes&Noble.com are just two of the many examples of such efforts.

Most consumer-product companies distribute through **indirect channels**, usually using a network of wholesalers (institutions that sell to other resellers) and/or retailers (which sell primarily to the final consumer).

## Developing Promotional Strategies: Push or Pull?

Most of you are aware of advertising and other forms of promotion directed toward ultimate consumers or business customers. We see these ads in the media and are often part of the target audience for the promotions. In addition to developing a consumer

## CAREER PROFILE

### Fiona Morrisson

#### Director, Corporate Communications JetBlue Airways

My career-path, especially the first ten years of it, has been one that text books never recommend, guidance counselors are paid to discourage, and parents fear the most.

I grew up in a small country town in Australia where it wasn't a given that everyone would graduate from high school and go on to university. I left school after grade ten and spent the next eight years of my working life in jobs that provided me with an extremely useful work skill: a typing speed of 120 words per minute. I held positions in everything from dental clinics to multinational computing companies, with a myriad of temporary jobs in between.

In my early twenties, I headed to Japan. My first real job in Tokyo was with a science publishing company where I worked "polishing" English language research papers submitted by Japanese scientists before the reports were sent for publication in Europe.

After leaving then returning to Tokyo, I was fortunate to find work in two industries that have since become the foundation for my career: media and travel.

Every morning I was employed by a travel tour consolidator to write English language marketing plans and proposals aimed at their U.S., Australian, and South East Asian airline and tour partners. Every afternoon, I worked in the International Relations department of Nihon Television (NTV), Japan's oldest network station.

At NTV, my job was to "culturally translate" scripts for programs that the station was hoping to sell overseas.

While I loved living in Japan, I began to feel that there was something that school could offer me. I felt that a university degree would give me a theoretical base from which to understand and utilize the experiences and skills I'd gained.

I returned to Australia to earn a BA in Communications from the University of Technology in Sydney. After graduation, I was off to New York.

My first job in New York was with an Australian corporate finance company. I soon realized that I was not suited to the finance industry, so when the opportunity to interview at a public relations agency came along, I jumped at it.

Porter Novelli had just won the Australian Tourist Commission (ATC) account and was looking for an account executive with a knowledge of the country. Thanks to my nationality, my writing skills and my experience "translating" between two cultures, I got the job. Along with the ATC, I worked on the Princess Cruises, Bermuda Tourism, and Southwest Airlines accounts, learning media relations, co-ordinating major events, and organizing press trips.

I spent two happy years with Porter Novelli before landing the position of Manager of Corporate Communications with JetBlue Airways.

The first day with JetBlue I worked on the inauguration of new service to Orlando, Florida, the fourth city on the route network. By the end of my first year, we'd launched ten more destinations around the country. Since then JetBlue has gone from being an "upstart" to a successful low-fare competitor to being voted the Best US Airline by Conde Nast Traveler readers. Three of us handle all JetBlue's PR in-house—which means

that we do everything, from media pitching to event planning to internal communications.

So while it might not have been as fast as the traditional route, my career path, with its roundabout ways and spontaneous detours, has brought me to a job and a company that I love, and given me some unique experiences along the way. I'm excited about where it could take me next.



**"A friend's recommendation and successful interviews landed me the JetBlue job."**

marketing mix, a company must have a program to motivate the channel members. Programs designed to persuade the trade to stock, merchandise, and promote a manufacturer's products are part of a **promotional push strategy**. The goal of this strategy is to push the product through the channels of distribution by aggressively selling and promoting the item to the resellers, or trade.

Promotion to the trade includes all the elements of the promotional mix. Company sales representatives call on resellers to explain the product, discuss the firm's plans for building demand among ultimate consumers, and describe special programs being offered to the trade, such as introductory discounts, promotional allowances, and cooperative ad programs. The company may use **trade advertising** to interest wholesalers and retailers and motivate them to purchase its products for resale to their customers. Trade advertising usually appears in publications that serve the particular industry.

A push strategy tries to convince resellers they can make a profit on a manufacturer's product and to encourage them to order the merchandise and push it through to their customers. Sometimes manufacturers face resistance from channel members who do not want to take on an additional product line or brand. In these cases, companies may turn to a **promotional pull strategy**, spending money on advertising and sales promotion efforts directed toward the ultimate consumer. The goal of a pull strategy is to create demand among consumers and encourage them to request the product from the retailer. Seeing the consumer demand, retailers will order the product from wholesalers (if they are used), which in turn will request it from the manufacturer. Thus, stimulating demand at the end-user level pulls the product through the channels of distribution.

Whether to emphasize a push or a pull strategy depends on a number of factors, including the company's relations with the trade, its promotional budget, and demand for the firm's products. Companies that have favorable channel relationships may prefer to use a push strategy and work closely with channel members to encourage them to stock and promote their products. A firm with a limited promotional budget may not have the funds for advertising and sales promotion that a pull strategy requires and may find it more cost-effective to build distribution and demand by working closely with resellers. When the demand outlook for a product is favorable because it has unique benefits, is superior to competing brands, or is very popular among consumers, a pull strategy may be appropriate. Companies often use a combination of push and pull strategies, with the emphasis changing as the product moves through its life cycle.

## The Role of Advertising and Promotion

As shown in the marketing model in Figure 2-1, the marketing program includes promotion both to the trade (channel members) and to the company's ultimate customers. And interactive marketers use the various promotional-mix elements—advertising, sales promotion, direct marketing, publicity/public relations, and personal selling—to inform consumers about their products, their prices, and places where the products are available. Each promotional-mix variable helps marketers achieve their promotional objectives, and all variables must work together to achieve an integrated marketing communications program.

To this point, we have discussed the various elements of the marketing plan that serves as the basis for the IMC program. The development and implementation of an IMC program is based on a strong foundation that includes market analysis, target marketing and positioning, and coordination of the various marketing-mix elements. Throughout the following chapters of this text, we will explore the role of advertising and promotion in helping to achieve marketing objectives.

## Summary

Promotion plays an important role in an organization's efforts to market its product, service, or ideas to its customers. Figure 2-1 shows a model for analyzing how promotions fit into a company's marketing program. The model includes a marketing strategy and analysis, target marketing, program development, and the target market. The marketing process begins with a marketing strategy that is based on a detailed situation analysis and guides for target market selection and development of the firm's marketing program.

In the planning process, the situation analysis requires that the marketing strategy be assumed. The promotional program is developed with this strategy as a guide. One of the key decisions to be made pertains to the target marketing process, which includes identifying, segmenting, targeting, and positioning to target markets. There are several bases for segmenting the market and various ways to position a product.

Once the target marketing process has been completed, marketing program decisions regard-

ing product, price, distribution, and promotions must be made. All of these must be coordinated to provide an integrated marketing communications perspective, in which the positioning strategy is supported by one voice. Thus all product strategies, pricing strategies, and distribution choices must be made with the objective of contributing to the overall image of the product or brand. Advertising and promotion decisions, in turn, must be integrated with the other marketing-mix decisions to accomplish this goal.

## Key Terms

strategic marketing plan, 40  
market segments, 40  
market opportunities, 40  
competitive advantage, 41  
target marketing, 43  
market segmentation, 44  
geographic segmentation, 46

demographic segmentation, 46  
psychographic segmentation, 48  
behavioristic segmentation, 49  
80-20 rule, 49  
benefit segmentation, 49  
undifferentiated marketing, 50

differentiated marketing, 50  
concentrated marketing, 51  
positioning, 51  
salient attributes, 52  
repositioning, 55  
product symbolism, 58  
brand equity, 59

marketing channels, 62  
resellers, 62  
direct channels, 62  
indirect channels, 62  
promotional push strategy, 64  
trade advertising, 64  
promotional pull strategy, 64

## Discussion Questions

1. Recently, some marketers have noted that it is easier to develop communications programs to Generation X members than Generation Y. Briefly describe the characteristics of Gen X and Gen Y, and whether or not you believe this to be true.

2. The text discusses Samsung's attempt to reposition to be competitive with companies like Sony. Discuss what factors might promote and/or inhibit their success in this endeavor.

3. As companies increase their efforts to target the Hispanic segment, they are likely to encounter differences from other subcultural groups. Discuss some of the differences that they might expect to notice in the Hispanic subculture.

4. Changing lifestyles can create both opportunities and threats for the marketer. Provide an example of a change in lifestyle that poses a threat to marketers, and one that provides an opportunity. Give an example of a product or brand that has been affected in both of these ways.

5. The text discusses the positioning of JetBlue and their success so far. Describe some of the things that JetBlue has done effectively to lead to their success. What will JetBlue need to do in the future to maintain this success?

6. Some marketers contend that demographics is not really a basis for segmentation but is a descriptor of the segment. Discuss examples to support both positions.

7. Establishing brand image is often difficult for new companies. Explain what these companies must do to establish a strong brand image.

8. More and more business-to-business companies have gone away from purely trade advertising to advertising on consumer media. Is this likely to be a successful strategy? Why or why not?

9. A number of approaches to segmentation have been cited in the text. Provide examples of companies and/or brands that employ each.

10. Describe how the positioning strategy adopted for a brand would need to be supported by all other elements of the marketing mix.

# Organizing for Advertising and Promotion: The Role of Ad Agencies and Other Marketing Communication Organizations

## 3

### Chapter Objectives

1. To understand how companies organize for advertising and other aspects of integrated marketing communications.
2. To examine methods for selecting, compensating, and evaluating advertising agencies.
3. To explain the role and functions of specialized marketing communications organizations.
4. To examine various perspectives on the use of integrated services and responsibilities of advertisers versus agencies.



## Madison Avenue Goes Hollywood

In the spring of 2000, the creative group at the Fallon Worldwide agency assigned to the BMW North America account was in the process of developing a new branding campaign for the German automaker. Both the BMW and Fallon people were becoming increasingly concerned



with their ability to reach their core market of overachieving, hard-working consumers via traditional methods such as network television. BMW had done three different campaigns recently emphasizing responsive performance with product-focused ads designed to show what it's like behind the wheel of a BMW. However, from the perspective of both the client and the agency, the look and feel of the ads had begun to be copied by competitors and wannabes, making them less distinctive than before. Meanwhile, their research indicated that many Bimmer buyers were tech-savvy and had fast, reliable access to the Internet; most importantly, 85 percent of them had researched their car purchase on the Web before stepping into a dealer showroom.

As the creative team worked to develop a new branding campaign for BMW, concern over the effectiveness of traditional media advertising and curiosity over how to exploit the popularity of the Internet among car buyers were two key factors they were considering. Another creative

team at Fallon had recently completed a campaign for Timex that incorporated an Internet element by featuring short video clips developed specifically for the Web. So the idea emerged of doing something for the Web that would be not only entertaining but also cinematic. However, the associative creative director for the BMW group at Fallon noted that the goal was to do a different level of web film—one that by its very nature would call attention to itself and could be promoted like regular films.

The agency took the web film concept to Anonymous Content, a Hollywood production company, where director David Fincher is a partner. Fincher took the original concept for a longer film that would be shot in segments and suggested instead a series of stand-alone shorts, each directed by a marquee name. He also came up with the idea for a central character, the Driver, played by young British actor Clive Owen, who appears in all the films as a James Bond-type driver who takes such costars as Madonna, Mickey Rourke, and Stellan Skarsgård for the ride of their lives in a BMW.

The series of five- to seven-minute films created by Fallon and Anonymous Content is called "The Hire," and the films have been directed by big names such as Ang Lee, John Franeheimer,

and Guy Ritchie. The most popular film in the series was Ritchie's seven-minute short called "Star," which starred his wife, Madonna, portraying a spoiled pop diva who is taken on a wild ride to her hotel in a BMW 540i by the hired driver. Each film shows a different BMW model pushing the envelope of performance by showing what the car can do in extreme conditions and situations that could never be conveyed in a traditional TV commercial.

A special website, BMWFilms.com, was created to show the five films in "The Hire" series. The site also includes five "substories," which are two-minute vignettes that introduce additional characters, as well as a behind-the-scenes look at how the films were made, interviews with the stunt drivers, and commentaries by the directors on their individual shoots. Fallon also created an integrated campaign to drive consumers to the website that included television, print and Internet ads, viral marketing efforts, and an aggressive public relations effort. "The Hire" film series has been singled out as the first high-profile, big-budget, celebrity-laden marriage of advertising and entertainment. Since its launch in April 2001, more than 13 million people have logged on to BMWFilms.com to view the five films in the series, and its success prompted BMW to commission three new films, which debuted in fall 2002.

BMW Films was awarded the Super Reggie Award in 2002 by the Promotion Marketing Association (PMA) for the best promotional campaign. The PMA director noted: "BMW Films has truly established a creative benchmark in integrated and interactive promotions, allowing consumers to interact with the BMW name on their own terms. The promotion helped drive increases in brand measures and dealership visits as well as vehicle sales numbers." The film series also won the Cyber Grand Prix award at the 2002 Cannes

Advertising Festival for the best online marketing campaign.

BMW is not the only marketer that has turned to the *advertainment* genre to promote its products. Skyy Vodka, which has a history of support for independent filmmakers and film festivals, was one of the first companies to use the genre, with its "Skyy Short Film Series." The three short films, which were created by the company's ad agency Lambesis, also used top directors and talent including model-actress Claudia Schiffer and Dian Merrill. The short films, which are featured on the "Skyy Cinema" section of the company's website, are seen as a way to build its brand image with its primary target audience of young, technologically savvy adults. Bartle Bogle Hegarty, a London agency, has also created short films for several clients including Levi's jeans and Microsoft's Xbox video game. The long-form ad for the Xbox, called "Champagne," shows a baby being shot out of a window at birth and morphing into old age and has been downloaded more than 4 million times.

Experts note that these digital short films signal the way toward the long-awaited convergence of television and the personal computer. They note that other technological developments such as the personal video recorder, digital cable, and satellite TV will allow consumers to watch what they want when they want to and this will change how they relate to advertisers. Thus, advertisers and their agencies will continue to use the short-film advertainments as a way to make their messages more compelling and to encourage consumers to actually choose to view their ads rather than avoid them.

Sources: Michael McCarthy, "Ads Go Hollywood with Short Films," *USA Today*, June 20, 2002, p. 3b; Anthony Vagno, "Behind the Wheel," *Advertising Age*, July 23, 2001, pp. 10, 12; Benny Evangelista, "Marketers Turn to Web Films to Push Their Products," *San Francisco Chronicle*, July 23, 2001, p. E2.



Developing and implementing an integrated marketing communications program is usually a complex and detailed process involving the efforts of many persons. As consumers, we generally give little thought to the individuals or organizations that create the clever advertisements that capture our attention or the contests or sweepstakes we hope to win. But for those involved in the marketing process, it is important to understand the nature of the industry and the structure and functions of the organizations involved. As can be seen from the opening vignette, the advertising and promotions business is changing as marketers search for better ways to communicate with their customers. These changes are impacting the way marketers organize for marketing communications, as well as their relationships with advertising agencies and other communication specialists.

This chapter examines the various organizations that participate in the IMC process, their roles and responsibilities, and their relationship to one another. We discuss how companies organize internally for advertising and promotion. For most companies, advertising is planned and executed by an outside ad agency. Many large agencies offer a variety of other IMC capabilities, including public relations, sales promotion, and direct marketing. Thus, we will devote particular attention to the ad agency's role and the overall relationship between company and agency.

Other participants in the promotional process (such as direct-response, sales promotion, and interactive agencies and public relations firms) are becoming increasingly important as more companies take an integrated marketing communications approach to promotion. We examine the role of these specialized marketing communications organizations in the promotional process as well. The chapter concludes with a discussion of whether marketers are best served by using the integrated services of one large agency or the separate services of a variety of communications specialists.

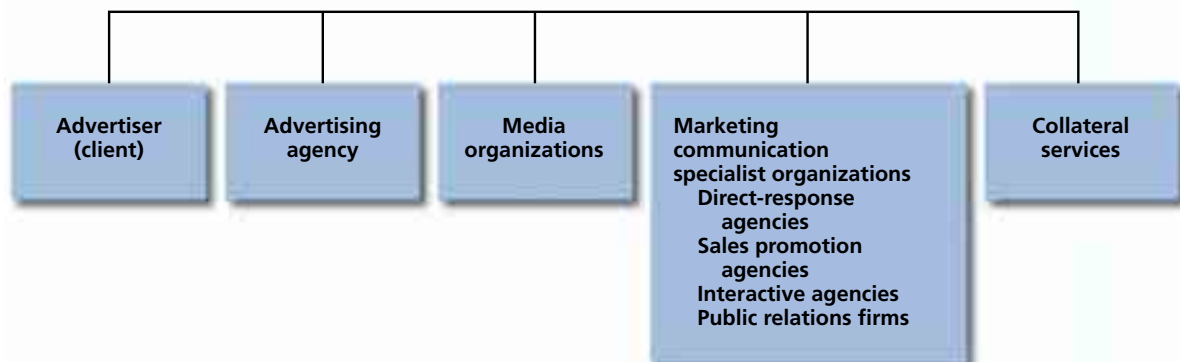
Before discussing the specifics of the industry, we'll provide an overview of the entire system and identify some of the players. As shown in Figure 3-1, participants in the integrated marketing communications process can be divided into five major groups: the advertiser (or client), advertising agencies, media organizations, specialized communication services, and collateral services. Each group has specific roles in the promotional process.

The advertisers, or **clients**, are the key participants in the process. They have the products, services, or causes to be marketed, and they provide the funds that pay for advertising and promotions. The advertisers also assume major responsibility for developing the marketing program and making the final decisions regarding the advertising and promotional program to be employed. The organization may perform most of these efforts itself, either through its own advertising department or by setting up an in-house agency.

However, many organizations use an **advertising agency**, an outside firm that specializes in the creation, production, and/or placement of the communications message and that may provide other services to facilitate the marketing and promotions

## Participants in the Integrated Marketing Communications Process: An Overview

**Figure 3-1** Participants in the integrated marketing communications process



process. Many large advertisers retain the services of a number of agencies, particularly when they market a number of products. For example, Kraft Foods uses as many as 8 advertising agencies for its various brands, while Procter & Gamble uses 12 ad agencies and 2 major media buying services companies. More and more, ad agencies are acting as partners with advertisers and assuming more responsibility for developing the marketing and promotional programs.

**Media organizations** are another major participant in the advertising and promotions process. The primary function of most media is to provide information or entertainment to their subscribers, viewers, or readers. But from the perspective of the promotional planner, the purpose of media is to provide an environment for the firm's marketing communications message. The media must have editorial or program content that attracts consumers so that advertisers and their agencies will want to buy time or space with them. Exhibit 3-1 shows an ad run in advertising trade publications promoting the value of The History Channel magazine as a media vehicle for reaching men. While the media perform many other functions that help advertisers understand their markets and their customers, a medium's primary objective is to sell itself as a way for companies to reach their target markets with their messages effectively.

The next group of participants are organizations that provide **specialized marketing communications services**. They include direct-marketing agencies, sales promotion agencies, interactive agencies, and public relations firms. These organizations provide services in their areas of expertise. A direct-response agency develops and implements direct-marketing programs, while sales promotion agencies develop promotional programs such as contests and sweepstakes, premium offers, or sampling programs. Interactive agencies are being retained to develop websites for the Internet and help marketers as they move deeper into the realm of interactive media. Public relations firms are used to generate and manage publicity for a company and its products and services as well as to focus on its relationships and communications with its relevant publics.

The final participants shown in the promotions process of Figure 3-1 are those that provide **collateral services**, the wide range of support functions used by advertisers,

**Exhibit 3-1** The History Channel advertises its ability to reach male television viewers



agencies, media organizations, and specialized marketing communications firms. These individuals and companies perform specialized functions the other participants use in planning and executing advertising and other promotional functions. We will now examine the role of each participant in more detail. (Media organizations will be examined in Chapters 10 through 14.)

Virtually every business organization uses some form of marketing communications. However, the way a company organizes for these efforts depends on several factors, including its size, the number of products it markets, the role of advertising and promotion in its marketing mix, the advertising and promotion budget, and its marketing organization structure. Many individuals throughout the organization may be involved in the promotions decision-making process. Marketing personnel have the most direct relationship with advertising and are often involved in many aspects of the decision process, such as providing input to the campaign plan, agency selection, and evaluation of proposed programs. Top management is usually interested in how the advertising program represents the firm, and this may also mean being involved in advertising decisions even when the decisions are not part of its day-to-day responsibilities.

While many people both inside and outside the organization have some input into the advertising and promotion process, direct responsibility for administering the program must be assumed by someone within the firm. Many companies have an advertising department headed by an advertising or communications manager operating under a marketing director. An alternative used by many large multiproduct firms is a decentralized marketing (brand management) system. A third option is to form a separate agency within the firm, an in-house agency. Each of these alternatives is examined in more detail in the following sections.

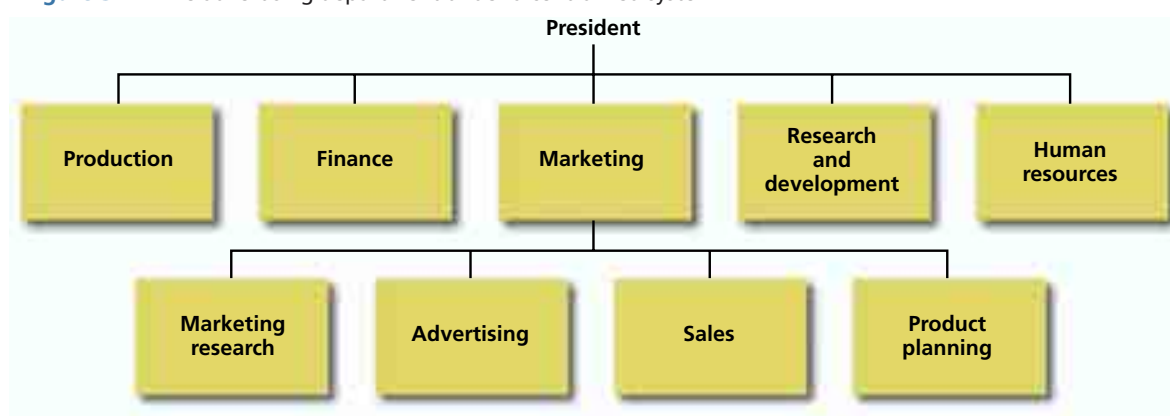
## Organizing for Advertising and Promotion in the Firm: The Client's Role

### The Centralized System

In many organizations, marketing activities are divided along functional lines, with advertising placed alongside other marketing functions such as sales, marketing research, and product planning, as shown in Figure 3-2. The **advertising manager** is responsible for all promotions activities except sales (in some companies this individual has the title of Marketing Communications Manager). In the most common example of a **centralized system**, the advertising manager controls the entire promotions operation, including budgeting, coordinating creation and production of ads, planning media schedules, and monitoring and administering the sales promotions programs for all the company's products or services.

The specific duties of the advertising manager depend on the size of the firm and the importance it places on promotional programs. Basic functions the manager and staff perform include the following.

**Figure 3-2** The advertising department under a centralized system



**Planning and Budgeting** The advertising department is responsible for developing advertising and promotions plans that will be approved by management and recommending a promotions program based on the overall marketing plan, objectives, and budget. Formal plans are submitted annually or when a program is being changed significantly, as when a new campaign is developed. While the advertising department develops the promotional budget, the final decision on allocating funds is usually made by top management.

**Administration and Execution** The manager must organize the advertising department and supervise and control its activities. The manager also supervises the execution of the plan by subordinates and/or the advertising agency. This requires working with such departments as production, media, art, copy, and sales promotion. If an outside agency is used, the advertising department is relieved of much of the executional responsibility; however, it must review and approve the agency's plans.

**Coordination with Other Departments** The manager must coordinate the advertising department's activities with those of other departments, particularly those involving other marketing functions. For example, the advertising department must communicate with marketing research and/or sales to determine which product features are important to customers and should be emphasized in the company's communications. Research may also provide profiles of product users and nonusers for the media department before it selects broadcast or print media. The advertising department may also be responsible for preparing material the sales force can use when calling on customers, such as sales promotion tools, advertising materials, and point-of-purchase displays.

**Coordination with Outside Agencies and Services** Many companies have an advertising department but still use many outside services. For example, companies may develop their advertising programs in-house while employing media buying services to place their ads and/or use collateral services agencies to develop brochures, point-of-purchase materials, and so on. The department serves as liaison between the company and any outside service providers and also determines which ones to use. Once outside services are retained, the manager will work with other marketing managers to coordinate their efforts and evaluate their performances.

A centralized organizational system is often used when companies do not have many different divisions, product or service lines, or brands to advertise. For example, airlines such as Southwest, American, and Continental have centralized advertising departments. Many companies prefer a centralized advertising department because developing and coordinating advertising programs from one central location facilitates communication regarding the promotions program, making it easier for top management to participate in decision making. A centralized system may also result in a more efficient operation because fewer people are involved in the program decisions, and as their experience in making such decisions increases, the process becomes easier.

At the same time, problems are inherent in a centralized operation. First, it is difficult for the advertising department to understand the overall marketing strategy for the brand. The department may also be slow in responding to specific needs and problems of a product or brand. As companies become larger and develop or acquire new products, brands, or even divisions, the centralized system may become impractical.

## The Decentralized System

In large corporations with multiple divisions and many different products, it is very difficult to manage all the advertising, promotional, and other functions through a centralized department. These types of companies generally have a **decentralized system**, with separate manufacturing, research and development, sales, and marketing departments for various divisions, product lines, or businesses. Many companies that use a decentralized system, such as Procter & Gamble, Gillette Co., and Nestlé, assign each product or brand to a **brand manager** who is responsible for the total management of the brand, including planning, budgeting, sales, and profit performance. (The



**Exhibit 3-2** Many of Procter & Gamble's brands compete against each other

term *product manager* is also used to describe this position.) The brand manager, who may have one or more assistant brand managers, is also responsible for the planning, implementation, and control of the marketing program.<sup>1</sup>

Under this system, the responsibilities and functions associated with advertising and promotions are transferred to the brand manager, who works closely with the outside advertising agency and other marketing communications specialists as they develop the promotional program.<sup>2</sup> In a multiproduct firm, each brand may have its own ad agency and may compete against other brands within the company, not just against outside competitors. For example, Exhibit 3-2 shows ads for Tide and ERA, which are both Procter & Gamble products that compete for a share of the laundry detergent market.

As shown in Figure 3-3, the advertising department is part of marketing services and provides support for the brand managers. The role of marketing services is to assist the brand managers in planning and coordinating the integrated marketing communications program. In some companies, the marketing services group may include sales promotion. The brand managers may work with sales promotion people to develop budgets, define strategies, and implement tactical executions for both trade and consumer promotions. Marketing services may also provide other types of support services, such as package design and merchandising.

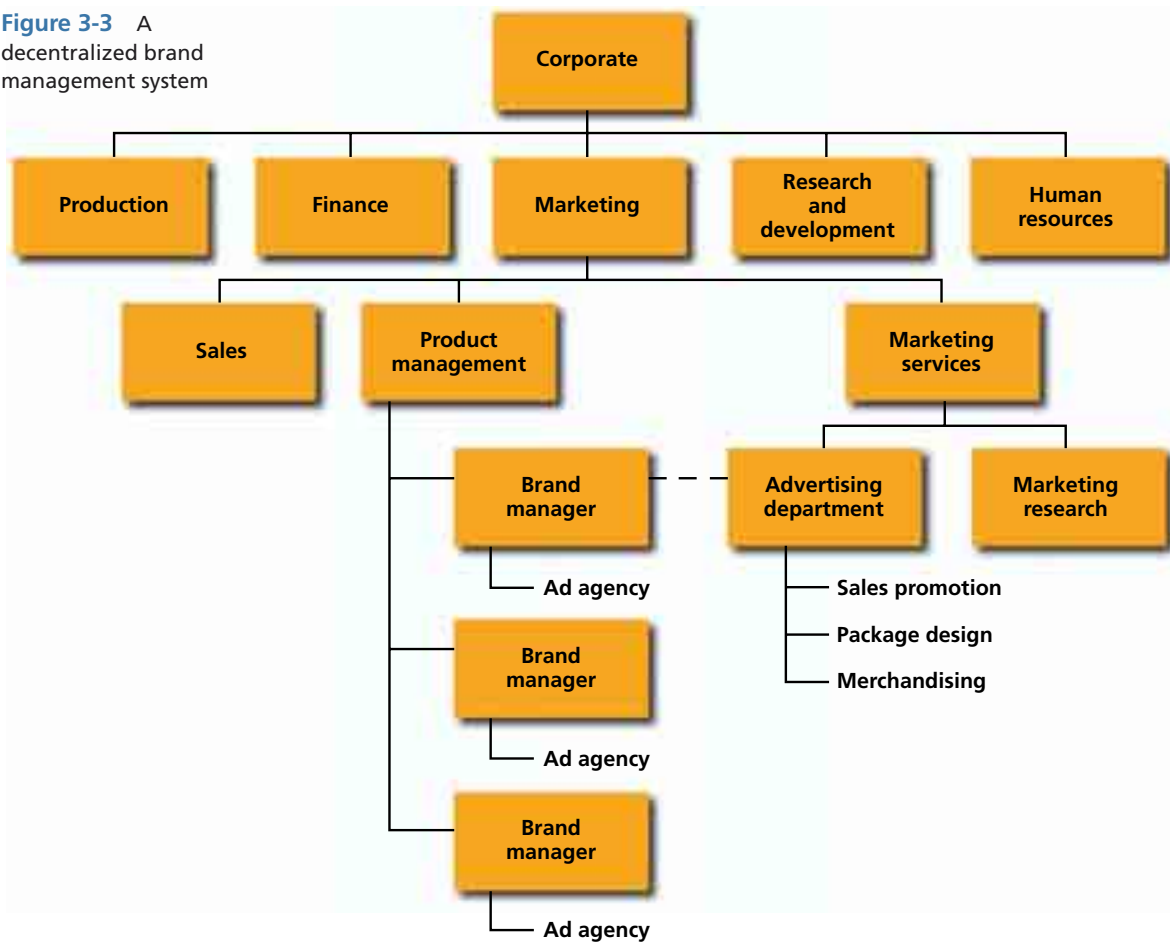
Some companies may have an additional layer(s) of management above the brand managers to coordinate the efforts of all the brand managers handling a related group of products. An example is the organizational structure of Procter & Gamble, shown in Figure 3-4. This system—generally referred to as a **category management system**—includes category managers as well as brand and advertising managers. The category manager oversees management of the entire product category and focuses on the strategic role of the various brands in order to build profits and market share.<sup>3</sup>

The advertising manager may review and evaluate the various parts of the program and advise and consult with the brand managers. This person may have the authority to override the brand manager's decisions on advertising. In some multiproduct firms that spend a lot on advertising, the advertising manager may coordinate the work of the various agencies to obtain media discounts for the firm's large volume of media purchases.

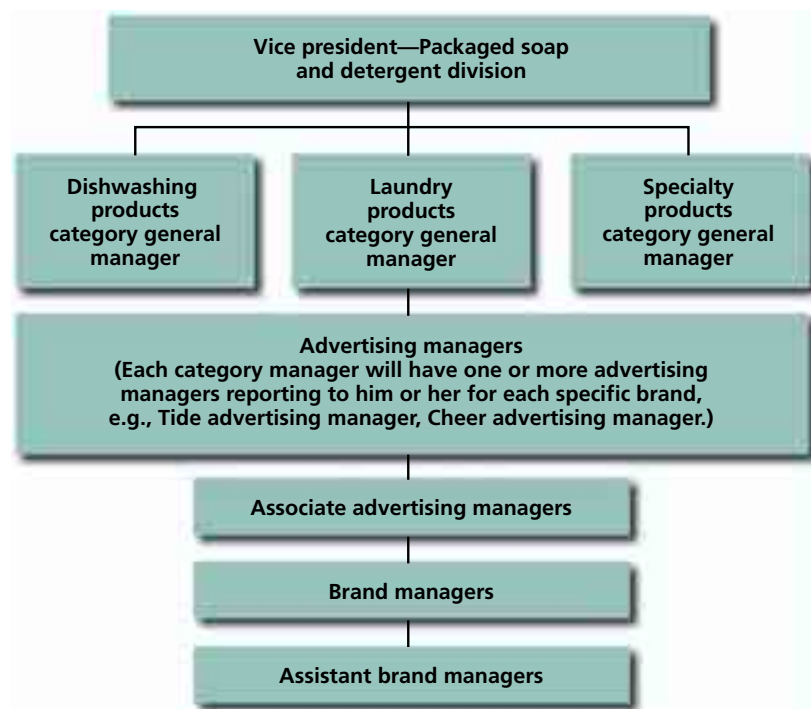
An advantage of the decentralized system is that each brand receives concentrated managerial attention, resulting in faster response to both problems and opportunities. The brand manager system is also more flexible and makes it easier to adjust various aspects of the advertising and promotional program, such as creative platforms and media and sales promotion schedules.<sup>4</sup> For example, General Motors began using a brand manager system in 1996 as a way to create stronger identities and positioning platforms for its 40-plus models of cars, trucks, minivans, and sport utility vehicles. The brand managers have full responsibility for the marketing of their vehicles,



**Figure 3-3** A decentralized brand management system



**Figure 3-4** A Procter & Gamble division, using the category management system





including the identification of target markets as well as the development of integrated marketing communications programs that will differentiate the brand.<sup>5</sup>

There are some drawbacks to the decentralized approach. Brand managers often lack training and experience. The promotional strategy for a brand may be developed by a brand manager who does not really understand what advertising or sales promotion can and cannot do and how each should be used. Brand managers may focus too much on short-run planning and administrative tasks, neglecting the development of long-term programs.

Another problem is that individual brand managers often end up competing for management attention, marketing dollars, and other resources, which can lead to unproductive rivalries and potential misallocation of funds. The manager's persuasiveness may become a bigger factor in determining budgets than the long-run profit potential of the brands. These types of problems were key factors in Procter & Gamble's decision to switch to a category management system.

Finally, the brand management system has been criticized for failing to provide brand managers with authority over the functions needed to implement and control the plans they develop.<sup>6</sup> Some companies have dealt with this problem by expanding the roles and responsibilities of the advertising and sales promotion managers and their staff of specialists. The staff specialists counsel the individual brand managers, and advertising or sales promotion decision making involves the advertising and/or sales promotion manager, the brand manager, and the marketing director.

## In-House Agencies

Some companies, in an effort to reduce costs and maintain greater control over agency activities, have set up their own advertising agencies internally. An **in-house agency** is an advertising agency that is set up, owned, and operated by the advertiser. Some in-house agencies are little more than advertising departments, but in other companies they are given a separate identity and are responsible for the expenditure of large sums of advertising dollars. Large advertisers that use in-house agencies include Calvin Klein, The Gap, Avon, Revlon, and Benetton. Many companies use in-house agencies exclusively; others combine in-house efforts with those of outside agencies. For example, No Fear handles most of its advertising in-house, but it does use an outside agency for some of its creative work (Exhibit 3-3). (The specific roles performed by in-house agencies will become clearer when we discuss the functions of outside agencies.)

A major reason for using an in-house agency is to reduce advertising and promotion costs. Companies with very large advertising budgets pay a substantial amount to outside agencies in the form of media commissions. With an internal structure, these commissions go to the in-house agency. An in-house agency can also provide related work such as sales presentations and sales force materials, package design, and public



**Exhibit 3-3** Most of the advertising for No Fear is done by an in-house agency

relations at a lower cost than outside agencies. A study by M. Louise Ripley found that creative and media services were the most likely functions to be performed outside, while merchandising and sales promotion were the most likely to be performed in-house.<sup>7</sup>

Saving money is not the only reason companies use in-house agencies. Time savings, bad experiences with outside agencies, and the increased knowledge and understanding of the market that come from working on advertising and promotion for the product or service day by day are also reasons. Companies can also maintain tighter control over the process and more easily coordinate promotions with the firm's overall marketing program. Some companies use an in-house agency simply because they believe it can do a better job than an outside agency could.<sup>8</sup>

Opponents of in-house agencies say they can give the advertiser neither the experience and objectivity of an outside agency nor the range of services. They argue that outside agencies have more highly skilled specialists and attract the best creative talent and that using an external firm gives a company a more varied perspective on its advertising problems and greater flexibility. In-house personnel may become narrow or grow stale while working on the same product line, but outside agencies may have different people with a variety of backgrounds and ideas working on the account. Flexibility is greater because an outside agency can be dismissed if the company is not satisfied, whereas changes in an in-house agency could be slower and more disruptive.

The cost savings of an in-house agency must be evaluated against these considerations. For many companies, high-quality advertising is critical to their marketing success and should be the major criterion in determining whether to use in-house services. Companies like Rockport and Redken Laboratories have moved their in-house work to outside agencies in recent years. Redken cited the need for a "fresh look" and objectivity as the reasons, noting that management gets too close to the product to come up with different creative ideas. Companies often hire outside agencies as they grow and their advertising budgets and needs increase. For example, Gateway hired a full-service outside agency to handle its advertising as the personal computer company experienced rapid growth during the 90s.<sup>9</sup>

The ultimate decision as to which type of advertising organization to use depends on which arrangement works best for the company. The advantages and disadvantages of the three systems are summarized in Figure 3-5. We now turn our attention to the functions of outside agencies and their roles in the promotional process.

**Figure 3-5** Comparison of advertising organization systems

Organizational system	Advantages	Disadvantages
<i>Centralized</i>	<ul style="list-style-type: none"> <li>Facilitated communications</li> <li>Fewer personnel required</li> <li>Continuity in staff</li> <li>Allows for more top-management involvement</li> </ul>	<ul style="list-style-type: none"> <li>Less involvement with and understanding of overall marketing goals</li> <li>Longer response time</li> <li>Inability to handle multiple product lines</li> </ul>
<i>Decentralized</i>	<ul style="list-style-type: none"> <li>Concentrated managerial attention</li> <li>Rapid response to problems and opportunities</li> <li>Increased flexibility</li> </ul>	<ul style="list-style-type: none"> <li>Ineffective decision making</li> <li>Internal conflicts</li> <li>Misallocation of funds</li> <li>Lack of authority</li> </ul>
<i>In-house agencies</i>	<ul style="list-style-type: none"> <li>Cost savings</li> <li>More control</li> <li>Increased coordination</li> </ul>	<ul style="list-style-type: none"> <li>Less experience</li> <li>Less objectivity</li> <li>Less flexibility</li> </ul>

Many major companies use an advertising agency to assist them in developing, preparing, and executing their promotional programs. An ad agency is a service organization that specializes in planning and executing advertising programs for its clients. Over 13,000 U.S. and international agencies are listed in the *Standard Directory of Advertising Agencies* (the “Red Book”); however, most are individually owned small businesses employing fewer than five people. The U.S. ad agency business is highly concentrated. Nearly two-thirds of the domestic **billings** (the amount of client money agencies spend on media purchases and other equivalent activities) are handled by the top 500 agencies. In fact, just 10 U.S. agencies handle nearly 30 percent of the total volume of business done by the top 500 agencies in the United States. The top agencies also have foreign operations that generate substantial billings and income. The top 25 agencies, ranked by their U.S. gross incomes, are listed in Figure 3-6. The table shows that the advertising business is also geographically concentrated, with 20 of the top 25 agencies headquartered in New York City or the surrounding area. Nearly 40 percent of U.S. agency business is handled by New York–based agencies. Other leading advertising centers in the United States include Boston, Chicago, Los Angeles, Detroit, San Francisco, and Minneapolis.<sup>10</sup>

During the late 1980s and into the 90s, the advertising industry underwent major changes as large agencies merged with or acquired other agencies and support organizations to form large advertising organizations, or superagencies. These **superagencies**

## Advertising Agencies

Rank	Agency	Headquarters	Gross Income (Millions)
1	Grey Worldwide	New York	\$581.0
2	J. Walter Thompson	New York	565.5
3	McCann-Erickson Worldwide	New York	528.1
4	Leo Burnett Worldwide	Chicago	472.1
5	BBDO Worldwide	New York	458.9
6	Y&R Advertising	New York	432.2
7	DDB Worldwide Communications	New York	428.9
8	Euro RSCG Worldwide	New York	418.2
9	Ogilvy & Mather Worldwide	New York	384.8
10	Foote, Cone & Belding Worldwide	New York	376.3
11	D’Arcy Masius Benton & Bowles	New York	316.8
12	TMP Worldwide	New York	227.9
13	Campbell-Ewald	Warren, MI	214.0
14	TBWA Worldwide	New York	206.1
15	Deutsch	New York	202.5
16	Arnold Worldwide	Boston	193.8
17	CommonHealth	Parsippany, N.J.	190.8
18	Lowe & Partners Worldwide	New York	184.9
19	Saatchi & Saatchi	New York	176.0
20	Bates U.S.A.	New York	154.5
21	Publicis U.S.A.	New York	139.6
22	Nelson Communications Worldwide	New York	131.9
23	Hill, Holliday, Connors, Cosmopolos	Boston	125.0
24	Low Healthcare Worldwide	Parsippany, N.J.	124.0
25	Campbell Mithun	Minneapolis	118.0

**Figure 3-6** Top 25 agencies ranked by U.S. gross income, 2001

were formed so that agencies could provide clients with integrated marketing communications services worldwide. Some advertisers became disenchanted with the superagencies and moved to smaller agencies that were flexible and more responsive.<sup>11</sup> However, during the mid-90s the agency business went through another wave of consolidation as a number of medium-size agencies were acquired and became part of large advertising organizations such as Omnicom Group, WPP Group, and the Interpublic Group of Cos. Many of the mid-size agencies were acquired by or forged alliances with larger agencies because their clients wanted an agency with international communications capabilities and their alignment with larger organizations gave them access to a network of agencies around the world. For example, TBWA and Chiat/Day merged and became part of the TBWA Worldwide agency, which is part of the Omnicom Group, the world's largest agency holding company. The acquisition of mid-size agencies by large advertising organizations has continued into the new millennium. In early 2000, Fallon McElligott, one of the largest and hottest independent U.S. ad agencies, was acquired by French advertising giant Publicis Groupe, as was London-based Saatchi & Saatchi. In 2002 Publicis acquired the Bcom3 Group, whose holdings include the Leo Burnett Co.; D'Arcy Masius Benton & Bowles; Manning Selvage & Lee; Bartle Bogel Hegarty; and the Starcom Media Vest Group. The deal also includes a partnership with Dentsu, Japan's largest advertising agency.<sup>12</sup>

Many of the advertising organizations and major agencies have been acquiring companies specializing in areas such as interactive communications, public relations, direct marketing, and sales promotion so that they can offer their clients an ever-broader range of integrated marketing communication services.<sup>13</sup> Recently the activity of the advertising holding companies has moved in a new direction as they have begun pursuing alliances with talent agencies. A new agreement negotiated between the Screen Actors Guild and the Association of Talent Agents in 2002 allows outside investors such as advertising agencies to own stakes in talent agencies that seek and negotiate work on behalf of actors, directors, and writers as well as some athletes.<sup>14</sup> By having a stake in the talent business, ad agencies can negotiate deals with current, as well as up-and-coming, celebrities for their clients.

**Exhibit 3-4** Mentus Communications specializes in creating ads for high-tech companies



## The Ad Agency's Role

The functions performed by advertising agencies might be conducted by the clients themselves through one of the designs discussed earlier in this chapter, but most large companies use outside firms. This section discusses some reasons advertisers use external agencies.

**Reasons for Using an Agency** Probably the main reason outside agencies are used is that they provide the client with the services of highly skilled individuals who are specialists in their chosen fields. An advertising agency staff may include artists, writers, media analysts, researchers, and others with specific skills, knowledge, and experience who can help market the client's products or services. Many agencies specialize in a particular type of business and use their knowledge of the industry to assist their clients. For example, Mentus Inc. is an agency that specializes in integrated marketing communications for the high-technology, e-commerce, and bioscience industries (Exhibit 3-4).

An outside agency can also provide an objective viewpoint of the market and its business that is not subject to internal company policies, biases, or other limitations. The agency can draw on the broad range of experience it has gained while working on a diverse set of marketing problems for various clients. For example, an ad agency that is handling a travel-related account may have individuals who have worked with airlines,

cruise ship companies, travel agencies, hotels, and other travel-related industries. The agency may have experience in this area or may even have previously worked on the advertising account of one of the client's competitors. Thus, the agency can provide the client with insight into the industry (and, in some cases, the competition).

## Types of Ad Agencies

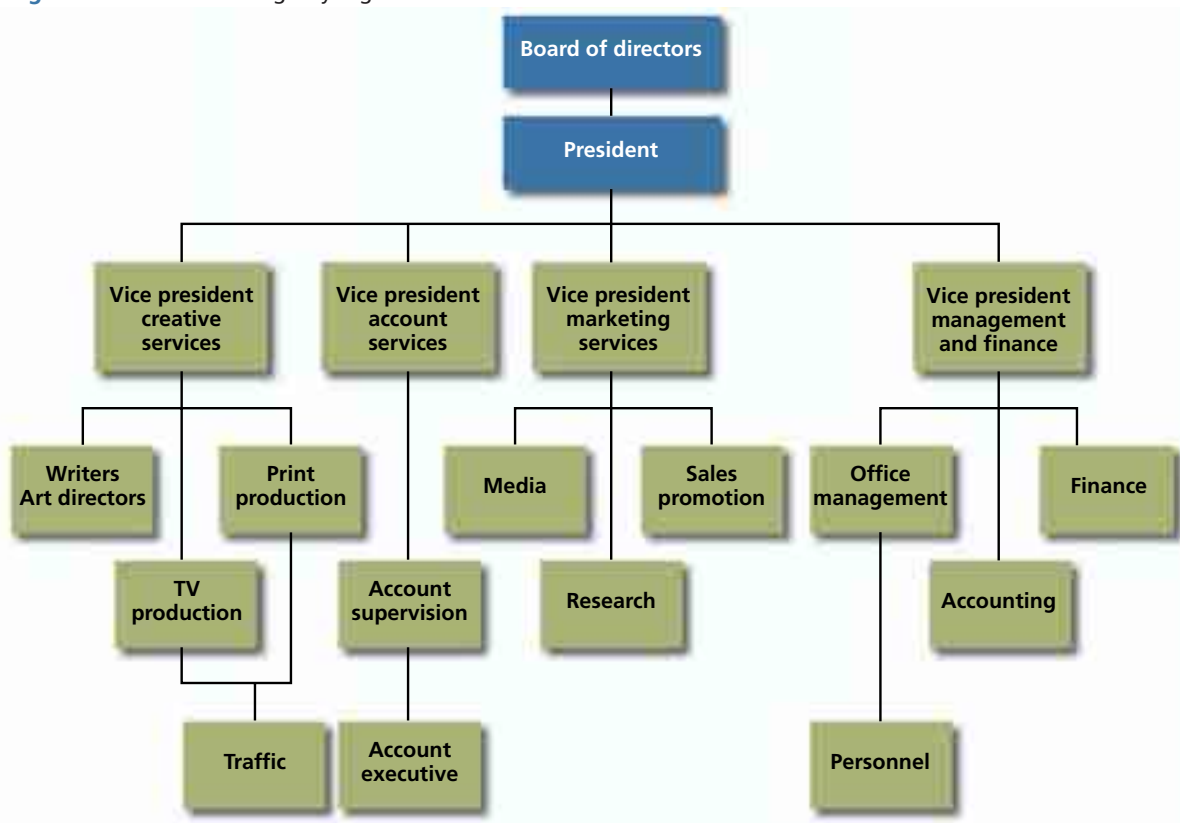
Since ad agencies can range in size from a one- or two-person operation to large organizations with over 1,000 employees, the services offered and functions performed will vary. This section examines the different types of agencies, the services they perform for their clients, and how they are organized.

**Full-Service Agencies** Many companies employ what is known as a **full-service agency**, which offers its clients a full range of marketing, communications, and promotions services, including planning, creating, and producing the advertising; performing research; and selecting media. A full-service agency may also offer nonadvertising services such as strategic market planning; sales promotions, direct marketing, and interactive capabilities; package design; and public relations and publicity.

The full-service agency is made up of departments that provide the activities needed to perform the various advertising functions and serve the client, as shown in Figure 3-7.

**Account Services** Account services, or account management, is the link between the ad agency and its clients. Depending on the size of the client and its advertising budget, one or more account executives serve as liaison. The **account executive** is responsible for understanding the advertiser's marketing and promotions needs and interpreting them to agency personnel. He or she coordinates agency efforts in planning, creating, and producing ads. The account executive also presents agency recommendations and obtains client approval.

**Figure 3-7** Full-service agency organizational chart





As the focal point of agency-client relationships, the account executive must know a great deal about the client's business and be able to communicate this to specialists in the agency working on the account.<sup>15</sup> The ideal account executive has a strong marketing background as well as a thorough understanding of all phases of the advertising process.

**Marketing Services** Over the past two decades, use of marketing services has increased dramatically. One service gaining increased attention is research, as agencies realize that to communicate effectively with their clients' customers, they must have a good understanding of the target audience. As shown in Chapter 1, the advertising planning process begins with a thorough situation analysis, which is based on research and information about the target audience.

Most full-service agencies maintain a *research department* whose function is to gather, analyze, and interpret information that will be useful in developing advertising for their clients. This can be done through primary research—where a study is designed, executed, and interpreted by the research department—or through the use of secondary (previously published) sources of information. Sometimes the research department acquires studies conducted by independent syndicated research firms or consultants. The research staff then interprets these reports and passes on the information to other agency personnel working on that account.

The research department may also design and conduct research to pretest the effectiveness of advertising the agency is considering. For example, copy testing is often conducted to determine how messages developed by the creative specialists are likely to be interpreted by the receiving audience.

The *media department* of an agency analyzes, selects, and contracts for space or time in the media that will be used to deliver the client's advertising message. The media department is expected to develop a media plan that will reach the target market and effectively communicate the message. Since most of the client's ad budget is spent on media time and/or space, this department must develop a plan that both communicates with the right audience and is cost-effective.

Media specialists must know what audiences the media reach, their rates, and how well they match the client's target market. The media department reviews information on demographics, magazine and newspaper readership, radio listenership, and consumers' TV viewing patterns to develop an effective media plan. The media buyer implements the media plan by purchasing the actual time and space.

The media department is becoming an increasingly important part of the agency business. An agency's ability to negotiate prices and effectively use the vast array of media vehicles, as well as other sources of customer contact, is becoming as important as its ability to create ads. Some of the major agencies and/or their holding companies have formed independent media services companies to better serve their clients. For example, the Leo Burnett agency formed Starcom as a full service media planning and buying company, while McCann Erickson Worldwide formed Universal McCann, and Foote Cone and Belding Worldwide formed Horizon.FCB. These media companies primarily serve the agency's clients but may also offer media services separately to other clients as well. A number of large advertisers have consolidated their media buying with these large media services companies to save money and improve media efficiency. General Motors consolidated its \$3.6 billion media business with Starcom, while the Interpublic Group's Universal McCann handles close to \$1 billion in Nestlé media business around the world.<sup>16</sup>

The research and media departments perform most of the functions that full-service agencies need to plan and execute their clients' advertising programs. Some agencies offer additional marketing services to their clients to assist in other promotional areas. An agency may have a sales promotion department, or merchandising department, that specializes in developing contests, premiums, promotions, point-of-sale materials, and other sales materials. It may have direct-marketing specialists and package designers, as well as a PR/publicity department. Many agencies have developed interactive media departments to create websites for their clients. The growing popularity of integrated marketing communications has prompted many full-function agencies to develop capabilities and offer services in these other promotional areas. IMC Perspective 3-1 discusses how traditional advertising agencies are developing integrated marketing capabilities that extend beyond media advertising.



## IMC PERSPECTIVE 3-1

# Agencies Learn That It's about More Than Advertising

During the late 1980s many of the world's largest advertising agencies recognized that their clients were shifting more and more of their promotional budgets away from traditional media advertising to other areas of marketing communication such as direct marketing, public relations, sales promotion, and event sponsorship. In response to this trend, many of these agencies began acquiring companies that were specialists in these areas and ended up turning them into profit-centered departments or subsidiaries that often ended up battling one another for a piece of their client's promotional budget. While the agencies could point to these specialists when touting their IMC capabilities, there was really little emphasis on integrating the various communication functions.

During the 90s some agencies began taking steps to place more of an emphasis on IMC by truly integrating it into all aspects of their operations. For example, the Leo Burnett agency brought in direct-marketing, sales promotion, event marketing, and public relations professionals and dispersed them throughout the agency. Burnetters were expected to interact with clients not as advertising specialists who happened to know about sales promotion, direct marketing, or public relations but as generalists able to work with a variety of integrated marketing tools. Another agency that embraced IMC was Fallon McElligott, which hired a president of integrated marketing and expanded its capabilities in areas such as PR, events, and interactive advertising.

As we begin the new millennium, the shift toward IMC is taking place at a number of major ad agencies that are recognizing they must embrace a way of doing business that doesn't always involve advertis-

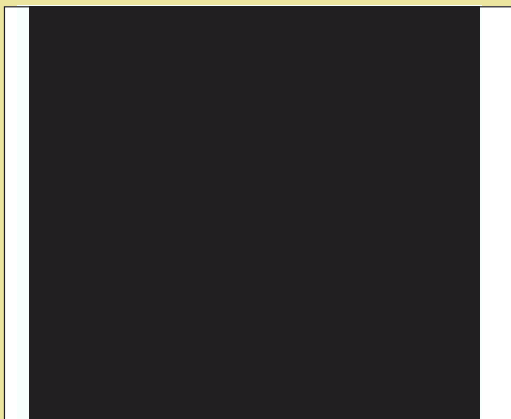
ing. Many companies are developing campaigns and strategies using event marketing, sponsorships, direct marketing, targeted radio, and the Internet with only peripheral use of print and TV advertising. The Internet poses a particular threat to traditional agencies as it is not well understood by many agency veterans and is taking yet another slice from the marketing communications budget pie.

Foote, Cone & Belding is remaking itself as a New Economy ad agency by building up its capabilities in areas such as direct marketing, interactive, customer relationship, management/database, event marketing, and sports marketing. FCB touts its ability to offer clients a broad spectrum of integrated marketing communications services through its "Model of One," which ensures that all these services are seamlessly integrated and unified. All efforts are managed under one team and based on one strategy and one broad creative idea.

At J. Walter Thompson, the agency's CEO, Chris Jones, has championed a program called Thompson Total Branding (TTB) that makes JWT the manager of a client's brand. TTB involves taking what the agency calls a "Branding Idea" and developing a total communications plan that helps decide which integrated marketing tools can most powerfully and persuasively communicate it. One of the company executives notes, "Agencies are finally realizing that our job is creating branding solutions and, while those may involve advertising, it's not necessarily about advertising. That's a fundamental change in the way we operate." The ability to use various IMC tools has helped the agency secure new accounts and strengthen relationships with existing clients.

While traditional agencies have been preaching integrated marketing for years, many have not been really practicing it. However, these agencies are realizing they must alter their course if they plan to be competitive in the future. They are retraining their staffers in the use and best practices of various IMC tools and getting them, at long last, to focus on total communications solutions to their clients' businesses. The move toward integrated marketing communications appears to be for real this time around.

Sources: Laura Q. Hughes, "Measuring Up," *Advertising Age*, Feb. 5, 2001, pp. 1, 34; Kathryn Kranhold, "FCB Makes Itself a New Economy Shop," *The Wall Street Journal*, June 14, 2000, p. B8; Ellen Newborne, "Mad Ave: A Star Is Reborn," *BusinessWeek*, July 26, 1999, pp. 54-64.



**Creative Services** The creative services department is responsible for the creation and execution of advertisements. The individuals who conceive the ideas for the ads and write the headlines, subheads, and body copy (the words constituting the message) are known as **copywriters**. They may also be involved in determining the basic appeal or theme of the ad campaign and often prepare a rough initial visual layout of the print ad or television commercial.

While copywriters are responsible for what the message says, the *art department* is responsible for how the ad looks. For print ads, the art director and graphic designers prepare *layouts*, which are drawings that show what the ad will look like and from which the final artwork will be produced. For TV commercials, the layout is known as a *storyboard*, a sequence of frames or panels that depict the commercial in still form.

Members of the creative department work together to develop ads that will communicate the key points determined to be the basis of the creative strategy for the client's product or service. Writers and artists generally work under the direction of the agency's creative director, who oversees all the advertising produced by the organization. The director sets the creative philosophy of the department and may even become directly involved in creating ads for the agency's largest clients.

Once the copy, layout, illustrations, and mechanical specifications have been completed and approved, the ad is turned over to the *production department*. Most agencies do not actually produce finished ads; they hire printers, engravers, photographers, typographers, and other suppliers to complete the finished product. For broadcast production, the approved storyboard must be turned into a finished commercial. The production department may supervise the casting of people to appear in the ad and the setting for the scenes as well as choose an independent production studio. The department may hire an outside director to turn the creative concept into a commercial. For example, several companies, including Nike and Kmart, have used film director Spike Lee to direct their commercials; Airwalk shoes has used John Glen, who directed many of the James Bond films, for its TV spots. Copywriters, art directors, account managers, people from research and planning, and representatives from the client side may all participate in production decisions, particularly when large sums of money are involved.

Creating an advertisement often involves many people and takes several months. In large agencies with many clients, coordinating the creative and production processes can be a major problem. A *traffic department* coordinates all phases of production to see that the ads are completed on time and that all deadlines for submitting the ads to the media are met. The traffic department may be located in the creative services area of the agency, or be part of media or account management, or be separate.

**Management and Finance** Like any other business, an advertising agency must be managed and perform basic operating and administrative functions such as accounting, finance, and human resources. It must also attempt to generate new business. Large agencies employ administrative, managerial, and clerical people to perform these functions. The bulk of an agency's income (approximately 64 percent) goes to salary and benefits for its employees. Thus, an agency must manage its personnel carefully and get maximum productivity from them.

**Agency Organization and Structure** Full-function advertising agencies must develop an organizational structure that will meet their clients' needs and serve their own internal requirements. Most medium-size and large agencies are structured under either a departmental or a group system. Under the **departmental system**, each of the agency functions shown in Figure 3-7 is set up as a separate department and is called on as needed to perform its specialty and serve all of the agency's clients. Ad layout, writing, and production are done by the creative department, marketing services is responsible for any research or media selection and purchases, and the account services department handles client contact. Some agencies prefer the departmental system because it gives employees the opportunity to develop expertise in servicing a variety of accounts.

Many large agencies use the **group system**, in which individuals from each department work together in groups to service particular accounts. Each group is headed by an account executive or supervisor and has one or more media people, including

media planners and buyers; a creative team, which includes copywriters, art directors, artists, and production personnel; and one or more account executives. The group may also include individuals from other departments such as marketing research, direct marketing, or sales promotion. The size and composition of the group varies depending on the client's billings and the importance of the account to the agency. For very important accounts, the group members may be assigned exclusively to one client. In some agencies, they may serve a number of smaller clients. Many agencies prefer the group system because employees become very knowledgeable about the client's business and there is continuity in servicing the account.

## Other Types of Agencies and Services

Not every agency is a large full-service agency. Many smaller agencies expect their employees to handle a variety of jobs. For example, account executives may do their own research, work out their own media schedule, and coordinate the production of ads written and designed by the creative department. Many advertisers, including some large companies, are not interested in paying for the services of a full-service agency but are interested in some of the specific services agencies have to offer. Over the past few decades, several alternatives to full-service agencies have evolved, including creative boutiques and media buying services.

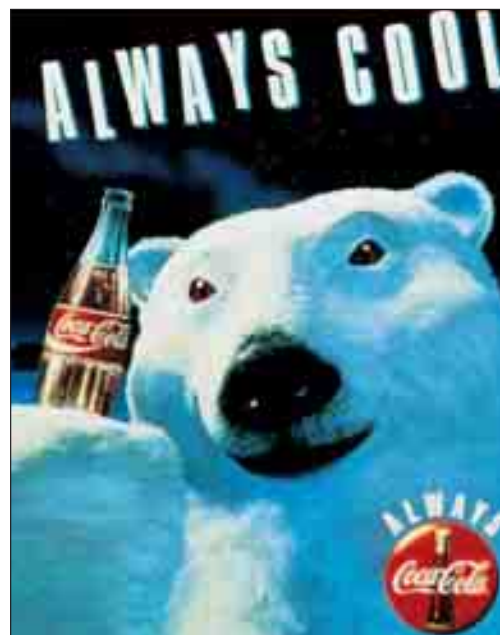
**Creative Boutiques** A **creative boutique** is an agency that provides only creative services. These specialized companies have developed in response to some clients' desires to use only the creative talent of an outside provider while maintaining the other functions internally. The client may seek outside creative talent because it believes an extra creative effort is required or because its own employees do not have sufficient skills in this regard. Some advertisers have been bypassing traditional agencies and tapping into the movie industry for creative ideas for their commercials.<sup>17</sup> For example, a few years ago Coca-Cola entered into a joint venture with Disney and three former employees of Creative Artists Agency (CAA), a Hollywood talent agency, to create an in-house agency called Edge Creative. The agency created several commercials for Coca-Cola's flagship brand, including the popular polar bears spot (Exhibit 3-5). However, in 2000 the Coca-Cola Company sold off its interest in Edge Creative and shifted the Coke account back to a traditional agency.

Full-service agencies often subcontract work to creative boutiques when they are very busy or want to avoid adding full-time employees to their payrolls. Creative boutiques are usually founded by members of the creative departments of full-service agencies who leave the firm and take with them clients who want to retain their creative talents. These boutiques usually perform the creative function on a fee basis. IMC Perspective 3-2 discusses the challenges faced by creative boutiques and some of the small shops that have been successful recently.

**Media Buying Services** **Media buying services** are independent companies that specialize in the buying of media, particularly radio and television time. The task of purchasing advertising media has grown more complex as specialized media proliferate, so media buying services have found a niche by specializing in the analysis and purchase of advertising time and space. Agencies and clients usually develop their own media strategies and hire the buying service to execute them. Some media buying services do help advertisers plan their media strategies. Because media buying services purchase such large amounts of time and space, they receive large discounts and can save the small agency or client money on media purchases. Media buying services are paid a fee or commission for their work.

Media buying services have been experiencing strong growth in recent years as clients seek alternatives to full-service agency

**Exhibit 3-5** This popular Coca-Cola spot was done by the company's in-house creative boutique



## IMC PERSPECTIVE 3-2

## Tough Times for Creative Boutiques

Creative boutiques have long been an important part of the advertising industry. The competitive advantage for boutiques has always been their ability to turn out inventive creative work quickly, without the cumbersome bureaucracy and politics of larger agencies. Large and small shops coexisted successfully because boutiques usually pursued smaller accounts than large agencies were interested in. And even as the agency business was reshaped by consolidation and the creation of large mega-agencies that now dominate the industry, creative boutiques were riding high on the dot-com boom of the late 90s that provided a boost in billings, profile, and morale for small shops. However, the dot-com wave crashed even faster than it appeared, and then came the terrorist attacks of September 11, which were followed by the worst advertising recession in decades.

Today's creative boutiques are facing major challenges, and many are struggling to identify and differentiate themselves and attract clients. They find themselves competing against the larger agencies for accounts that would have been passed over by top-tier shops during better economic times. Moreover, selling the creativity of a boutique's work is not enough, as many clients want the range of services that larger agencies provide. Creative work does not capture the imagination of the industry the way it used to, as marketers are looking for business-building ideas rather than creative home runs. As the new business director at a large New York agency notes: "Boutiques can't compete in terms of offering integrated solutions, and don't have the resources to mount serious pitches for even the smaller pieces of business that might go to a mid-size agency. They will be forever mired in project work."

Despite these obstacles, there are still those brave or foolhardy enough to believe that with a dollar and a dream they can open their own creative boutique, and they are hanging out shingles. The advertising business has always been grounded in creativity and entrepreneurship, and most boutique partners see the small shop as still relevant in an age of consolidation and multinational clients. They note that there still is a niche for creative boutiques, citing the number of big-client-small-agency relationships across the industry. Anheuser Busch, which has large multinational agencies on its roster, also works with small hybrid shops such as Fusion Idea Lab in Chicago on project assignments for Bud Light. Target parcels out project work to small shops like Peterson Milla Hooks in Minneapolis, while Boston-based Velocity's clients include Just For



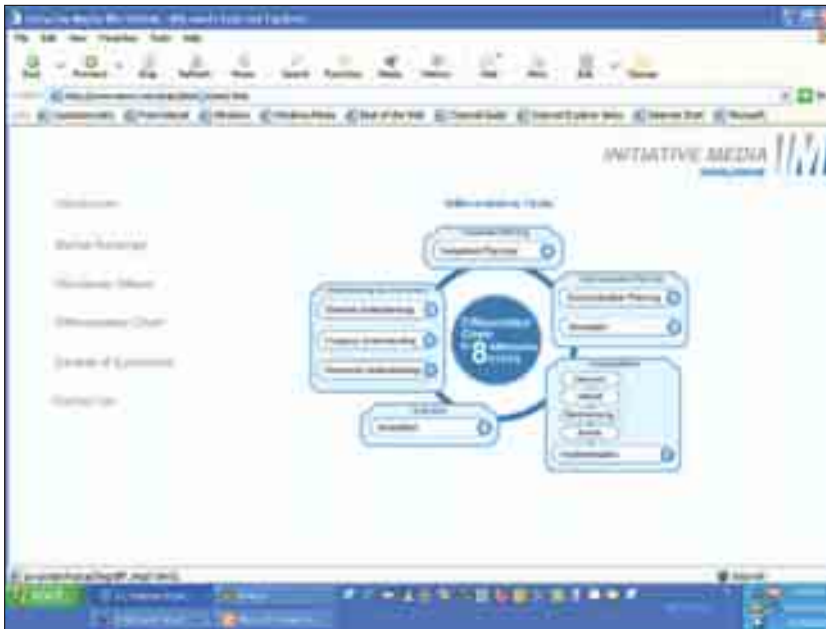
Feet and the Bruegger's Bagels chain. Many of these hope to become the Next Modernista!, the Boston shop that was founded by former creative directors from Arnold Advertising and Wieden & Kennedy, New York, and in less than two years has managed to land clients such as the Gap, MTV, and General Motors' Hummer.

Many clients recognize the benefits of working directly with a smaller creative boutique where they can get more attention and better access to creative talent than they would at a larger agency. For example, the marketing director for Culver Franchising System, the parent of Culver's Frozen Custard, hired the small One and All Shop because the company was looking for an agency where the partners would be involved and there would not be a lot of layers of bureaucracy with which to deal. Creative duties on the Boston Beer Co.'s \$30 million account went to a former Lowe Lintas & Partners creative director who left to form his own agency, called Big Chair. The vice president of brand development at Boston Beer explained: "I was looking for people who had beer experience, who had good experience with humor, and a shop that was unconventional and small. The creative so far has met my expectations and so has the relationship with very quick response time a very high level of thinking."

Many creative boutique owners still feel they can beat the odds and carve out a niche for themselves in the advertising agency business. Those who can survive the tough times facing the advertising industry may find a bright future, as there will always be clients who want key-principal involvement and creative people who are doing breakthrough creative work.

Sources: Anthony Vagnoni, "Small Fries," *Advertising Age*, March 4, 2002, pp. 20, 22; Eleftheria Parpis, "The Little League," *Adweek*, Nov. 26, 2001, p. 3.





**Exhibit 3-6** Initiative Media is the leading independent media buying service

relationships. Many companies have been unbundling agency services and consolidating media buying to get more clout from their advertising budgets. Nike, Maytag, and Gateway are among those that have switched some or all of their media buying from full-service agencies to independent media buyers. As noted earlier, many of the major agencies have formed independent media services companies that handle the media planning and buying for their clients and also offer their services separately to companies interested in a more specialized or consolidated approach to media planning, research, and/or buying. Exhibit 3-6 shows a page from the website of Initiative Media Worldwide, the largest media services company in the world.

As you have seen, the type and amount of services an agency performs vary from one client to another. As a result, agencies use a variety of methods to get paid for their services. Agencies are typically compensated in three ways: commissions, some type of fee arrangement, or percentage charges.

## Agency Compensation

### Commissions from Media

The traditional method of compensating agencies is through a **commission system**, where the agency receives a specified commission (usually 15 percent) from the media on any advertising time or space it purchases for its client. (For outdoor advertising, the commission is 16⅔ percent.) This system provides a simple method of determining payments, as shown in the following example.

Assume an agency prepares a full-page magazine ad and arranges to place the ad on the back cover of a magazine at a cost of \$100,000. The agency places the order for the space and delivers the ad to the magazine. Once the ad is run, the magazine will bill the agency for \$100,000, less the 15 percent (\$15,000) commission. The media will also offer a 2 percent cash discount for early payment, which the agency may pass along to the client. The agency will bill the client \$100,000 less the 2 percent cash discount on the net amount, or a total of \$98,300, as shown in Figure 3-8. The \$15,000 commission represents the agency's compensation for its services.

**Appraisal of the Commission System** Use of the commission system to compensate agencies has been quite controversial for many years. A major problem centers on whether the 15 percent commission represents equitable compensation for services performed. Two agencies may require the same amount of effort to create

**Figure 3-8** Example of commission system payment

Media Bills Agency		Agency Bills Advertiser	
Costs for magazine space	\$100,000	Costs for magazine space	\$100,000
Less 15% commission	<u>-15,000</u>	Less 2% cash discount	<u>-1,700</u>
Cost of media space	85,000	Advertiser pays agency	\$ 98,300
Less 2% cash discount	<u>-1,700</u>		
Agency pays media	\$ 83,300	Agency income	\$ 15,000

and produce an ad. However, one client may spend \$2 million on commissionable media, which results in a \$300,000 agency income, while the other spends \$20 million, generating \$3 million in commissions. Critics argue that the commission system encourages agencies to recommend high media expenditures to increase their commission level.

Another criticism of the commission system is that it ties agency compensation to media costs. In periods of media cost inflation, the agency is (according to the client) disproportionately rewarded. The commission system has also been criticized for encouraging agencies to ignore cost accounting systems to justify the expenses attributable to work on a particular account. Still others charge that this system tempts the agency to avoid noncommissionable media such as direct mail, sales promotions, or advertising specialties, unless they are requested by the client.

Defenders of the commission system argue that it is easy to administer and it keeps the emphasis in agency competition on nonprice factors such as the quality of the advertising developed. Proponents argue that agency services are proportional to the size of the commission, since more time and effort are devoted to the large accounts that generate high revenue for the agency. They also say the system is more flexible than it appears because agencies often perform other services for large clients at no extra charge, justifying such actions by the large commission they receive.

The commission system has been a highly debated topic among advertisers and agencies for years. Critics of the system have argued that it provides an incentive for agencies to do the wrong thing, such as recommending mass-media advertising when other forms of communication such as direct marketing or public relations might do a better job.<sup>18</sup> They argue that the commission system is outdated and must be changed. This does indeed appear to be happening. A recent study of agency compensation conducted by the Association of National Advertisers (ANA) indicates that agency compensation based on the traditional 15 percent commission is becoming rare.<sup>19</sup> The survey found that only 21 percent of advertisers paid commissions to their agencies and only 16 percent paid the standard 15 percent. The clients who have stuck with commissions do so either from inertia or from administrative simplicity. However, the survey also found that most clients and agencies use the 15 percent commission standard as a starting point for determining other compensation agreements such as labor- and performance-based plans.

While the use of the 15 percent commission is on the wane, many advertisers still use some form of media commission to compensate their agencies. Many advertisers have gone to a **negotiated commission** system to compensate their agencies. This commission structure can take the form of reduced percentage rates, variable commission rates, and commissions with minimum and maximum profit rates. Negotiated commissions are designed to consider the needs of the clients as well as the time and effort exerted by the agency, thereby avoiding some of the problems inherent in the traditional 15 percent system. Some of the leading agencies now receive a commission based on a sliding rate that becomes lower as the clients' media expenditures increase and end up receiving average commissions of 8 to 10 percent versus the traditional 15 percent.<sup>20</sup> Agencies are also relying less on media commissions for their income as their clients expand their integrated marketing communications programs to include other forms of promotion and cut back on mass-media advertising. The percentage of



agency income from media commissions is declining, and a greater percentage is coming through other methods such as fees and performance incentives.

## Fee, Cost, and Incentive-Based Systems

Since many believe the commission system is not equitable to all parties, many agencies and their clients have developed some type of fee arrangement or cost-plus agreement for agency compensation. Some are using incentive-based compensation, which is a combination of a commission and a fee system.

**Fee Arrangement** There are two basic types of fee arrangement systems. In the straight or **fixed-fee method**, the agency charges a basic monthly fee for all of its services and credits to the client any media commissions earned. Agency and client agree on the specific work to be done and the amount the agency will be paid for it. Sometimes agencies are compensated through a **fee-commission combination**, in which the media commissions received by the agency are credited against the fee. If the commissions are less than the agreed-on fee, the client must make up the difference. If the agency does much work for the client in noncommissionable media, the fee may be charged over and above the commissions received.

Both types of fee arrangements require that the agency carefully assess its costs of serving the client for the specified period, or for the project, plus its desired profit margin. To avoid any later disagreement, a fee arrangement should specify exactly what services the agency is expected to perform for the client. Fee arrangements have become the primary type of agreement used by advertisers with their agencies, accounting for 68 percent of the compensation plans in the recent ANA survey.

**Cost-Plus Agreement** Under a **cost-plus system**, the client agrees to pay the agency a fee based on the costs of its work plus some agreed-on profit margin (often a percentage of total costs). This system requires that the agency keep detailed records of the costs it incurs in working on the client's account. Direct costs (personnel time and out-of-pocket expenses) plus an allocation for overhead and a markup for profits determine the amount the agency bills the client.

Fee agreements and cost-plus systems are commonly used in conjunction with a commission system. The fee-based system can be advantageous to both the client and the agency, depending on the size of the client, advertising budget, media used, and services required. Many clients prefer fee or cost-plus systems because they receive a detailed breakdown of where and how their advertising and promotion dollars are being spent. However, these arrangements can be difficult for the agency, as they require careful cost accounting and may be difficult to estimate when bidding for an advertiser's business. Agencies are also reluctant to let clients see their internal cost figures.

**Incentive-Based Compensation** Many clients these days are demanding more accountability from their agencies and tying agency compensation to performance through some type of **incentive-based system**. While there are many variations, the basic idea is that the agency's ultimate compensation level will depend on how well it meets predetermined performance goals. These goals often include objective measures such as sales or market share as well as more subjective measures such as evaluations of the quality of the agency's creative work. Companies using incentive-based systems determine agency compensation through media commissions, fees, bonuses, or some combination of these methods. The use of performance incentives varies by the size of the advertiser, with large advertisers the most likely to use them. Figure 3-9 shows the various performance criteria used along with the basis for the incentive and the use of performance incentives by advertiser size.

Recognizing the movement toward incentive-based systems, most agencies have agreed to tie their compensation to performance.<sup>21</sup> Agency executives note that pay for performance works best when the agency has complete control over a campaign. Thus, if a campaign fails to help sell a product or service, the agency is willing to assume complete responsibility and take a reduction in compensation. On the other hand, if sales increase, the agency can receive greater compensation for its work.

**Figure 3-9** Use of performance incentives by advertisers

<i>Performance Criteria Used for Incentive Systems</i>	
Sales goals	73%
Market share	29
Profit	25
Brand/ad awareness	50
Brand perceptions	23
Copy test results	25
Performance reviews	58
Other criteria	11
<i>Basis for Incentive</i>	
Agency performance	14%
Company performance	17
Both agency and company performance	69
<i>Performance incentive use by size of advertiser</i>	
Under \$4 million	13%
\$4 million–\$20 million	10
\$20 million–\$100 million	33
More than \$100 million	44

Source: Association of National Advertisers: Trend in Compensation Survey: 2000.

## Percentage Charges

Another way to compensate an agency is by adding a markup of **percentage charges** to various services the agency purchases from outside providers. These may include market research, artwork, printing, photography, and other services or materials. Markups usually range from 17.65 to 20 percent and are added to the client's overall bill. Since suppliers of these services do not allow the agency a commission, percentage charges cover administrative costs while allowing a reasonable profit for the agency's efforts. (A markup of 17.65 percent of costs added to the initial cost would yield a 15 percent commission. For example, research costs of  $\$100,000 \times 17.65\% = \$100,000 + \$17,650 = \$117,650$ . The \$17,650 markup is about 15 percent of \$117,650.)

## The Future of Agency Compensation

As you can see there is no one method of agency compensation to which everyone subscribes. The recent ANA survey found that nearly half of advertisers made significant changes in their compensation plans in the past three years, while 21 percent plan more changes soon. One of the most significant findings from the recent ANA survey is the rapid rise in incentive-based compensation agreements, as 35 percent of advertisers

are using some type of performance-based system versus only 13 percent 10 years ago.

As more companies adopt IMC approaches, they are reducing their reliance on traditional media advertising, and this is leading to changes in the way they compensate their agencies. For example, Procter & Gamble, which has traditionally been a heavy user of television advertising, was one of the largest major advertisers to move away from the standard 15 percent commission system. In 2000 P&G implemented a major change in its compensation structure from one based entirely on media commissions to one based entirely on sales-based incentives. One of the reasons for the change in P&G's compensation system is to encourage agencies to focus less on expensive commissionable media such as television and magazines and make use of other IMC tools such as direct mail, event marketing, public relations, and the Internet.<sup>22</sup> P&G joins a list of other major consumer products advertisers, such as Colgate-Palmolive, Unilever, and Campbell Soup, that have changed their systems to more closely link agency compensation to a product's performance in the market. Many automobile advertisers, including Nissan, Ford, BMW, and General Motors, are also using incentive-based systems.<sup>23</sup> GM made the change to encourage its agencies to look beyond traditional mass-media advertising and develop other ways of reaching consumers.<sup>24</sup>

Many companies are changing their compensation systems as they move away from traditional mass media and turn to a wider array of marketing communication tools. They are also trying to make their agencies more accountable and reduce agency compensation costs. However, advertisers must recognize that their compensation policies should provide agencies with a reasonable profit if they want quality work and the best results from their agencies.

## Evaluating Agencies

Given the substantial amounts of money being spent on advertising and promotion, demand for accountability of the expenditures has increased.

Regular reviews of the agency's performance are necessary. The agency evaluation process usually involves two types of assessments, one financial and operational and the other more qualitative. The **financial audit** focuses on how the agency conducts its business. It is designed to verify costs and expenses, the number of personnel hours charged to an account, and payments to media and outside suppliers. The **qualitative audit** focuses on the agency's efforts in planning, developing, and implementing the client's advertising programs and considers the results achieved.

The agency evaluation is often done on a subjective, informal basis, particularly in smaller companies where ad budgets are low or advertising is not seen as the most critical factor in the firm's marketing performance. However some companies have developed formal, systematic evaluation systems, particularly when budgets are large and the advertising function receives much emphasis. The top management of these companies wants to be sure money is being spent efficiently and effectively. As the costs of advertising and other forms of promotion rises, more companies are adopting formal procedures for evaluating the performance of their agencies.

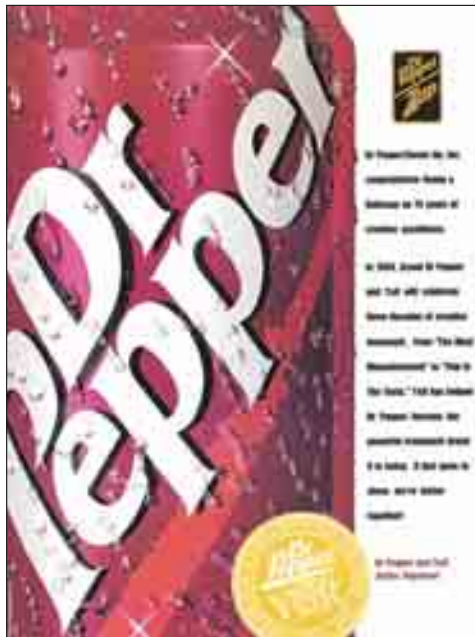
One example of a formal agency evaluation system is that used by Whirlpool, which markets a variety of consumer products. Whirlpool management meets once a year with the company's agencies to review their performance. Whirlpool managers complete an advertising agency performance evaluation, part of which is shown in Exhibit 3-7. These reports are compiled and reviewed with the agency at each annual meeting. Whirlpool's evaluation process covers six areas of performance. The company and the agency develop an action plan to correct areas of deficiency.

Companies develop evaluation procedures that emphasize different areas. For example, R. J. Reynolds emphasizes creative development and execution, marketing counsel and ideas, promotion support, and cost controls, without any mention of sales figures. Sears focuses on the performance of the agency as a whole in an effort to establish a partnership between the agency and the client. These and other evaluation methods are being used more regularly by advertisers. As fiscal controls tighten, clients will require more accountability from their providers and adopt formal evaluation procedures.

**Exhibit 3-7** Whirlpool's ad agency performance evaluation

CREATIVE SERVICES						Marks Scored
Always 4	Often 3	Occasionally 2	Seldom 1	Never 0	NA	
1. Agency produces fresh ideas and original approaches						
2. Agency accurately interprets facts, strategies and objectives into usable advertisements and plans						
3. Creative group is knowledgeable about company's products, markets and strategies						
4. Creative group is concerned with good advertising communications and develops campaigns and ads that exhibit this concern						
5. Creative group produces on time						
6. Creative group performs well under pressure						
7. Creative group operates in a businesslike manner to control production costs and other creative charges						
8. Agency presentations are well organized with sufficient examples of proposed executions						
9. Creative group participates in major campaign presentations						
10. Agency presents ideas and executions not requested but felt to be good opportunities						
11. Agency willingly accepts ideas generated by other locations/agency offices vs. being over-protective of its own creative product						
12. Other areas not mentioned						
13. Agency demonstrates commitment to client's business						
14. Agency creative proposals are relevant and properly fulfill creative brief						
Value—(marks)						
Rating:		Excellent	90–100%	Total marks scored		
		Good	80–89%			
		Average	70–79%	Total possible marks		
		Fair	60–69%			
		Poor	below 60%	Score		

ACCOUNT REPRESENTATION & SERVICE						Marks Scored
Always 4	Often 3	Occasionally 2	Seldom 1	Never 0	NA	
1. Account representatives act with personal initiative						
2. Account representatives anticipate needs in advance of direction by client (ie: are proactive)						
3. Account group takes direction well						
4. Agency is able to demonstrate results of programs implemented						
5. Account representatives function strategically rather than as creative advisors only						
6. Account representatives are knowledgeable about competitive programs and share this information along with their recommendations in a timely manner						
7. Account representatives respond to client requests in a timely fashion						
8. Account group operates in a business-like manner to control costs						
9. Agency recommendations are founded on sound reasoning and supported factually, and appropriately fit within budget constraints						
10. Agency is able to advise the client on trends and developments in technology						
11. Account representatives demonstrate a high degree of professionalism in both written and oral communication						
12. Agency presents ideas and executions not requested by felt to be good opportunities						
13. Agency makes reasoned recommendations on allocation of budgets						
14. Agency demonstrates commitment to client's business						
15. There is a positive social relationship between client and agency						
Value—(marks)						
Rating:		Excellent	90–100%	Total marks scored		
		Good	80–89%			
		Average	70–79%	Total possible marks		
		Fair	60–69%			
		Poor	below 60%	Score		



**Exhibit 3-8** Young & Rubicam has been the agency for Dr Pepper for more than three decades

## Gaining and Losing Clients

The evaluation process described above provides valuable feedback to both the agency and the client, such as indicating changes that need to be made by the agency and/or the client to improve performance and make the relationship more productive. Many agencies have had very long-lasting relationships with their clients. For example, General Electric has been with the BBDO Worldwide agency for over 80 years. Other well-known companies or brands that have had long-lasting relationships include Marlboro/Leo Burnett (50 years), McDonald's/DDB Needham Worldwide (34 years), and PepsiCo/BBDO (44 years). Exhibit 3-8 shows an ad run by Dr Pepper/Seven Up Inc. celebrating its long-term relationship with the Young & Rubicam agency.

While many successful client-agency relationships go on for a number of years, long-term relationships are becoming less common. A survey conducted a few years ago by the American Association of Advertising Agencies found that the average tenure of client-agency relationships declined from 7.2 years in 1984 to 5.3 years in the late 90s.<sup>25</sup> In recent years a number of long-standing client-agency relationships were terminated. Levi Strauss & Co. terminated its 68-year relationship with Foote, Cone & Belding, of San Francisco, in 1998 when it transferred its U.S. jeans account to TBWA/Chiat/Day. However, just three years later the company moved the account to Bartle Bogle Hegarty, the agency that handles its advertising in Europe.<sup>26</sup> In 2002 Saturn Corp. ended its long relationship with Hal Riney & Partners, the agency that had been with the automaker since its debut in 1990, and moved to Goodby Silverstein & Partners, San Francisco.<sup>27</sup> IMC Perspective 3-3 discusses how Gateway has changed agencies four times in the past 10 years.

There are a number of reasons clients switch agencies. Understanding these potential problems can help the agency avoid them.<sup>28</sup> In addition, it is important to understand the process agencies go through in trying to win new clients.

**Why Agencies Lose Clients** Some of the more common reasons agencies lose clients follow:

- *Poor performance or service.* The client becomes dissatisfied with the quality of the advertising and/or the service provided by the agency.
- *Poor communication.* The client and agency personnel fail to develop or maintain the level of communication necessary to sustain a favorable working relationship.
- *Unrealistic demands by the client.* The client places demands on the agency that exceed the amount of compensation received and reduce the account's profitability.
- *Personality conflicts.* People working on the account on the client and agency sides do not have enough rapport to work well together.
- *Personnel changes.* A change in personnel at either the agency or the advertiser can create problems. New managers may wish to use an agency with which they have established ties. Agency personnel often take accounts with them when they switch agencies or start their own.
- *Changes in size of the client or agency.* The client may outgrow the agency or decide it needs a larger agency to handle its business. If the agency gets too large, the client may represent too small a percentage of its business to command attention.
- *Conflicts of interest.* A conflict may develop when an agency merges with another agency or when a client is part of an acquisition or merger. In the United States, an agency cannot handle two accounts that are in direct competition with each other. In some cases, even indirect competition will not be tolerated.
- *Changes in the client's corporate and/or marketing strategy.* A client may change its marketing strategy and decide that a new agency is needed to carry out the new program. As more companies adapt an integrated marketing communications



## IMC PERSPECTIVE 3-3

## Gateway Searches for the Right Ad Agency

While some companies have long-lasting relationships with their advertising agencies, others often find themselves changing agencies more frequently. Decisions to switch ad agencies can be driven by a variety of factors including increases in the client's size, changes in the markets it serves, reorganizations that lead to changes in top management, and/or changes in its advertising strategy or philosophy. One company that found itself changing agencies quite frequently during the past 10 years is Gateway, which is one of the world's largest computer companies.

Founded in 1985, Gateway was a pioneer in the build-to-order, direct-marketing segment of the personal computer business. The company's chairman and CEO, Ted Waitt, started Gateway on his family's cattle farm in Iowa and built it into a multibillion-dollar company. The Holstein dairy cows on the Waitt farm inspired the company's distinctive and nationally recognized logo and the cow-spot patterns on its boxes. The spots serve as a constant reminder of Gateway's midwestern roots and the company's values: hard work, honesty, friendliness, quality—and putting people first.

Until 1993, Gateway relied solely on print advertising that was produced in-house. However, as the company's rapid growth continued, it decided to add television ads to the media mix and to retain the services of an outside agency to work with its in-house advertising department. The agency, Carmichael Lynch of Minneapolis, hired a New York commercial director and filmmaker, Henry Corra, to direct the first Gateway commercials. Ted Waitt liked the unscripted, folksy ads that Corra was shooting, with their emphasis on "real people," and the visionary entrepreneur and artist developed a strong personal relationship.

As Gateway grew and its international sales increased, the company decided it needed a global agency. In 1997 the company moved its account to D'Arcy Masius Benton & Bowles. However, Waitt quickly became dissatisfied with DMB&B's traditional campaigns and dropped the agency after a year. He brought back Henry Corra to work on Gateway's advertising with a new agency, DiMassimo Brand Advertising, a small but aggressive creative boutique. Corra and the new agency produced a number of unscripted TV commercials throughout 1998. However, that same year Jeff Weitzen, a former AT&T executive, was brought in to run Gateway when Waitt decided to step back from the day-to-day operations of the company. The new CEO quickly moved the entire Gateway



account again—this time to McCann-Erickson, one of the largest agencies in the world.

McCann worked on the Gateway account for three years and developed the "People Rule" campaign, which included actor Michael J. Fox as a spokesperson and also featured Waitt touting the company's services for small businesses. However, in January 2001, Weitzen resigned as CEO and Waitt once again took the helm. A few days after Waitt resumed control of the company, Gateway dismissed McCann-Erickson as its agency. A Gateway spokesman described the parting as "amicable," while McCann viewed the dismissal as part of the wholesale changes and management shake-up that accompanied Ted Waitt's return.

A few days later several agencies made presentations to Waitt and the vice president of advertising for Gateway's consumer business, including former agency DiMassimo Brand Advertising; Fallon, Minneapolis; and Siltanen/Keehn. However, Gateway decided to move its advertising back in-house. Once again, Ted Waitt turned to his friend Henry Corra to direct the company's commercials. While Corra continued to direct and shoot the TV commercials for Gateway, the company also began working with yet another agency, Siltanen/Keehn, whose founders worked on Apple Computer's "Think Different" campaign at TBWA/Chiat/Day. After working with Gateway on a project basis for five months, Siltanen/Keehn became the company's agency of record for print and broadcast advertising in early 2002.

The relationship with Siltanen/Keehn was also short-lived as Gateway parted ways with the agency after only 10 months and moved its account to the Arnell Group, New York. The change was part of Gateway's decision to move away from the folksy, rural image and brand itself as a more modern and hip company. The

new advertising tagline is “Gateway a better way” and the ads show computer users in a series of vignettes with an urban look and feel. Gateway is also touting a new logo as the old one, which featured a cow-spotted shipping box, has been replaced. The new logo is a computer power button rotated on its side to form a stylized “G” but still retains a hint of a cow spot. However, the talking cow has been retired and Gateway feels that

it has found the right image for the future as well as the right agency. Hopefully the company will no longer have to keep looking for an udder agency.

Sources: Bruce V. Bigelow, “How now Gateway cow?,” *The San Diego Union Tribune*, December 8, 2002, pp. H1, 10; Richard Linnett, “Regarding Henry,” *Advertising Age*, Mar. 26, 2001, pp. 1, 37, 41; Tobi Elkin, “Troubled Gateway Turns to New Shop as Earnings Fall,” *Advertising Age*, Feb. 12, 2001, p. 4.

approach, they are looking for agencies that have integrated capabilities and can handle more than just their media advertising.

- *Declining sales.* When sales of the client’s product or service are stagnant or declining, advertising may be seen as contributing to the problem. A new agency may be sought for a new creative approach.
- *Conflicting compensation philosophies.* Disagreement may develop over the level or method of compensation. As more companies move toward incentive-based compensation systems, disagreement over compensation is becoming more commonplace.
- *Changes in policies.* Policy changes may result when either party reevaluates the importance of the relationship, the agency acquires a new (and larger) client, or either side undergoes a merger or acquisition.

If the agency recognizes these warning signs, it can try to adapt its programs and policies to make sure the client is satisfied. Some of the situations discussed here are unavoidable, and others are beyond the agency’s control. But to maintain the account, problems within the agency’s control must be addressed.

The time may come when the agency decides it is no longer in its best interest to continue to work with the client. Personnel conflicts, changes in management philosophy, and/or insufficient financial incentives are just a few of the reasons for such a decision. Then the agency may terminate the account relationship.

**How Agencies Gain Clients** Competition for accounts in the agency business is intense, since most companies have already organized for the advertising function and only a limited number of new businesses require such services each year. While small agencies may be willing to work with a new company and grow along with it, larger agencies often do not become interested in these firms until they are able to spend at least \$1 million per year on advertising. Many of the top 15 agencies won’t accept an account that spends less than \$5 million per year. Once that expenditure level is reached, competition for the account intensifies.

In large agencies, most new business results from clients that already have an agency but decide to change their relationships. Thus, agencies must constantly search and compete for new clients. Some of the ways they do this follow.

**Referrals** Many good agencies obtain new clients as a result of referrals from existing clients, media representatives, and even other agencies. These agencies maintain





good working relationships with their clients, the media, and outside parties that might provide business to them.

**Solicitations** One of the more common ways to gain new business is through direct solicitation. In smaller agencies, the president may solicit new accounts. In most large agencies, a new business development group seeks out and establishes contact with new clients. The group is responsible for writing solicitation letters, making cold calls, and following up on leads. The cutbacks in ad spending by many companies during the recent recession have resulted in many agencies' pitching their services on an unsolicited basis to marketers who are satisfied with their agencies. Senior executives recognize that new business is the lifeblood of their agencies and are encouraging their business development teams to pursue advertisers who have not even put their accounts up for review.<sup>29</sup>

**Presentations** A basic goal of the new business development group is to receive an invitation from a company to make a presentation. This gives the agency the opportunity to sell itself—to describe its experience, personnel, capabilities, and operating procedures, as well as to demonstrate its previous work.

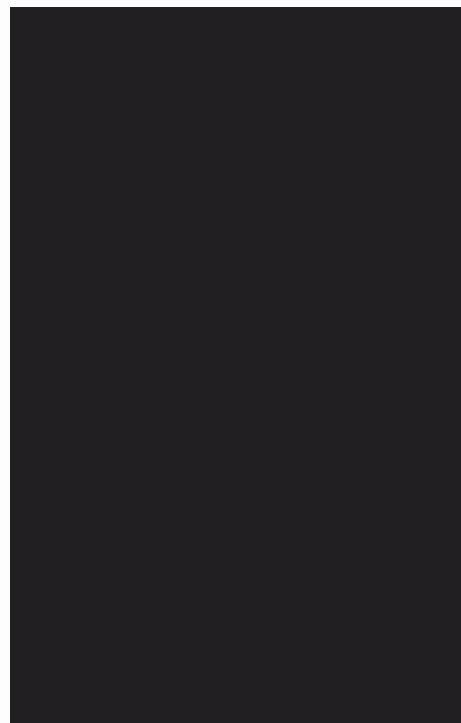
The agency may be asked to make a speculative presentation, in which it examines the client's marketing situation and proposes a tentative communications campaign. Because presentations require a great deal of time and preparation and may cost the agency a considerable amount of money without a guarantee of gaining the business, many firms refuse to participate in "creative shootouts." They argue that agencies should be selected on the basis of their experience and the services and programs they have provided for previous clients.<sup>30</sup> Nevertheless, most agencies do participate in this form of solicitation, either by choice or because they must do so to gain accounts.

Due in part to the emphasis on speculative presentations, a very important role has developed for *ad agency review consultants*, who specialize in helping clients choose ad agencies. These consultants are often used to bring an objective perspective to the agency review process and to assist advertisers who may lack the resources, experience, or organizational consensus needed to successfully conduct a review.<sup>31</sup> Because their opinions are respected by clients, the entire agency review process may be structured according to their guidelines. As you might imagine, these consultants wield a great deal of power with both clients and agencies.

**Public Relations** Agencies also seek business through publicity/public relations efforts. They often participate in civic and social groups and work with charitable organizations pro bono (at cost, without pay) to earn respect in the community. Participation in professional associations such as the American Association of Advertising Agencies and the Advertising Research Foundation can also lead to new contacts. Successful agencies often receive free publicity throughout the industry as well as in the mass media.

**Image and Reputation** Perhaps the most effective way an agency can gain new business is through its reputation. Agencies that consistently develop excellent campaigns are often approached by clients. Agencies may enter their work in award competitions or advertise themselves to enhance their image in the marketing community. In some cases the clients themselves may provide valuable testimonials. For example, Exhibit 3-9 shows an ad from IBM congratulating its agency, Ogilvy & Mather, for winning the Grand EFFIE in the annual competition sponsored by the New York American Marketing Association that recognizes the most effective advertising campaigns.

**Exhibit 3-9** IBM congratulates its agency for developing an award-winning campaign



## Specialized Services

Many companies assign the development and implementation of their promotional programs to an advertising agency. But several other types of organizations provide specialized services that complement the efforts of ad agencies. Direct-response agencies, sales promotion agencies, and public relations firms are important to marketers in developing and executing IMC programs in the United States as well as international markets. Let us examine the functions these organizations perform.

### Direct-Response Agencies

One of the fastest-growing areas of IMC is direct marketing, where companies communicate with consumers through telemarketing, direct mail, and other forms of direct-response advertising. As this industry has grown, numerous direct-response agencies have evolved that offer companies their specialized skills in both consumer and business markets. Figure 3-10 shows the top 10 direct-response agencies (several of which, including OgilvyOne, DraftWorldwide, and Grey Direct Marketing, are divisions or subsidiaries of large ad agencies).

**Direct-response agencies** provide a variety of services, including database management, direct mail, research, media services, and creative and production capabilities. While direct mail is their primary weapon, many direct-response agencies are expanding their services to include such areas as infomercial production and database management. Database development and management is becoming one of the most important services provided by direct-response agencies. Many companies are using database marketing to pinpoint new customers and build relationships and loyalty among existing customers.<sup>32</sup>

A typical direct-response agency is divided into three main departments: account management, creative, and media. Some agencies also have a department whose function is to develop and manage databases for their clients. The account managers work with their clients to plan direct-marketing programs and determine their role in the overall integrated marketing communications process. The creative department consists of copywriters, artists, and producers. Creative is responsible for developing the direct-response message, while the media department is concerned with its placement.

Like advertising agencies, direct-response agencies must solicit new business and have their performance reviewed by their existing clients, often through formal assessment programs. Most direct-response agencies are compensated on a fee basis, although some large advertisers still prefer the commission system.

### Sales Promotion Agencies

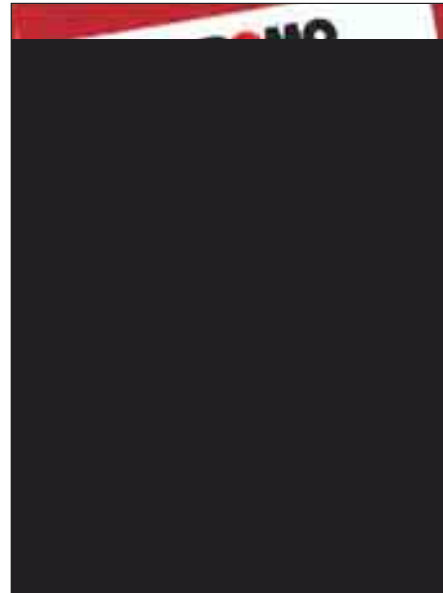
Developing and managing sales promotion programs such as contests, sweepstakes, refunds and rebates, premium and incentive offers, and sampling programs is a very complex task. Most companies use a **sales promotion agency** to develop and administer

**Figure 3-10** Top 10 direct-response agencies

Rank	Agency (Affiliation)	Headquarters
1	Euro RSCG Marketing Services	New York
2	Draft Worldwide	Chicago
3	OgilvyOne Worldwide Interactive	New York
4	Rapp Collins Worldwide	New York
5	Wunderman	New York
6	Digitas	New York
7	MRM Partners Worldwide	New York
8	Brann Worldwide	New York
9	Proximity Worldwide	New York
10	Grey Direct Marketing Group	New York

these programs. Some large ad agencies have created their own sales promotion department or acquired a sales promotion firm. However, most sales promotion agencies are independent companies that specialize in providing the services needed to plan, develop, and execute a variety of sales promotion programs.

Sales promotion agencies often work in conjunction with the client's advertising and/or direct-response agencies to coordinate their efforts with the advertising and direct-marketing programs. Services provided by large sales promotion agencies include promotional planning, creative, research, tie-in coordination, fulfillment, premium design and manufacturing, catalog production, and contest/sweepstakes management. Many sales promotion agencies are also developing direct/database marketing and telemarketing to expand their integrated marketing services capabilities. Sales promotion agencies are generally compensated on a fee basis. Exhibit 3-10 shows an ad for DVC, which was selected as the promotional agency of the decade a few years ago by *Promo Magazine*.



**Exhibit 3-10** DVC is one of the leading promotional agencies

## Public Relations Firms

Many large companies use both an advertising agency and a PR firm. The **public relations firm** develops and implements programs to manage the organization's publicity, image, and affairs with consumers and other relevant publics, including employees, suppliers, stockholders, government, labor groups, citizen action groups, and the general public. The PR firm analyzes the relationships between the client and these various publics, determines how the client's policies and actions relate to and affect these publics, develops PR strategies and programs, implements these programs using various public relations tools, and evaluates their effectiveness.

The activities of a public relations firm include planning the PR strategy and program, generating publicity, conducting lobbying and public affairs efforts, becoming involved in community activities and events, preparing news releases and other communications, conducting research, promoting and managing special events, and managing crises. As companies adopt an IMC approach to promotional planning, they are coordinating their PR activities with advertising and other promotional areas. Many companies are integrating public relations and publicity into the marketing communications mix to increase message credibility and save media costs.<sup>33</sup> Public relations firms are generally compensated by retainer. We will examine their role in more detail in Chapter 17.

## Interactive Agencies

With the rapid growth of the Internet and other forms of interactive media, a new type of specialized marketing communications organization has evolved—the interactive agency. Many marketers are using **interactive agencies** that specialize in the development and strategic use of various interactive marketing tools such as websites for the Internet, banner ads, CD-ROMs, and kiosks. They recognize that the development of successful interactive marketing programs requires expertise in technology as well as areas such as creative website design, database marketing, digital media, and customer relationship management. Many traditional advertising agencies have established interactive capabilities, ranging from a few specialists within the agency to an entire interactive division. Some of the largest interactive agencies such as EuroRSCG Interaction, Grey Digital Marketing, and Ogilvy Interactive are affiliates of major agencies, while others such as Agency.com, Modern Media, and R/GA are owned by major holding companies (see Figure 3-11). Many agencies work closely with their interactive affiliates in developing integrated marketing campaigns for their clients. For example, iDeutsch, the interactive arm of the Deutsch agency, has developed the websites and online campaigns for clients such as Snapple, Almay, Mitsubishi automobiles and the California Milk Processor Board; the parent agency handles the off-line campaign in traditional media for these companies (Exhibit 3-11).

While many agencies have or are developing interactive capabilities, a number of marketers are turning to more specialized interactive agencies to develop websites and

**Figure 3-11** Top 10 U.S. interactive agencies

Rank	Agency (Affiliation)	Headquarters
1	EuroRSCG Worldwide Interaction	New York
2	Grey Digital Marketing	New York
3	Ogilvy Interactive (WPP Group)	New York
4	Digitas	Boston
5	Modem Media (Interpublic Group)	Norwalk, Conn.
6	Answerthink Interactive Marketing	Miami
7	Agency.com (Omnicom Group)	New York
8	Tribal DDB (Omnicom Group)	New York
9	Dentropy Partners (Interpublic Group)	Cambridge, Mass.
10	R/GA (Interpublic Group)	New York

interactive media. They feel these companies have more expertise in designing and developing websites as well as managing and supporting them. Interactive agencies range from smaller companies that specialize in website design and creation to full-service interactive agencies that provide all the elements needed for a successful Internet/interactive marketing program. These services include strategic consulting regarding the use of the Internet and online branding, technical knowledge, systems integration, and the development of electronic commerce capabilities.

Full-service interactive agencies, such as AGENCY.COM, have created successful Internet marketing programs for a number of companies, including Nike, MetLife, Ford Motor Company, McDonald's, and British Airways. For example, AGENCY.COM developed the website and various online promotions that support the new global brand positioning strategy for British Airways. As the Internet becomes an increasingly important marketing tool, more companies will be turning to interactive agencies to help them develop successful interactive marketing programs. The number of interactive agencies will continue to grow, as will their importance in the development and implementation of Internet-based strategies and initiatives.

## Collateral Services

The final participants in the promotional process are those that provide various collateral services. They include marketing research companies, package design firms, consultants, photographers, printers, video production houses, and event marketing services companies.

**Exhibit 3-11** iDeutsch developed the website and various online promotions for its California Cheese account



## CAREER PROFILE

### Josh Rose

#### Senior Vice President, Director of iDeutsch

I graduated from the University of California at Santa Cruz in 1991. And only a year later! I got my bachelor's degree in fine art, determined to make it as an artist. I moved to Los Angeles that same year and took a temp job with The Walt Disney Company in the marketing department for their motion picture division which includes Walt Disney Pictures, Hollywood Pictures and Touchstone. It was supposed to just be a temporary job but I stayed for 4 years. My time at Disney allowed me to learn about marketing and promotion at one of the biggest marketing machines in the world. I spent much of my time with the artists and got them to teach me the basics of graphic design: photo-retouching, typography, layout and color. I bought my first Mac in 1994 and I stayed up every night teaching myself every application I could get my hands on: Photoshop, Illustrator, Freehand and Quark. I would go to Kinko's and print my work and, in about 6 months, I had a modest little portfolio of mock ads and photo-retouching work.

I was unsure as to what I wanted to do with my newfound skills but doing graphic art work gave me as much pleasure as working with clay or chalk pastels. In 1995 I offered to work for free at a small photo retouching shop called Outerspace in Santa Monica. I apprenticed there under the tutelage of a renowned re-toucher named Tom Slatky. Through the fine details of graphic design and art direction, Tom taught me how to really see and I had the opportunity to work with just about every ad agency in Los Angeles on their image-intensive movie posters and print ads. I learned how to work quick and in front of clients. I also learned how to pull the all-nighter (Hint: 7-11 Big Gulps).

Eventually, I was hired by American Cybercast which was a division of the Fattal & Collins advertising

agency. I basically reinvented myself and many more opportunities began to open for me. I became very involved with the Internet, working on the first online "shows", *The Spot* and *EON-4* (a sci-fi episodic web show) and eventually became the creative director for the largest Internet consulting firm in the country, iXL. Along the way, I created online brands for The Experience Music Project (Microsoft co-founder Paul Allen's

multi-million dollar interactive music museum in Seattle), Spinner (the internet's largest streaming music site), Playboy.com, Alanis Morissette.com, Wherehouse Music, Nike.com, and many others.

My work at iXL made it relatively easy for me to transition to Deutsch, one of the most prominent advertising agencies in the country. My role as the head of the agency's interactive division, iDeutsch, is to ensure that all of our clients are getting the most out of the Internet. This can mean different things to different accounts. For example, one of the agency's clients is The California Milk Advisory Board for whom we have developed a campaign touting Real California Cheese. Maybe you've seen the talking cows on TV in the commercials which use the tagline "Great cheese comes from happy cows. Happy cows come from California." The goal of the website ([www.realcaliforniacheese.com](http://www.realcaliforniacheese.com)) is to support the branding effort for California cheese so we integrated the talking cow concept into the site.

Creating a website for a company is a lot like creating an ad. You have to develop a thorough understanding of your client's business, marketing objectives and consumer goals. When you do it well, you create something that's really entertaining as well as useful. And it sure beats flippin' burgers.



**"My role is to ensure that all of our clients are getting the most out of the Internet."**



## Marketing Research Companies

One of the more widely used collateral service organizations is the marketing research firm. Companies are increasingly turning to marketing research to help them understand their target audiences and to gather information that will be of value in designing and evaluating their advertising and promotions programs. Even companies with their own marketing research departments often hire outside research agencies to perform some services. Marketing research companies offer specialized services and can gather objective information that is valuable to the advertiser's promotional programs. They conduct *qualitative* research such as in-depth interviews and focus groups, as well as *quantitative* studies such as market surveys.

## Integrated Marketing Communications Services

You have seen that marketers can choose from a variety of specialized organizations to assist them in planning, developing, and implementing an integrated marketing communications program. But companies must decide whether to use a different organization for each marketing communications

function or consolidate them with a large advertising agency that offers all of these services under one roof.

As noted in Chapter 1, during the 1980s many of the large agencies realized that their clients were shifting their promotional dollars away from traditional advertising to other forms of promotion and began developing IMC capabilities. Some did this through mergers and acquisitions and became superagencies consisting of advertising, public relations, sales promotion, and direct-response agencies.

Many large agencies are continuing to expand their IMC capabilities by acquiring specialists in various fields. All the major agency holding companies either own or have substantial investments in interactive and direct-response agencies as well as public relations firms. For example, Omnicom Group acquired Fleishman-Hillard Inc.; WPP Group bought Hill & Knowlton; and Interpublic Group purchased Golin/Harris International. Nonadvertising business accounts for nearly half of Interpublic's revenue, and the company, along with its competitors, continues to acquire public relations firms, direct-marketing companies, interactive agencies, and other specialized marketing services firms.<sup>34</sup>

## Pros and Cons of Integrated Services

It has been argued that the concept of integrated marketing is nothing new, particularly in smaller companies and communication agencies that have been coordinating a variety of promotional tools for years. And larger advertising agencies have been trying to gain more of their clients' promotional business for over 20 years. However, in the past, the various services were run as separate profit centers. Each was motivated to push its own expertise and pursue its own goals rather than develop truly integrated marketing programs. Moreover, the creative specialists in many agencies resisted becoming involved in sales promotion or direct marketing. They preferred to concentrate on developing magazine ads or television commercials rather than designing coupons or direct-mail pieces.

Proponents of integrated marketing services contend that past problems are being solved and the various individuals in the agencies and subsidiaries are learning to work together to deliver a consistent message to the client's customers. They argue that maintaining control of the entire promotional process achieves greater synergy among each of the communications program elements. They also note that it is more convenient for the client to coordinate all of its marketing efforts—media advertising, direct mail, special events, sales promotions, and public relations—through one agency. An agency with integrated marketing capabilities can create a single image for the product or service and address everyone, from wholesalers to consumers, with one voice.

But not everyone wants to turn the entire IMC program over to one agency. Opponents say the providers become involved in political wrangling over budgets, do not communicate with each other as well and as often as they should, and do not achieve synergy. They also claim that agencies' efforts to control all aspects of the promotional program are nothing more than an attempt to hold on to business that might otherwise

be lost to independent providers. They note that synergy and economies of scale, while nice in theory, have been difficult to achieve and competition and conflict among agency subsidiaries have been a major problem.<sup>35</sup>

Many companies use a variety of vendors for communication functions, choosing the specialist they believe is best suited for each promotional task, be it advertising, sales promotion, or public relations. While many ad agencies are working to master integration and compete against one another, they still must compete against firms that offer specialized services. As marketing consultant Jack Trout notes, “As long as there are a lot of specialized players, integrating an agency will be tricky. Specialists walk in the door and say ‘this is all we do and we’re good at it,’ which is a hell of an argument. An agency that has all marketing operations in-house will never be perceived as the best in breed.”<sup>36</sup>

## Responsibility for IMC: Agency versus Client

Surveys of advertisers and agency executives have shown that both groups believe integrated marketing is important to their organizations’ success and that it will be even more important in the future.<sup>37</sup> One agency executive recently noted that 75 percent of the requests for proposals the agency now receives are from clients seeking total communication solutions.<sup>38</sup> However, marketers and agency executives have very different opinions regarding who should be in charge of the integrated marketing communications process. Many advertisers prefer to set strategy for and coordinate their own IMC campaigns, but most agency executives see this as their domain.

While agency executives believe their shops are capable of handling the various elements an integrated campaign requires, many marketers, particularly larger firms, disagree. Marketing executives say the biggest obstacle to implementing IMC is the lack of people with the broad perspective and skills to make it work. Internal turf battles, agency egos, and fear of budget reductions are also cited as major barriers to successful integrated marketing campaigns.<sup>39</sup>

Many ad agencies are adding more resources to offer their clients a full line of services. They are expanding their agencies’ capabilities in interactive and multimedia advertising, database management, direct marketing, public relations, and sales promotion. However, many marketers still want to set the strategy for their IMC campaigns and seek specialized expertise, more quality and creativity, and greater control and cost efficiency by using multiple providers.

Most marketers do recognize that ad agencies will no longer stick primarily to advertising and will continue to expand their IMC capabilities. There is an opportunity for agencies to broaden their services beyond advertising—but they will have to develop true expertise in a variety of integrated marketing communications areas. They will also have to create organizational structures that make it possible for individuals with expertise in a variety of communications areas to work well together both internally and externally. One thing is certain: as companies continue to shift their promotional dollars away from media advertising to other IMC tools, agencies will continue to explore ways to keep these monies under their roofs.

## Summary

The development, execution, and administration of an advertising and promotions program involve the efforts of many individuals, both within the company and outside it. Participants in the integrated marketing communications process include the advertiser or client, ad agencies, media organiza-

tions, specialized marketing communications firms, and providers of collateral services.

Companies use three basic systems to organize internally for advertising and promotion. Centralized systems offer the advantages of facilitated communications, lower personnel require-

ments, continuity in staff, and more top-management involvement. Disadvantages include a lower involvement with overall marketing goals, longer response times, and difficulties in handling multiple product lines.

Decentralized systems offer the advantages of concentrated

managerial attention, more rapid responses to problems, and increased flexibility, though they may be limited by ineffective decision making, internal conflicts, misallocation of funds, and a lack of authority. In-house agencies, while offering the advantages of cost savings, control, and increased coordination, have the disadvantage of less experience, objectivity, and flexibility.

Many firms use advertising agencies to help develop and execute their programs. These agencies may take on a variety of forms, including full-service agencies, creative boutiques, and media buying services. The first offers the client a full range of services (including creative, account, mar-

keting, and financial and management services); the other two specialize in creative services and media buying, respectively. Agencies are compensated through commission systems, percentage charges, and fee- and cost-based systems. Recently, the emphasis on agency accountability has increased. Agencies are being evaluated on both financial and qualitative aspects, and some clients are using incentive-based compensation systems that tie agency compensation to performance measures such as sales and market share.

In addition to using ad agencies, marketers use the services of other marketing communication specialists, including

direct-marketing agencies, sales promotion agencies, public relations firms, and interactive agencies. A marketer must decide whether to use a different specialist for each promotional function or have all of its integrated marketing communications done by an advertising agency that offers all of these services under one roof.

Recent studies have found that most marketers believe it is their responsibility, not the ad agency's, to set strategy for and coordinate IMC campaigns. The lack of a broad perspective and specialized skills in nonadvertising areas is seen as the major barrier to agencies' increased involvement in integrated marketing communications.

## Key Terms

clients, 69	category management system, 73	media buying services, 83	percentage charges, 88
advertising agency, 69	in-house agency, 75	commission system, 85	financial audit, 88
media organizations, 70	billings, 77	negotiated commission, 86	qualitative audit, 88
specialized marketing communications services, 70	superagencies, 77	fixed-fee method, 87	direct-response agency, 94
collateral services, 70	full-service agency, 79	fee-commission combination, 87	sales promotion agency, 94
advertising manager, 71	account executive, 79	cost-plus system, 87	public relations firm, 95
centralized system, 71	copywriters, 82	incentive-based system, 87	interactive agencies, 95
decentralized system, 72	departmental system, 82		
brand manager, 72	group system, 82		
	creative boutique, 83		

## Discussion Questions

- Evaluate the decision by BMW and its advertising agency, Fallon Worldwide, to develop short-films that can be viewed at the BMWFilms.com website. Do you think more companies will be using the "advertainment" concept to promote their products?
- Identify the various organizations that participate in the integrated marketing communications process and briefly discuss their roles and responsibilities.
- What are some of the specific responsibilities and duties of an advertising manager under a centralized advertising department structure? Why is an advertising manager needed if a company uses an outside agency?
- Discuss the pros and cons of using an in-house advertising agency. What are some of the reasons why companies might change from using an in-house agency and hire an outside agency?
- Discuss some of the reasons why traditional advertising agencies have been developing more integrated marketing communication capabilities. What changes might traditional agencies have to make to improve their IMC capabilities?
- Why might a company choose to use a creative boutique rather than a larger, full-service agency? Find an example of a company that uses a creative boutique and discuss why the decision to use a smaller agency may be appropriate for this firm.
- Discuss the various methods by which advertising agencies are compensated. What factors will determine the type of compensation arrangement a company uses with an agency?
- Why are many companies moving away from the traditional commission system and using

incentive-based compensation for their advertising agencies? Why might an ad agency be reluctant to accept an incentive-based compensation system?

9. IMC Perspective 3-2 discusses how Gateway has changed advertising agencies five times in the

past ten years. Discuss the various reasons why Gateway has changed agencies so often and how the changes may have impacted its advertising.

10. Discuss the role of agencies that perform specialized marketing communication

services such as public relations firms, direct response, sales promotion, and interactive agencies. Why might a company choose to use these specialized agencies rather than using a full service agency for all of its integrated marketing communication functions?

# Perspectives on Consumer Behavior

## 4

### Chapter Objectives

1. To understand the role consumer behavior plays in the development and implementation of advertising and promotional programs.
2. To understand the consumer decision-making process and how it varies for different types of purchases.
3. To understand various internal psychological processes, their influence on consumer decision making, and implications for advertising and promotion.
4. To recognize the various approaches to studying the consumer learning process and their implications for advertising and promotion.
5. To recognize external factors such as culture, social class, group influences, and situational determinants and how they affect consumer behavior.
6. To understand alternative approaches to studying consumer behavior.



## Energy Drinks: The Real Thing or Just Bull?

Forget about the cola wars between Pepsi and Coke. The new threat to the stagnant cola mar-



ket is an international cult drink—and that's no bull—it's Red Bull, actually. And the large soft-drink manufacturers have taken notice.

Red Bull is just one of the many "energy" drinks now on the market. Others include Extreme Energy Shot, Venom, Dark Dog, Energy, AMP, and KMX, just to mention a few. In fact, it seems that every company wants to introduce its own energy drink in an attempt to take advantage of a new market that is growing at an amazing rate. Consider that when Red Bull first introduced its product in 1997, there was no such thing as an energy-drink category. By 2001, estimates are that the market was somewhere between \$140 million to \$200 million, with fore-

casts that it will be \$500 million in just a few years. Also consider that Red Bull has about 70 percent of the market share. While these figures may pale in comparison to the overall carbonated-beverage market (approximately \$45 billion), there is enough concern for competitors to take notice.

Red Bull has been variously described as "an international cult drink," "a kinky concoction," and "the new sex drink," all of which suit the company just fine. It is exactly the mystique attributed to the drink that helps create the "buzz" that makes it sell. Many marketers feel that it is Red Bull's alternative image that accounts for much of its success. Even the company's marketing department likes to maintain the illusions while claiming the product is a "nonmarketed brand."

But while the mystique part of Red Bull may be true, the "nonmarketed" claims may not necessarily be so. As noted by the *Economist*, it takes a lot of marketing money to sustain this image. The magazine notes that Red Bull's founder, Dietrich Mateschitz (an Austrian) "spent three years developing the drink's image, its packaging and its low-key, grassroots marketing strategy." Further, Red Bull puts about 35 percent of its revenues back into advertising—about \$19 million according to *Advertising Age*. And advertising is not the only IMC component the company successfully employs. At launch in Europe, students were persuaded to drive around in Volkswagen Beetles or Minis with a Red Bull can strapped on the top and to conduct Red Bull parties using wild and unusual themes. A marketing director from Procter & Gamble was hired to oversee strategic planning for the brand in North America (he later was named one of *Brandweek's* Marketers of the Year).

At present, Red Bull's marketing efforts still employ grassroots efforts but have expanded to include more traditional media as well. What seems to make Red Bull successful, however, is that the efforts assume a very nontraditional approach to its messages—essentially attempting to do the opposite of what everyone else does. The first order of business in any market is to determine four or five accounts in a particular market area that sustain the image—underage discos, surf shops, and so on—rather than attempting to gain widespread distribution. Spokespeople (deejays, alternative sports stars, etc.) are recruited to spread the word and to be seen using the product. Sponsorship of alternative sports like the Red Bull Streets of San Francisco (a street luge event) and Red Bull Rampage (a free-ride mountain bike competition) has also been shown to be effective, as has the use of "education teams"—hip locals who drive around in a Red Bull auto handing out samples and promoting the brand.

The more mainstream media are also used—though on a market-by-market basis rather than through mass media. And even these traditional efforts may take on a less traditional form. For example, the advertising campaign ("Red Bull

gives you wings") uses animated television and radio spots featuring the devil trying the product and sprouting wings. The company also sponsors a number of more traditional events ranging from soapbox derbies to Formula 1 racing cars, as well as extensive public relations programs to reach youth.

Now that Mateschitz and Red Bull have created a new beverage category, can they hold on to it? Success attracts competitors—many who have the potential to provide more marketing clout than Red Bull. Coca-Cola, Pepsi, and Anheuser Busch have all recently introduced their own energy drinks. Hansen Beverage's "Energy" and Sobe have both been gaining sales, and Snapple's "Venom" is getting more marketing support from Cadbury. Mateschitz is not oblivious to the competition. He and his marketing team are continually developing more wacky ideas to maintain Red Bull's alternative and mystical image. Others feel that expanding the category can only benefit Red Bull. It may depend on how large the cult grows!

Sources: "Selling Energy," *Economist*, May 11, 2002, p. 62; Kenneth Hein, "Red Bull Charging Ahead," *Brandweek*, Oct. 15, 2001, pp. 38–42; Hillary Chula, "Grabbing Bull by Tail," *Advertising Age*, June 11, 2001, pp. 4–6; David Noonan, "Red Bull's Good Buzz," *Newsweek*, May 14, 2001, p. 39.

The Red Bull introduction to this chapter demonstrates how products and/or brands become successful due to their adoption by certain segments of society. In this instance, a whole new category of drinks has developed as a result of consumer needs. What is important for marketers to know is how and why these needs develop, what they are, and who is likely to use the product or service. Specifically, marketers will study consumer behaviors in an attempt to understand the many factors that lead to and impact purchase decisions. Those who develop advertising and other promotional strategies begin by identifying relevant markets and then analyzing the relationship between target consumers and the product/service or brand. Often, in an attempt to gain insights, marketers will employ techniques borrowed from other disciplines. Research methods used in psychology, anthropology, and sociology are becoming more popular in businesses as managers attempt to explore consumers' purchasing motives. The motives for purchasing, attitudes, and lifestyles need to be understood before effective marketing strategies can be formulated.

These are just a few of the aspects of consumer behavior that promotional planners must consider in developing integrated marketing communications programs. As you will see, consumer choice is influenced by a variety of factors.

It is beyond the scope of this text to examine consumer behavior in depth. However, promotional planners need a basic understanding of consumer decision making, factors that influence it, and how this knowledge can be used in developing promotional strategies and programs. We begin with an overview of consumer behavior.

A challenge faced by all marketers is how to influence the purchase behavior of consumers in favor of the product or service they offer. For companies like American Express, this means getting consumers to charge more purchases on their AmEx cards. For BMW, it means getting them to purchase or lease a car; for business-to-business marketers like Canon or Ricoh, it means getting organizational buyers to purchase more of their copiers or fax machines. While their ultimate goal is to influence consumers' purchase behavior, most marketers understand that the actual purchase is only part of an overall process.

**Consumer behavior** can be defined as the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires. For many products and services, purchase decisions are the result of a long, detailed process that may include an extensive information search, brand comparisons and evaluations, and other activities. Other purchase decisions are more incidental and may result from little more than seeing a product prominently displayed at a discount price in a store. Think of how many times you have made impulse purchases in stores.

Marketers' success in influencing purchase behavior depends in large part on how well they understand consumer behavior. Marketers need to know the specific needs customers are attempting to satisfy and how they translate into purchase criteria. They need to understand how consumers gather information regarding various alternatives and use this information to select among competing brands. They need to understand how customers make purchase decisions. Where do they prefer to buy a product? How are they influenced by marketing stimuli at the point of purchase? Marketers also need to understand how the consumer decision process and reasons for purchase vary among different types of customers. For example, purchase decisions may be influenced by the personality or lifestyle of the consumer.<sup>1</sup> Notice how the ad shown in Exhibit 4-1 reflects the various roles in the life of the target audience members. IMC Perspective 4-1 describes how marketers target specific demographic and lifestyle groups.

The conceptual model in Figure 4-1 will be used as a framework for analyzing the consumer decision process. We will discuss what occurs at the various stages of this model and how advertising and promotion can be used to influence decision making. We will also examine the influence of various psychological concepts, such as motivation, perception, attitudes, and integration processes. Variations in the consumer decision-making process will be

## An Overview of Consumer Behavior



**Exhibit 4-1** Ashworth appeals to the active lifestyle

**Figure 4-1** A basic model of consumer decision making

### A. Stages in the Consumer Decision-Making Process



### B. Relevant Internal Psychological Processes



## IMC PERSPECTIVE 4-1

## Retailers Seek Bonanza in Tweens and Female Surfers

Tweens—the age group so named because its members are between early childhood and the teenage years, (7 to 14)—spend an estimated \$90 billion a year, and they are doing so with a newfound independence. The days of mom bringing home new school clothes for the tween are in the past. Due in part to dual working parents' spending less time on their kids as well as indulging them more when they do, youngsters in this age group have more freedom to choose their own clothes. Add in television, magazines, the Internet, and other media, and girls in particular, have become more fashion-conscious and trendy. Clothing manufacturers and retailers have taken notice—to the chagrin of many parents.

Retail giant Wal-Mart has doubled floor space for preteen girls over the past year. Sears now offers trendier clothes for the age group and has sponsored concert tours for Christina Aguilera and Backstreet Boys—both popular with preteens. While these chains are doing well, it is the specialty retailers that are really capturing the market. Limited Too, which offers trendy clothes, glittery makeup, and extras like in-store ear piercing, dominates the apparel niche. Girl Mania offers hairstyling and birthday parties, while Club Libby Lu in Chicago greets customers with a glittering of “fairy dust” and allows them to mix their own shower gel, moisturizer, and lip gloss. Bath & Body Works offers pedicure kits for the 4- to 12-year-old set.

Many of these tweens are driving another retail niche market upward—surf apparel. The changing profile of the surfer—the number of young females has

substantially increased—has led to opportunities for brands previously only marketed to males. Quicksilver Inc., a Huntington Beach, California, surf wear company, recently predicted that revenue for girls' products will eclipse sales to men and boys by the year 2004. Another southern California company, Billabong USA, has seen a 50 percent increase in girls' surf wear over the last three years. While already on the increase, the \$2.4 billion market was expected to explode in the summer of 2002 when the girls' surf movie “Blue Crush” was released. (Just the release of movie trailers has already led to surf schools being swamped with enrollments.) The big winner is expected to be Billabong, whose name will be prominently displayed on the girls' wetsuit shirt as a result of a product placement arrangement with Universal Studios. Many of those in the industry consider the placement a major coup. Others like Pacific Sunwear have invested in other promotional opportunities. Pac-Sun will spend a record \$10 million on marketing in magazines such as *Seventeen*, *Teen People*, and *YM*.

Not everyone is happy, however. Many parents and consumer advocates feel that the companies are taking advantage of tweens, who they contend are overly impressionable and insecure at this stage of their lives. They contend that girls who are “barely past Beanie Babies” are being pushed too quickly toward mascara and navel rings. Consider Abercrombie & Fitch, for example. In just one of the recent controversies surrounding the retailer, thong underwear bearing the words “wink wink” and “eye candy” were being marketed to 9- and 10-year-olds. The company was deluged with e-mails from people enraged with the strategy. While Marshal Cohen of *NPDFashion-World* notes that Abercrombie is “all about selling sex, even to the younger kid,” the company response was that sex is in the eye of the beholder and their products are designed with only prurient purposes in mind.

However, a number of people are concerned enough to fight back. One organization, Girls, Inc., a New York-based nonprofit, holds meetings in schools, in homes, and elsewhere to talk with tween girls about the messages they receive from TV, videos, and magazine ads. The organization recently offered a program called Body IMAGEination intended to help girls age 7 to 11 deal with peer pressures to dress more provocatively. The organization has a huge battle ahead!

Sources: Leslie Earnest, “Apparel Retailers Catch New Girls' Surfing Wave,” *Los Angeles Times*, July 5, 2002, latimes.com, pp. 1-3; Leslie Earnest, “Tweens: From Dolls to Thongs,” *Los Angeles Times*, June 27, 2002, p. 1.



explored, as will perspectives regarding consumer learning and external influences on the consumer decision process. The chapter concludes with a consideration of alternative means of studying consumer behavior.

As shown in Figure 4-1, the consumer's purchase decision process is generally viewed as

consisting of stages through which the buyer passes in purchasing a product or service. This model shows that decision making involves a number of internal psychological processes. Motivation, perception, attitude formation, integration, and learning are important to promotional planners, since they influence the general decision-making process of the consumer. We will examine each stage of the purchase decision model and discuss how the various subprocesses influence what occurs at this phase of the consumer behavior process. We will also discuss how promotional planners can influence this process.

## The Consumer Decision-Making Process

### Problem Recognition

Figure 4-1 shows that the first stage in the consumer decision-making process is **problem recognition**, which occurs when the consumer perceives a need and becomes motivated to solve the problem. The problem recognition stage initiates the subsequent decision processes.

Problem recognition is caused by a difference between the consumer's *ideal state* and *actual state*. A discrepancy exists between what the consumer wants the situation to be like and what the situation is really like. (Note that *problem* does not always imply a negative state. A goal exists for the consumer, and this goal may be the attainment of a more positive situation.)

**Sources of Problem Recognition** The causes of problem recognition may be very simple or very complex and may result from changes in the consumer's current and/or desired state. These causes may be influenced by both internal and external factors.

**Out of Stock** Problem recognition occurs when consumers use their existing supply of a product and must replenish their stock. The purchase decision is usually simple and routine and is often resolved by choosing a familiar brand or one to which the consumer feels loyal.

**Dissatisfaction** Problem recognition is created by the consumer's dissatisfaction with the current state of affairs and/or the product or service being used. For example, a consumer may think her ski boots are no longer comfortable or stylish enough. Advertising may be used to help consumers recognize when they have a problem and/or need to make a purchase. The Rogaine ad shown in Exhibit 4-2 helps women realize that hair thinning is not just a man's problem.

**New Needs/Wants** Changes in consumers' lives often result in new needs and wants. For example, changes in one's financial situation, employment status, or lifestyle may create new needs and trigger problem recognition. As you will see, when you graduate from college and begin your professional career, your new job may necessitate a change in your wardrobe. (Good-bye blue jeans and T-shirts, hello suits and ties.)

Not all product purchases are based on needs. Some products or services sought by consumers are not essential but are nonetheless desired. A **want** has been defined as a felt need that is shaped by a person's knowledge, culture, and personality.<sup>2</sup> Many products sold to consumers satisfy their wants rather than their basic needs.

**Exhibit 4-2** Rogaine helps women recognize hair loss problems





**Related Products/Purchases** Problem recognition can also be stimulated by the purchase of a product. For example, the purchase of a new camera may lead to the recognition of a need for accessories, such as additional lenses or a carrying case. The purchase of a personal computer may prompt the need for software programs, upgrades, printers, and so on.

**Marketer-Induced Problem Recognition** Another source of problem recognition is marketers' actions that encourage consumers not to be content with their current state or situation. Ads for personal hygiene products such as mouthwash, deodorant, and foot sprays may be designed to create insecurities that consumers can resolve through the use of these products. Marketers change fashions and clothing designs and create perceptions among consumers that their wardrobes are out of style. The Orajel ad in Exhibit 4-3 demonstrates the special needs of children's baby teeth to stimulate problem recognition.

Marketers also take advantage of consumers' tendency toward *novelty-seeking behavior*, which leads them to try different brands. Consumers often try new products or brands even when they are basically satisfied with their regular brand. Marketers encourage brand switching by introducing new brands into markets that are already saturated and by using advertising and sales promotion techniques such as free samples, introductory price offers, and coupons.

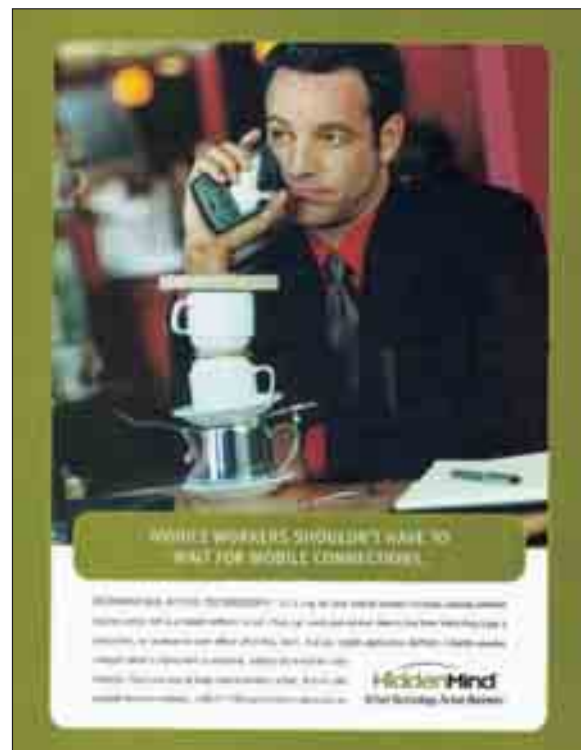
**New Products** Problem recognition can also occur when innovative products are introduced and brought to the attention of consumers. Marketers are constantly introducing new products and services and telling consumers about the types of problems they solve. For example, the Hidden Mind ad shown in Exhibit 4-4 introduces a new mobile technology that allows the businessperson to continue working with or without a connection to a mobile network.

Marketers' attempts to create problem recognition among consumers are not always successful. Consumers may not see a problem or need for the product the mar-

**Exhibit 4-3** This ad for Baby Orajel shows that baby teeth have special needs



**Exhibit 4-4** Hidden Mind introduces active technology



keter is selling. A main reason many consumers were initially reluctant to purchase personal computers was that they failed to see what problems owning one would solve. One way PC manufacturers successfully activated problem recognition was by stressing how a computer helps children improve their academic skills and do better in school.

## Examining Consumer Motivations

Marketers recognize that while problem recognition is often a basic, simple process, the way a consumer perceives a problem and becomes motivated to solve it will influence the remainder of the decision process. For example, one consumer may perceive the need to purchase a new watch from a functional perspective and focus on reliable, low-priced alternatives. Another consumer may see the purchase of a watch as more of a fashion statement and focus on the design and image of various brands. To better understand the reasons underlying consumer purchases, marketers devote considerable attention to examining **motives**—that is, those factors that compel a consumer to take a particular action.

**Hierarchy of Needs** One of the most popular approaches to understanding consumer motivations is based on the classic theory of human motivation popularized many years ago by psychologist Abraham Maslow.<sup>3</sup> His **hierarchy of needs** theory postulates five basic levels of human needs, arranged in a hierarchy based on their importance. As shown in Figure 4-2, the five needs are (1) *physiological*—the basic level of primary needs for things required to sustain life, such as food, shelter, clothing, and sex; (2) *safety*—the need for security and safety from physical harm; (3) *social/love and belonging*—the desire to have satisfying relationships with others and feel a sense of love, affection, belonging, and acceptance; (4) *esteem*—the need to feel a sense of accomplishment and gain recognition, status, and respect from others; and (5) *self-actualization*—the need for self-fulfillment and a desire to realize one's own potential.

According to Maslow's theory, the lower-level physiological and safety needs must be satisfied before the higher-order needs become meaningful. Once these basic needs are satisfied, the individual moves on to attempting to satisfy higher-order needs such as self-esteem. In reality, it is unlikely that people move through the needs hierarchy in a stairstep manner. Lower-level needs are an ongoing source of motivation for consumer purchase behavior. However, since basic physiological needs are met in most

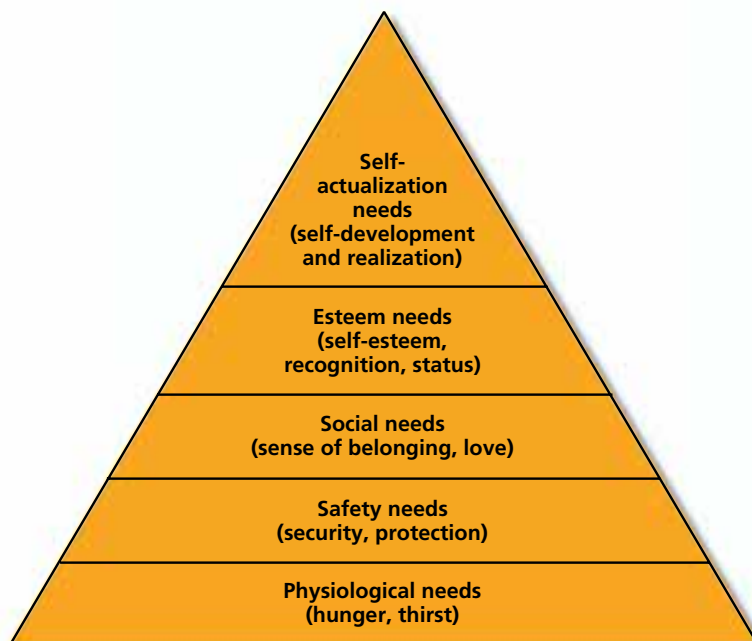


Figure 4-2 Maslow's hierarchy of needs

developed countries, marketers often sell products that fill basic physiological needs by appealing to consumers' higher-level needs. For example, in marketing its wipes, Pampers focuses on the love between parent and child (social needs) in addition to the gentleness of the product (Exhibit 4-5).

While Maslow's need hierarchy has flaws, it offers a framework for marketers to use in determining what needs they want their products and services to be shown satisfying. Advertising campaigns can then be designed to show how a brand can fulfill these needs. Marketers also recognize that different market segments emphasize different need levels. For example, a young single person may be attempting to satisfy social or self-esteem needs in purchasing a car, while a family with children will focus more on safety needs. Jeep used ads like the one in Exhibit 4-6 to position its cars as meeting the security needs of consumers.

**Psychoanalytic Theory** A somewhat more controversial approach to the study of consumer motives is the **psychoanalytic theory** pioneered by Sigmund Freud.<sup>4</sup> Although his work dealt with the structure and development of personality, Freud also studied the underlying motivations for human behavior. Psychoanalytic theory had a strong influence on the development of modern psychology and on explanations of motivation and personality. It has also been applied to the study of consumer behavior by marketers interested in probing deeply rooted motives that may underlie purchase decisions.

Those who attempt to relate psychoanalytic theory to consumer behavior believe consumers' motivations for purchasing are often very complex and unclear to the casual observer—and to the consumers themselves. Many motives for purchase and/or consumption may be driven by deep motives one can determine only by probing the subconscious.

Among the first to conduct this type of research in marketing, Ernest Dichter and James Vicary were employed by a number of major corporations to use psychoanalytic techniques to determine consumers' purchase motivations. The work of these researchers and others who continue to use this approach assumed the title of **motivation research**.

**Motivation Research in Marketing** Motivation researchers use a variety of methodologies to gain insight into the underlying causes of consumer behavior.

**Exhibit 4-5** Pampers appeals to needs for love and belonging in this ad



**Exhibit 4-6** Jeep uses an appeal to security needs



Methods employed include in-depth interviews, projective techniques, association tests, and focus groups in which consumers are encouraged to bring out associations related to products and brands (see Figure 4-3). As one might expect, such associations often lead to interesting insights as to why people purchase. For example:

- Consumers prefer large cars because they believe such cars protect them from the “jungle” of everyday driving.<sup>5</sup>
- A man buys a convertible as a substitute mistress.
- Women like to bake cakes because they feel like they are giving birth to a baby.
- Women wear perfume to “attract a man” and “glorify their existence.”
- Men like frankfurters better than women do because cooking them (frankfurters, not men!) makes women feel guilty. It’s an admission of laziness.
- When people shower, their sins go down the drain with the soap as they rinse.<sup>6</sup>

As you can see from these examples, motivation research has led to some very interesting, albeit controversial, findings and to much skepticism from marketing managers. However, major corporations and advertising agencies continue to use motivation research to help them market their products.

### Problems and Contributions of Psychoanalytic Theory and Motivation Research

Psychoanalytic theory has been criticized as being too vague, unresponsive to the external environment, and too reliant on the early development of the individual. It also uses a small sample for drawing conclusions. Because of the emphasis on the unconscious, results are difficult if not impossible to verify, leading motivation research to be criticized for both the conclusions drawn and its lack of experimental validation. Since motivation research studies typically use so few participants, there is also concern that it really discovers the idiosyncracies of a few individuals and its findings are not generalizable to the whole population.

Still, it is difficult to ignore the psychoanalytic approach in furthering our understanding of consumer behavior. Its insights can often be used as a basis for advertising messages aimed at buyers’ deeply rooted feelings, hopes, aspirations, and fears. Such strategies are often more effective than rationally based appeals.

#### In-depth interviews

Face-to-face situations in which an interviewer asks a consumer to talk freely in an unstructured interview using specific questions designed to obtain insights into his or her motives, ideas, or opinions.

#### Projective techniques

Efforts designed to gain insights into consumers’ values, motives, attitudes, or needs that are difficult to express or identify by having them project these internal states upon some external object.

#### Association tests

A technique in which an individual is asked to respond with the first thing that comes to mind when he or she is presented with a stimulus; the stimulus may be a word, picture, ad, and so on.

#### Focus groups

A small number of people with similar backgrounds and/or interests who are brought together to discuss a particular product, idea, or issue.

**Figure 4-3** Some of the marketing research methods used to probe the mind of the consumer

## Integrated Marketing Communications

For many years, the promotional function in most companies was dominated by mass-media advertising. Companies relied primarily on their advertising agencies for guidance in nearly all areas of marketing communication. Most marketers did use additional promotional and marketing communication tools, but sales promotion and direct-marketing agencies as well as package design firms were generally viewed as auxiliary services and often used on a per-project basis. Public relations agencies were used to manage the organization's publicity, image, and affairs with relevant publics on an ongoing basis but were not viewed as integral participants in the marketing communications process.

Many marketers built strong barriers around the various marketing and promotional functions and planned and managed them as separate practices, with different budgets, different views of the market, and different goals and objectives. These companies failed to recognize that the wide range of marketing and promotional tools must be coordinated to communicate effectively and present a consistent image to target markets.

### The Evolution of IMC

During the 1980s, many companies came to see the need for more of a strategic integration of their promotional tools. These firms began moving toward the process of **integrated marketing communications (IMC)**, which involves coordinating the various promotional elements and other marketing activities that communicate with a firm's customers.<sup>9</sup> As marketers embraced the concept of integrated marketing communications, they began asking their ad agencies to coordinate the use of a variety of promotional tools rather than relying primarily on media advertising. A number of companies also began to look beyond traditional advertising agencies and use other types of promotional specialists to develop and implement various components of their promotional plans.

Many agencies responded to the call for synergy among the promotional tools by acquiring PR, sales promotion, and direct-marketing companies and touting themselves as IMC agencies that offer one-stop shopping for all their clients' promotional needs.<sup>10</sup> Some agencies became involved in these nonadvertising areas to gain control over their clients' promotional programs and budgets and struggled to offer any real value beyond creating advertising. However, the advertising industry soon recognized that IMC was more than just a fad. Terms such as *new advertising*, *orchestration*, and *seamless communication* were used to describe the concept of integration.<sup>11</sup> A task force from the American Association of Advertising Agencies (the "4As") developed one of the first definitions of integrated marketing communications:

a concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines—for example, general advertising, direct response, sales promotion, and public relations—and combines these disciplines to provide clarity, consistency, and maximum communications impact.<sup>12</sup>

The 4As' definition focuses on the process of using all forms of promotion to achieve maximum communication impact. However, advocates of the IMC concept, such as Don Schultz of Northwestern University, argue for an even broader perspective that considers *all sources of brand or company contact* that a customer or prospect has with a product or service.<sup>13</sup> Schultz and others note that the process of integrated marketing communications calls for a "big-picture" approach to planning marketing and promotion programs and coordinating the various communication functions. It requires that firms develop a total marketing communications strategy that recognizes how all of a firm's marketing activities, not just promotion, communicate with its customers.

Consumers' perceptions of a company and/or its various brands are a synthesis of the bundle of messages they receive or contacts they have, such as media advertisements, price, package design, direct-marketing efforts, publicity, sales promotions, websites, point-of-purchase displays, and even the type of store where a product or service is sold. The integrated marketing communications approach seeks to have all



of a company's marketing and promotional activities project a consistent, unified image to the marketplace. It calls for a centralized messaging function so that everything a company says and does communicates a common theme and positioning.

Many companies have adopted this broader perspective of IMC. They see it as a way to coordinate and manage their marketing communications programs to ensure that they give customers a consistent message about the company and/or its brands. For these companies, the IMC approach represents an improvement over the traditional method of treating the various marketing and communications elements as virtually separate activities. However, as marketers become more sophisticated in their understanding of IMC, they recognize that it offers more than just ideas for coordinating all elements of the marketing and communications programs. The IMC approach helps companies identify the most appropriate and effective methods for communicating and building relationships with their customers as well as other stakeholders such as employees, suppliers, investors, interest groups, and the general public.

Tom Duncan and Sandra Moriarty note that IMC is one of the "new-generation" marketing approaches being used by companies to better focus their efforts in acquiring, retaining, and developing relationships with customers and other stakeholders. They have developed a communication-based marketing model that emphasizes the importance of managing *all* corporate or brand communications, as they collectively create, maintain, or weaken the customer and stakeholder relationships that drive brand value.<sup>14</sup> Messages can originate at three levels—corporate, marketing, and marketing communications—since all of a company's corporate activities, marketing-mix activities, and marketing communications efforts have communication dimensions and play a role in attracting and keeping customers.

At the corporate level, various aspects of a firm's business practices and philosophies, such as its mission, hiring practices, philanthropies, corporate culture, and ways of responding to inquiries, all have dimensions that communicate with customers and other stakeholders and affect relationships. For example, Ben & Jerry's is a company that is rated very high in social responsibility and is perceived as a very good corporate citizen in its dealings with communities, employees, and the environment.<sup>15</sup> Ben & Jerry's capitalizes on its image as a socially responsible company by supporting various causes as well as community events (Exhibit 1-4).

At the marketing level, as was mentioned earlier, companies send messages to customers and other stakeholders through all aspects of their marketing mixes, not just promotion. Consumers make inferences about a product on the basis of elements such as its design, appearance, performance, pricing, service support, and where and how it is distributed. For example, a high price may symbolize quality to customers, as may the shape or design of a product, its packaging, its brand name, or the image of the stores in which it is sold. Montblanc uses classic design and a distinctive brand name as well as a

**Exhibit 1-4** Ben & Jerry's has a very strong image and reputation as a socially responsible company



high price to position its watches and pens as high-quality, high-status products. This upscale image is enhanced by the company's strategy of distributing its products only through boutiques, jewelry stores, and other exclusive retail shops. Notice how the marketing-mix elements that help shape the brand's distinctive image are reflected in the Montblanc ad shown in Exhibit 1-5.

At the marketing communications level, Duncan and Moriarty note that all messages should be delivered and received on a platform of executional and strategic consistency in order to create coherent perceptions among customers and other stakeholders. This requires the integration of the various marketing communication's messages and the functions of various promotional facilitators such as ad agencies, public relations firms, sales promotion specialists, package design firms, direct-response specialists, and interactive agencies. The goal is to communicate with one voice, look, and image across all the marketing communications functions and to identify and position the company and/or the brand in a consistent manner.

Many companies are realizing that communicating effectively with customers and other stakeholders involves more than traditional marketing communications tools. Many marketers, as well as advertising agencies, are embracing the IMC approach and adopting total communication solutions to create and sustain relationships between companies or brands and their customers. Some academics and practitioners have questioned whether the IMC movement is just another management fad.<sup>16</sup> However, the IMC approach is proving to be a permanent change that offers significant value to marketers in the rapidly changing communications environment they are facing in the new millennium.<sup>17</sup> We will now discuss some of the reasons for the growing importance of IMC.



**Exhibit 1-5** Montblanc uses a variety of marketing mix elements including price, product design, brand name, and distribution strategy to create a high-quality, upscale image for its watches

## Reasons for the Growing Importance of IMC

The move toward integrated marketing communications is one of the most significant marketing developments that occurred during the 1990s, and the shift toward this approach is continuing as we begin the new century. The IMC approach to marketing communications planning and strategy is being adopted by both large and small companies and has become popular among firms marketing consumer products and services as well as business-to-business marketers. There are a number of reasons why marketers are adopting the IMC approach. A fundamental reason is that they understand the value of strategically integrating the various communications functions rather than having them operate autonomously. By coordinating their marketing communications efforts, companies can avoid duplication, take advantage of synergy among promotional tools, and develop more efficient and effective marketing communications programs. Advocates of IMC argue that it is one of the easiest ways for a company to maximize the return on its investment in marketing and promotion.<sup>18</sup>

The move to integrated marketing communications also reflects an adaptation by marketers to a changing environment, particularly with respect to consumers, technology, and media. Major changes have occurred among consumers with respect to demographics, lifestyles, media use, and buying and shopping patterns. For example, cable TV and more recently digital satellite systems have vastly expanded the number of channels available to households. Some of these channels offer 24-hour shopping networks; others contain 30- or 60-minute direct-response appeals known as *infomercials*, which look more like TV shows than ads. Every day more consumers are surfing the Internet's World Wide Web. Online services such as America Online and Microsoft Network provide information and entertainment as well as the opportunity to shop for and order a vast array of products and services. Marketers are responding by developing home pages on which they can advertise their products and services interactively as well as transact sales. For example, travelers can use American Airlines' AA.com website to plan flights, check for special fares, purchase tickets, and reserve seats, as well as make hotel and car-rental reservations (Exhibit 1-6).

Even as new technologies and formats create new ways for marketers to reach consumers, they are affecting the more traditional media. Television, radio, magazines,



**Exhibit 1-6** Travelers can use American Airlines' website to purchase tickets and reserve seats

and newspapers are becoming more fragmented and reaching smaller and more selective audiences. A recent survey of leading U.S. advertising executives on trends that will shape the industry identified the segmentation of media audiences by new media technologies as the most important development.<sup>19</sup>

In addition to facing the decline in audience size for many media, marketers are facing the problem of consumers' being less responsive to traditional advertising. They recognize that many consumers are turned off by advertising and tired of being bombarded with sales messages. These factors are prompting many marketers to look for alternative ways to communicate with their target audiences, such as making their selling messages part of popular culture. For example, marketers often hire product placement firms to get their brands into TV shows and movies. MGM/United Artists created special scenes in the recent James Bond movie *Die Another Day* to feature the Aston Martin V12 Vanquish sports car. It is estimated that the British automaker, which is owned by Ford Motor Company, paid \$70 million to have the car featured in the movie. In an arrangement with Columbia Pictures, Daimler-Benz agreed to spend several million dollars on commercials, private screenings, and other promotions to have the redesigned Mercedes-Benz E500 automobile featured in the movie *Men in Black II*.<sup>20</sup> IMC Perspective 1-1 discusses how marketers are finding new ways to reach consumers and disguise their promotional messages by

making them part of popular culture.

The integrated marketing communications movement is also being driven by changes in the ways companies market their products and services. A major reason for the growing importance of the IMC approach is the ongoing revolution that is changing the rules of marketing and the role of the traditional advertising agency.<sup>21</sup> Major characteristics of this marketing revolution include:

- *A shifting of marketing dollars from media advertising to other forms of promotion, particularly consumer- and trade-oriented sales promotions.* Many marketers feel that traditional media advertising has become too expensive and is not cost-effective. Also, escalating price competition in many markets has resulted in marketers' pouring more of their promotional budgets into price promotions rather than media advertising.
- *A movement away from relying on advertising-focused approaches, which emphasize mass media such as network television and national magazines, to solve communication problems.* Many companies are turning to lower-cost, more targeted communication tools such as event marketing and sponsorships, direct mail, sales promotion, and the Internet as they develop their marketing communications strategies.
- *A shift in marketplace power from manufacturers to retailers.* Due to consolidation in the retail industry, small local retailers are being replaced by regional, national, and international chains. These large retailers are using their clout to demand larger promotional fees and allowances from manufacturers, a practice that often siphons money away from advertising. Moreover, new technologies such as checkout scanners give retailers information on the effectiveness of manufacturers' promotional programs. This is leading many marketers to shift their focus to promotional tools that can produce short-term results, such as sale promotion.
- *The rapid growth and development of database marketing.* Many companies are building databases containing customer names; geographic, demographic, and psychographic profiles; purchase patterns; media preferences; credit ratings; and other characteristics. Marketers are using this information to target consumers through a variety of



## IMC PERSPECTIVE I-I

## What's the Buzz?

Consumers have long had a love-hate relationship with advertising. We enjoy watching music- and celebrity-laden commercials that are often more entertaining, humorous, or interesting than the programs they are sponsoring. We purchase magazines such as *Glamour*, *Vogue*, and *GQ*, which contain more ad pages than articles. But many consumers are tired of being bombarded with sales messages and are turned off by advertising. This is especially true of Generation Y, the age cohort born between 1979 and 1994, which is 60 million strong. The Generation Y cohort is three times the size of its Gen X predecessor, and its members constitute the biggest group to hit the U.S. market since the 72 million baby boomers, who are their parents. Having grown up in an even more media-saturated, brand-conscious world than their parents did, they respond to advertising differently and prefer to encounter marketing messages in different places or from different sources.

Marketers recognize that to penetrate the skepticism and capture the attention of the Gen Ys they have to bring their messages to these people in a different way. To do so, many companies are turning to a stealth-type strategy known as *buzz marketing*, whereby brand come-ons become part of popular culture and consumers themselves are lured into spreading the message. Marketers are turning their brands into carefully guarded secrets that are revealed to only a few people in each community. Each carefully cultivated recipient of the brand message becomes a powerful carrier, spreading the word to yet more carriers, who tell a few more, and so on. The goal of the marketer is to identify the trendsetters in each community and push them into talking up the brand to their friends and admirers. As the senior vice president at Bates U.S.A., who developed a buzz campaign for Lucky Strike cigarettes, notes, "Ultimately, the brand benefits because an accepted member of the social circle will always be far more credible than any communication that could come directly from the brand."

A number of marketers have used buzz marketing successfully. Rather than blitzing the airways with 30-second commercials for its new Focus subcompact, Ford Motor Company recruited 120 trendsetters in five key markets and gave them each a Focus to drive for six months. According to Ford's marketing communications manager, who planned and implemented the program, "We weren't looking for celebrities. We were looking for the assistants to celebrities, party planners, disc jockeys—the people who really seemed to influence what was cool." The recruits' duties were simply to be seen with the car, to hand out Focus-themed trinkets to anyone who expressed an interest



in the car, and to keep a record of where they took the car. The program helped Ford get the Focus off to a brisk start, selling 286,166 units in its first full year.

Vespa motor scooter importer Piaggio U.S.A. hired a group of attractive models to find the right cafes in and around Los Angeles and to interact with people over a cup of coffee or iced latte and generate buzz for the European bikes.

Even ad agencies that are heavily invested in traditional brand-building techniques acknowledge that buzz marketing has become a phenomenon. Malcolm Gladwell's book *The Tipping Point: How Little Things Can Make a Big Difference*—which describes how a small number of consumers can ignite a trend, if they're the right ones—has become must reading among ad agency personnel. The chairperson and CEO of Grey Global Group notes, "Everybody has read *The Tipping Point* and is trying to figure out the underground streams to reach consumers. Everybody is experimenting with it." For example, Reebok conducted more than 1,000 interviews to identify young Canadian women who were trendsetters among their peers. The company then gave 90 of these women a pair of \$150 U-Shuffle DMX cross-trainers to get the funky shoes on the feet of these urban trendsetters. The product seeding campaign helped make the product-line launch one of the most successful in the company's history.

Some experts note that the growing popularity of buzz marketing could well spell its downfall. If everyone does it, it will no longer be buzz; it will simply be obscure and annoying advertising. And when consumers recognize that every company is trying to create a buzz for its brand, they are likely to be turned off to the technique. By then, of course, marketers will have found another stealth way to deliver their sales messages.

Sources: Garry Khermouch and Jeff Green, "Buzz Marketing," *BusinessWeek*, July 30, 2001, pp. 50–56; "Firms Reap Fruits of Product Seeding," *The Montreal Gazette*, Sept. 11, 2001, p. D6.

direct-marketing methods such as telemarketing, direct mail, and direct-response advertising, rather than relying on mass media. Advocates of the approach argue that database marketing is critical to the development and practice of effective IMC.<sup>22</sup>

- *Demands for greater accountability from advertising agencies and changes in the way agencies are compensated.* Many companies are moving toward incentive-based systems whereby compensation of their ad agencies is based, at least in part, on objective measures such as sales, market share, and profitability. Demands for accountability are motivating many agencies to consider a variety of communication tools and less expensive alternatives to mass-media advertising.
- *The rapid growth of the Internet, which is changing the very nature of how companies do business and the ways they communicate and interact with consumers.* The Internet revolution is well under way, and the Internet audience is growing rapidly. The Internet is an interactive medium that is becoming an integral part of communication strategy, and even business strategy, for many companies.

This marketing revolution is affecting everyone involved in the marketing and promotional process. Companies are recognizing that they must change the ways they market and promote their products and services. They can no longer be tied to a specific communication tool (such as media advertising); rather, they should use whatever contact methods offer the best way of delivering the message to their target audiences. Ad agencies continue to reposition themselves as offering more than just advertising expertise; they strive to convince their clients that they can manage all or any part of clients' integrated communications needs. Most agencies recognize that their future success depends on their ability to understand all areas of promotion and help their clients develop and implement integrated marketing communications programs.

## The Role of IMC in Branding

One of the major reasons for the growing importance of integrated marketing communications over the past decade is that it plays a major role in the process of developing and sustaining brand identity and equity. As branding expert Kevin Keller notes, "Building and properly managing brand equity has become a priority for companies of all sizes, in all types of industries, in all types of markets."<sup>23</sup> With more and more products and services competing for consideration by customers who have less and less time to make choices, well-known brands have a major competitive advantage in today's marketplace. Building and maintaining brand identity and equity require the creation of well-known brands that have favorable, strong, and unique associations in the mind of the consumer.<sup>24</sup> IMC Perspective 1-2 discusses the important role that branding now plays in the marketing process.

*Brand identity* is a combination of many factors, including the name, logo, symbols, design, packaging, and performance of a product or service as well as the image or type of associations that comes to mind when consumers think about a brand. It encompasses the entire spectrum of consumers' awareness, knowledge, and image of the brand as well as the company behind it. It is the sum of all points of encounter or contact that consumers have with the brand, and it extends beyond the experience or outcome of using it. These contacts can also result from various forms of integrated marketing communications activities used by a company, including mass-media advertising, sales promotion offers, sponsorship activities at sporting or entertainment events, websites on the Internet, and direct-mail pieces such as letters, brochures, catalogs, or videos. Consumers can also have contact with or receive information about a brand in stores at the point of sale; through articles or stories they see, hear, or read in the media; or through interactions with a company representative, such as a salesperson.

Marketers recognize that in the modern world of marketing there are many different opportunities and methods for *contacting* current and prospective customers to provide them with information about a company and/or brands. The challenge is to understand how to use the various IMC tools to make such contacts and deliver the branding message effectively and efficiently. A successful IMC program requires that marketers find the right combination of communication tools and techniques, define their role and the extent to which they can or should be used, and coordinate their use. To accomplish this, the persons responsible for the company's communication efforts must have an understanding of the IMC tools that are available and the ways they can be used.



## IMC PERSPECTIVE I-2

## The Power of Brands

Consider for a moment what consumers' reactions would be to a pair of running or basketball shoes if the Nike name or "swoosh" was taken off of them or to a bottle of cola without the Coke or Pepsi name. Would a Godiva chocolate by any other name taste as sweet? Do plain blue jeans carry the same cachet as those bearing the Diesel or Calvin Klein label? There was a time when consumers were proudly declaring their independence from the appeal of name-brand names by favoring the more practical generics and private labels. However, in today's marketplace the appeal of brand names is greater than ever, and marketers recognize that building and reinforcing the image of their brands is a key to profitability and growth. Many companies now know that brand equity is as important an asset as factories, inventory, and cash because strong brands have the power to command a premium price from consumers as well as investors. The table below shows the world's most valuable brands as measured by Interbrand Corp., a leading brand consultancy company.

There are a number of reasons why brands are more important than ever before. Consumers have a tremendous number of choices available in nearly every product and service category but have less and less time to shop and make selections. Well-known and trusted brand names are a touchstone for consumers and help simplify their decision-making process. Branding guru Larry Light notes that the key to all successful brands

is that they stand for something and are much more than simply trademarks or logos. A brand is a promise to the customer. As one executive has stated: "Consumers don't go shopping for a 24-valve, 6-cylinder, 200-horsepower, fuel-injected engine. They shop for a Taurus, a Lexus, a BMW, a Jeep Cherokee, a Hummer, whatever. They shop for well-known, trusted brands."

Having a strong brand name and identity is also important to companies competing in the global economy as they must reach customers far from their home base. Companies such as Nokia, which is based in Finland, or Samsung, which is headquartered in South Korea, rely heavily on markets outside their home countries to sell their cellular phones and other electronic products. A strong brand name is also important for companies entering new markets or introducing new products. For example, Boeing recently began its first-ever corporate branding campaign as part of its overall strategy to expand beyond the commercial-aviation market and into new industries such as military aircraft, rockets, satellites, and broadband communications. Everything from Boeing's logo to its decision to relocate its corporate headquarters from Seattle to Chicago has been devised with the Boeing brand in mind.

While marketers recognize the importance of brand building, many are finding it difficult to commit themselves to the effort as the global economy slows and budgets tighten. Media sales staff, advertising agencies, and other marketing communications specialists have been doing their best to convince companies not to cut back on their spending but, rather, to continue to support their brands. They point to the last economic downturn, in the early 1990s, during which private-label brands leaped to prominence when many packaged-goods companies slashed their advertising budgets. Today, while many companies are avoiding the temptation to cut back on advertising and promotion to help meet earnings forecasts, others have shown less willingness to support their brands. Experts note that these firms run the risk of losing their pricing power and, more important, their connection with their customers. Moreover, they run the risk of losing market share to well-funded competitors that are eager to grab market share from weaker rivals. As marketing professor Kevin Keller notes, "People who starve their brands now will be paying in the future."

The world's 10 most valuable brands, 2002

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

Source: Interbrand Corp., J.P. Morgan Chase & Co.

Sources: Gerry Khermouch, "The Best Global Brands," *BusinessWeek*, Aug. 5, 2002, pp. 92-94; Gerry Khermouch, "Why Advertising Matters More than Ever," *BusinessWeek*, Aug. 6, 2001, pp. 50-57; Scott Ward, Larry Light, and Jonathon Goldstine, "What High-Tech Managers Need to Know about Brands," *Harvard Business Review*, July-August, 1999, pp. 85-95.



Advertising investments undeniably help build a brand. The American Advertising Federation reminds companies of this through its Great Brands campaign. The parent companies of these brands gave unprecedented permission to modify their logos for use in this campaign.

## The Promotional Mix: The Tools for IMC

**Promotion** has been defined as the coordination of all seller-initiated efforts to set up channels

of information and persuasion in order to sell goods and services or promote an idea.<sup>25</sup> While implicit communication occurs through the various elements of the marketing mix, most of an organization's communications with the marketplace take place as part of a carefully planned and controlled promotional program. The basic tools used to accomplish an organization's communication objectives are often referred to as the **promotional mix** (Figure 1-1).

Traditionally the promotional mix has included four elements: advertising, sales promotion, publicity/public relations, and personal selling. However, in this text we view direct marketing as well as interactive media as major promotional-mix elements that modern-day marketers use to communicate with their target markets. Each element of the promotional mix is viewed as an integrated marketing communications tool that plays a distinctive role in an IMC program. Each may take on a variety of forms. And each has certain advantages.

### Advertising

**Advertising** is defined as any paid form of nonpersonal communication about an organization, product, service, or idea by an identified sponsor.<sup>26</sup> The *paid* aspect of this definition reflects the fact that the space or time for an advertising message generally must be bought. An occasional exception to this is the public service announcement (PSA), whose advertising space or time is donated by the media.

The *nonpersonal* component means that advertising involves mass media (e.g., TV, radio, magazines, newspapers) that can transmit a message to large groups of individuals, often at the same time. The nonpersonal nature of advertising means that there is generally no opportunity for immediate feedback from the message recipient (except in direct-response advertising). Therefore, before the message is sent, the advertiser must consider how the audience will interpret and respond to it.

Advertising is the best-known and most widely discussed form of promotion, probably because of its pervasiveness. It is also a very important promotional tool, particu-

Figure 1-1 Elements of the promotional mix



larly for companies whose products and services are targeted at mass consumer markets. More than 200 companies each spend over \$100 million a year on advertising in the United States. Figure 1-2 shows the advertising expenditures of the 25 leading national advertisers in 2001.

There are several reasons why advertising is such an important part of many marketers' promotional mixes. First, it can be a very cost-effective method for communicating with large audiences. For example, the average 30-second spot on the four major networks during prime-time network television reaches nearly 10 million households. The cost per thousand households reached is around \$14.<sup>27</sup>

Advertising can be used to create brand images and symbolic appeals for a company or brand, a very important capability for companies selling products and services that are difficult to differentiate on functional attributes. For example, since 1980 Absolut has used creative advertising to position its vodka as an upscale, fashionable, sophisticated drink and differentiate it from other brands. The advertising strategy has been to focus attention on two unique aspects of the product: the Absolut name and the distinctive shape of the bottle (Exhibit 1-7). Most of the print ads used in this long-running campaign are specifically tailored for the magazine or region where they appear. The campaign, one of the most successful and recognizable in advertising history, has made the Absolut brand nearly synonymous with imported vodka. While all other spirits sales have declined by more than 40 percent over the past 15 years, Absolut sales have increased 10-fold and the various Absolut brands have a combined 70 percent market share.<sup>28</sup>

**Figure 1-2** 25 leading advertisers in the United States, 2001

Rank	Advertiser	Ad Spending (Millions)
1	General Motors Corp.	\$3,374.4
2	Procter & Gamble	2,540.6
3	Ford Motor Co.	2,408.2
4	PepsiCo	2,210.4
5	Pfizer	2,189.5
6	DaimlerChrysler	1,985.3
7	AOL Time Warner	1,885.3
8	Philip Morris Cos.	1,815.7
9	Walt Disney Co.	1,757.3
10	Johnson & Johnson	1,618.1
11	Unilever	1,483.6
12	Sears, Roebuck & Co.	1,480.1
13	Verizon Communications	1,461.6
14	Toyota Motor Corp.	1,399.1
15	AT&T Corp.	1,371.9
16	Sony Corp.	1,310.1
17	Viacom	1,282.8
18	McDonald's Corp.	1,194.7
19	Diageo	1,180.8
20	Sprint Corp.	1,160.1
21	Merck & Co.	1,136.6
22	Honda Motor Co.	1,102.9
23	J.C. Penney Corp.	1,085.7
24	U.S. government	1,056.8
25	L'Oreal	1,040.7

Source: *Advertising Age*, June 24, 2002, p. S-2.

**Exhibit 1-7** Creative advertising has made Absolut the most popular brand of imported vodka in the United States



**Exhibit 1-8** Eveready uses the popularity of its pink bunny campaign to generate support from retailers



Another advantage of advertising is its ability to strike a responsive chord with consumers when differentiation across other elements of the marketing mix is difficult to achieve. Popular advertising campaigns attract consumers' attention and can help generate sales. These popular campaigns can also sometimes be leveraged into successful integrated marketing communications programs. For example, Eveready used the popularity of its Energizer Bunny campaign to generate support from retailers in the form of shelf space, promotional displays, and other merchandising activities (Exhibit 1-8). Consumer promotions such as in-store displays, premium offers, and sweepstakes feature the pink bunny. Pictures of the Energizer Bunny appear on Energizer packages to ensure brand identification and extend the campaign's impact to the point of purchase. Eveready has extended its integrated marketing efforts to include tie-ins with sports marketing and sponsorships.

**Exhibit 1-9** The goals of the "milk mustache" campaign are to change the image of milk and increase sales of the product



The nature and purpose of advertising differ from one industry to another and/or across situations. The targets of an organization's advertising efforts often vary, as do advertising's role and function in the marketing program. One advertiser may seek to generate immediate response or action from the customer; another may want to develop awareness or a positive image for its product or service over a longer period. For example, Exhibit 1-9 shows one of the ads from the popular "milk mustache" campaign. The goal of this campaign, which began in 1995, has been to change the image of milk and help reverse the decline in per-capita milk consumption in the United States.

Marketers advertise to the consumer market with national and retail/local advertising, which may stimulate primary or selective demand. For business/professional markets, they use business-to-business, professional, and trade advertising. Figure 1-3 describes the most common types of advertising.

## Direct Marketing

One of the fastest-growing sectors of the U.S. economy is **direct marketing**, in which organizations communicate directly with target customers to generate a response and/or a transaction. Traditionally, direct marketing

**Figure 1-3** Classifications of advertising

### ADVERTISING TO CONSUMER MARKETS

#### National Advertising

Advertising done by large companies on a nationwide basis or in most regions of the country. Most of the ads for well-known companies and brands that are seen on prime-time TV or in other major national or regional media are examples of national advertising. The goals of national advertisers are to inform or remind consumers of the company or brand and its features, benefits, advantages, or uses and to create or reinforce its image so that consumers will be predisposed to purchase it.

#### Retail/Local Advertising

Advertising done by retailers or local merchants to encourage consumers to shop at a specific store, use a local service, or patronize a particular establishment. Retail or local advertising tends to emphasize specific patronage motives such as price, hours of operation, service, atmosphere, image, or merchandise assortment. Retailers are concerned with building store traffic, so their promotions often take the form of direct-action advertising designed to produce immediate store traffic and sales.

#### Primary- versus Selective-Demand Advertising

Primary-demand advertising is designed to stimulate demand for the general product class or entire industry. Selective-demand advertising focuses on creating demand for a specific company's brands. Most advertising for products and services is concerned with stimulating selective demand and emphasizes reasons for purchasing a particular brand.

An advertiser might concentrate on stimulating primary demand when, for example, its brand dominates a market and will benefit the most from overall market growth. Primary-demand advertising is often used as part of a promotional strategy to help a new product gain market acceptance, since the challenge is to sell customers on the product concept as much as to sell a particular brand. Industry trade associations also try to stimulate primary demand for their members' products, among them cotton, milk, orange juice, pork, and beef.

### ADVERTISING TO BUSINESS AND PROFESSIONAL MARKETS

#### Business-to-Business Advertising

Advertising targeted at individuals who buy or influence the purchase of industrial goods or services for their companies. Industrial goods are products that either become a physical part of another product (raw material or component parts), are used in manufacturing other goods (machinery), or are used to help a company conduct its business (e.g., office supplies, computers). Business services such as insurance, travel services, and health care are also included in this category.

#### Professional Advertising

Advertising targeted to professionals such as doctors, lawyers, dentists, engineers, or professors to encourage them to use a company's product in their business operations. It might also be used to encourage professionals to recommend or specify the use of a company's product by end-users.

#### Trade Advertising

Advertising targeted to marketing channel members such as wholesalers, distributors, and retailers. The goal is to encourage channel members to stock, promote, and resell the manufacturer's branded products to their customers.





**Exhibit 1-10** The Bose Corporation uses direct-response advertising to promote its audio products

has not been considered an element of the promotional mix. However, because it has become such an integral part of the IMC program of many organizations and often involves separate objectives, budgets, and strategies, we view direct marketing as a component of the promotional mix.

Direct marketing is much more than direct mail and mail-order catalogs. It involves a variety of activities, including database management, direct selling, telemarketing, and direct-response ads through direct mail, the Internet, and various broadcast and print media. Some companies, such as Tupperware, Discovery Toys, and Amway, do not use any other distribution channels, relying on independent contractors to sell their products directly to consumers. Companies such as L.L. Bean, Lands' End, and J. Crew have been very successful in using direct marketing to sell their clothing products. Dell Computer and Gateway have experienced tremendous growth in the computer industry by selling a full line of personal computers through direct marketing.

One of the major tools of direct marketing is **direct-response advertising**, whereby a product is promoted through an ad that encourages the consumer to purchase directly from the manufacturer. Traditionally, direct mail has been the primary medium for direct-response advertising, although television and magazines have become increasingly important media. For example, Exhibit 1-10 shows a direct-response ad for the Bose Corporation's Acoustic Waveguide products. Direct-response advertising and other forms of direct marketing have become very popular over the past two decades, owing primarily to changing lifestyles, particularly the increase in two-income households. This has meant more discretionary income but less time for in-store shopping. The availability of credit cards and toll-free phone numbers has also facilitated the purchase of products from direct-response ads. More recently, the rapid growth of the Internet is fueling the growth of direct marketing. The convenience of shopping through catalogs or on a company's website and placing orders by mail, by phone, or online has led the tremendous growth of direct marketing.

Direct-marketing tools and techniques are also being used by companies that distribute their products through traditional distribution channels or have their own sales force. Direct marketing plays a big role in the integrated marketing communications programs of consumer-product companies and business-to-business marketers. These companies spend large amounts of money each year developing and maintaining databases containing the addresses and/or phone numbers of present and prospective customers. They use telemarketing to call customers directly and attempt to sell them products and services or qualify them as sales leads. Marketers also send out direct-mail pieces ranging from simple letters and flyers to detailed brochures, catalogs, and videotapes to give potential customers information about their products or services. Direct-marketing techniques are also used to distribute product samples or target users of a competing brand.

Direct-marketing tools and techniques are also being used by companies that distribute their products through traditional distribution channels or have their own sales force. Direct marketing plays a big role in the integrated marketing communications programs of consumer-product companies and business-to-business marketers. These companies spend large amounts of money each year developing and maintaining databases containing the addresses and/or phone numbers of present and prospective customers. They use telemarketing to call customers directly and attempt to sell them products and services or qualify them as sales leads. Marketers also send out direct-mail pieces ranging from simple letters and flyers to detailed brochures, catalogs, and videotapes to give potential customers information about their products or services. Direct-marketing techniques are also used to distribute product samples or target users of a competing brand.

## Interactive/Internet Marketing

As the new millennium begins, we are experiencing perhaps the most dynamic and revolutionary changes of any era in the history of marketing, as well as advertising and promotion. These changes are being driven by advances in technology and developments that have led to dramatic growth of communication through interactive media, particularly the Internet. **Interactive media** allow for a back-and-forth flow of information whereby users can participate in and modify the form and content of the information they receive in real time. Unlike traditional forms of marketing communications such as advertising, which are one-way in nature, the new media allow users to perform a variety of functions such as receive and alter information and images, make inquiries, respond to questions, and, of course, make purchases. In addition to the Internet, other forms of interactive media include CD-ROMs, kiosks, and

interactive television. However, the interactive medium that is having the greatest impact on marketing is the Internet, especially through the component known as the World Wide Web.

While the Internet is changing the ways companies design and implement their entire business and marketing strategies, it is also affecting their marketing communications programs. Thousands of companies, ranging from large multinational corporations to small local firms, have developed websites to promote their products and services, by providing current and potential customers with information, as well as to entertain and interact with consumers. Perhaps the most prevalent perspective on the Internet is that it is an advertising medium, as many marketers advertise their products and services on the websites of other companies and/or organizations. Actually, the Internet is a medium that can be used to execute all the elements of the promotional mix. In addition to advertising on the Web, marketers offer sales promotion incentives such as coupons, contests, and sweepstakes online, and they use the Internet to conduct direct marketing, personal selling, and public relations activities more effectively and efficiently. For example, Exhibit 1-11 shows a page from the Web site for Lands' End which informs consumers how they can get personalized service when they shop online.



**Exhibit 1-11** Lands' End uses its website as part of its direct-marketing efforts

While the Internet is a promotional medium, it can also be viewed as a marketing communications tool in its own right. Because of its interactive nature, it is a very effective way of communicating with customers. Many companies recognize the advantages of communicating via the Internet and are developing Web strategies and hiring interactive agencies specifically to develop their websites and make them part of their integrated marketing communications program. However, companies that are using the Internet effectively are integrating their Web strategies with other aspects of their IMC programs.

An excellent example of this is the award-winning “Whatever” campaign developed by Nike and its advertising agency, Weiden & Kennedy, to introduce the Air Cross Trainer II shoes. The ads featured star athletes such as sprinter Marion Jones in dramatic situations, and as each spot ended, the words “Continue at Whatever.Nike.com” appeared on the screen (Exhibit 1-12). When viewers visited the site, they could select from six or seven possible endings to the commercial, read information on the sports and athletes featured in the ads, or purchase the shoes. The integrated campaign was very effective in driving traffic to both Nike’s main website and the whatever.nike.com site created specifically for the campaign. The “Whatever” campaign was also very effective in terms of sales as it helped make the Air Cross Trainer II Nike’s best-selling shoe soon after the ads debuted.<sup>29</sup>

**Exhibit 1-12** Nike’s “Whatever” campaign creatively integrated the use of television advertising and the Internet



## Sales Promotion

The next variable in the promotional mix is **sales promotion**, which is generally defined as those marketing activities that provide extra value or incentives to the sales force, the distributors, or the ultimate consumer and can stimulate immediate sales. Sales promotion is generally broken into two major categories: consumer-oriented and trade-oriented activities.

*Consumer-oriented sales promotion* is targeted to the ultimate user of a product or service and includes couponing, sampling, premiums, rebates, contests, sweepstakes,

**Exhibit 1-13** Coupons are a popular consumer-oriented sales promotion tool



and various point-of-purchase materials (Exhibit 1-13). These promotional tools encourage consumers to make an immediate purchase and thus can stimulate short-term sales. *Trade-oriented sales promotion* is targeted toward marketing intermediaries such as wholesalers, distributors, and retailers. Promotional and merchandising allowances, price deals, sales contests, and trade shows are some of the promotional tools used to encourage the trade to stock and promote a company's products.

Among many consumer packaged-goods companies, sales promotion is often 60 to 70 percent of the promotional budget.<sup>30</sup> In recent years many companies have shifted the emphasis of their promotional strategy from advertising to sales promotion. Reasons for the increased emphasis on sales promotion include declining brand loyalty and increased consumer sensitivity to promotional deals. Another major reason is that retailers have become larger and more powerful and are demanding more trade promotion support from companies.

*Promotion* and *sales promotion* are two terms that often create confusion in the advertising and marketing fields. As noted, promotion is an element of marketing by which firms communicate with their customers; it includes all the promotional-mix elements we have just discussed. However, many marketing and advertising practitioners use the term more narrowly to refer to sales promotion activities to either consumers or the trade (retailers, wholesalers). In this book, *promotion* is used in the broader sense to refer to the various marketing communications activities of an organization.

## Publicity/Public Relations

Another important component of an organization's promotional mix is publicity/public relations.

**Publicity** **Publicity** refers to nonpersonal communications regarding an organization, product, service, or idea not directly paid for or run under identified sponsorship. It usually comes in the form of a news story, editorial, or announcement about an organization and/or its products and services. Like advertising, publicity involves nonpersonal communication to a mass audience, but unlike advertising, publicity is not directly paid for by the company. The company or organization attempts to get the media to cover or run a favorable story on a product, service, cause, or event to affect awareness, knowledge, opinions, and/or behavior. Techniques used to gain publicity include news releases, press conferences, feature articles, photographs, films, and videotapes.

An advantage of publicity over other forms of promotion is its credibility. Consumers generally tend to be less skeptical toward favorable information about a product or service when it comes from a source they perceive as unbiased. For example, the success (or failure) of a new movie is often determined by the reviews it receives from film critics, who are viewed by many moviegoers as objective evaluators.

Another advantage of publicity is its low cost, since the company is not paying for time or space in a mass medium such as TV, radio, or newspapers. While an organization may incur some costs in developing publicity items or maintaining a staff to do so, these expenses will be far less than those for the other promotional programs.

Publicity is not always under the control of an organization and is sometimes unfavorable. Negative stories about a company and/or its products can be very damaging. For example, a few years ago negative stories about abdominal exercise machines appeared on ABC's "20/20" and NBC's "Dateline" newsmagazine TV shows. Before these stories aired, more than \$3 million worth of the machines were being sold each week, primarily through infomercials. After the negative stories aired, sales of the machines dropped immediately; within a few months the product category was all but dead.<sup>31</sup>

**Public Relations** It is important to recognize the distinction between publicity and public relations. When an organization systematically plans and distributes information in an attempt to control and manage its image and the nature of the publicity it receives, it is really engaging in a function known as public relations. **Public relations** is defined as "the management function which evaluates public attitudes, identifies the policies and procedures of an individual or organization with the public interest, and executes a program of action to earn public understanding and acceptance."<sup>32</sup> Public relations generally has a broader objective than publicity, as its purpose is to establish and maintain a positive image of the company among its various publics.

Public relations uses publicity and a variety of other tools—including special publications, participation in community activities, fund-raising, sponsorship of special events, and various public affairs activities—to enhance an organization's image. Organizations also use advertising as a public relations tool. For example, in Exhibit 1-14 a corporate ad for DuPont shows how the company uses science to make life better.

Traditionally, publicity and public relations have been considered more supportive than primary to the marketing and promotional process. However, many firms have begun making PR an integral part of their predetermined marketing and promotional strategies. PR firms are increasingly touting public relations as a communications tool that can take over many of the functions of conventional advertising and marketing.<sup>33</sup>

## Personal Selling

The final element of an organization's promotional mix is **personal selling**, a form of person-to-person communication in which a seller attempts to assist and/or persuade prospective buyers to purchase the company's product or service or to act on an idea. Unlike advertising, personal selling involves direct contact between buyer and seller, either face-to-face or through some form of telecommunications such as telephone sales. This interaction gives the marketer communication flexibility; the seller can see



**Exhibit 1-14** Advertising is often used to enhance companies' corporate images



or hear the potential buyer's reactions and modify the message accordingly. The personal, individualized communication in personal selling allows the seller to tailor the message to the customer's specific needs or situation.

Personal selling also involves more immediate and precise feedback because the impact of the sales presentation can generally be assessed from the customer's reactions. If the feedback is unfavorable, the salesperson can modify the message. Personal selling efforts can also be targeted to specific markets and customer types that are the best prospects for the company's product or service.

## Promotional Management

In developing an integrated marketing communications strategy, a company combines the promotional-mix elements, balancing the strengths and weaknesses of each, to produce an effective promotional campaign. **Promotional management** involves coordinating the promotional-mix elements to develop a controlled, integrated program of effective marketing communications. The marketer must consider which promotional tools to use and how to combine them to achieve its marketing and promotional objectives. Companies also face the task of distributing the total promotional budget across the promotional-mix elements. What percentage of the budget should they allocate to advertising, sales promotion, the Internet, direct marketing, and personal selling?

Companies consider many factors in developing their IMC programs, including the type of product, the target market, the buyer's decision process, the stage of the product life cycle, and the channels of distribution. Companies selling consumer products and services generally rely on advertising through mass media to communicate with ultimate consumers. Business-to-business marketers, who generally sell expensive, risky, and often complex products and services, more often use personal selling. Business-to-business marketers such as Honeywell do use advertising to perform important functions such as building awareness of the company and its products, generating leads for the sales force, and reassuring customers about the purchase they have made (see Exhibit 1-15).

**Exhibit 1-15** Business-to-business marketers such as Honeywell use advertising to build awareness



Conversely, personal selling also plays an important role in consumer-product marketing. A consumer-goods company retains a sales force to call on marketing intermediaries (wholesalers and retailers) that distribute the product or service to the final consumer. While the company sales reps do not communicate with the ultimate consumer, they make an important contribution to the marketing effort by gaining new distribution outlets for the company's product, securing shelf position and space for the brand, informing retailers about advertising and promotion efforts to users, and encouraging dealers to merchandise and promote the brand at the local market level.

Advertising and personal-selling efforts vary depending on the type of market being sought, and even firms in the same industry may differ in the allocation of their promotional efforts. For example, in the cosmetics industry, Avon and Mary Kay Cosmetics concentrate on direct selling, whereas Revlon and Max Factor rely heavily on consumer advertising. Firms also differ in the relative emphasis they place on advertising and sales promotion. Companies selling high-quality brands use advertising to convince consumers of their superiority, justify their higher prices, and maintain their image. Brands of lower quality, or those that are hard to differentiate, often compete more on a price or "value for the money" basis and may rely more on sales promotion to the trade and/or to consumers.



The marketing communications program of an organization is generally developed with a specific purpose in mind and is the end product of a detailed marketing and promotional planning process. We will now look at a model of the promotional planning process that shows the sequence of decisions made in developing and implementing the IMC program.

As with any business function, planning plays a fundamental role in the development and implementation of an effective promotional program. The individuals involved in promotion design a **promotional plan** that provides the framework for developing, implementing, and controlling the organization's integrated marketing communications programs and activities. Promotional planners must decide on the role and function of the specific elements of the promotional mix, develop strategies for each element, and implement the plan. Promotion is but one part of, and must be integrated into, the overall marketing plan and program.

A model of the IMC planning process is shown in Figure 1-4. The remainder of this chapter presents a brief overview of the various steps involved in this process.

## The IMC Planning Process

### Review of the Marketing Plan

The first step in the IMC planning process is to review the marketing plan and objectives. Before developing a promotional plan, marketers must understand where the company (or the brand) has been, its current position in the market, where it intends to go, and how it plans to get there. Most of this information should be contained in the **marketing plan**, a written document that describes the overall marketing strategy and programs developed for an organization, a particular product line, or a brand. Marketing plans can take several forms but generally include five basic elements:

1. A detailed situation analysis that consists of an internal marketing audit and review and an external analysis of the market competition and environmental factors.
2. Specific marketing objectives that provide direction, a time frame for marketing activities, and a mechanism for measuring performance.
3. A marketing strategy and program that include selection of target market(s) and decisions and plans for the four elements of the marketing mix.
4. A program for implementing the marketing strategy, including determining specific tasks to be performed and responsibilities.
5. A process for monitoring and evaluating performance and providing feedback so that proper control can be maintained and any necessary changes can be made in the overall marketing strategy or tactics.

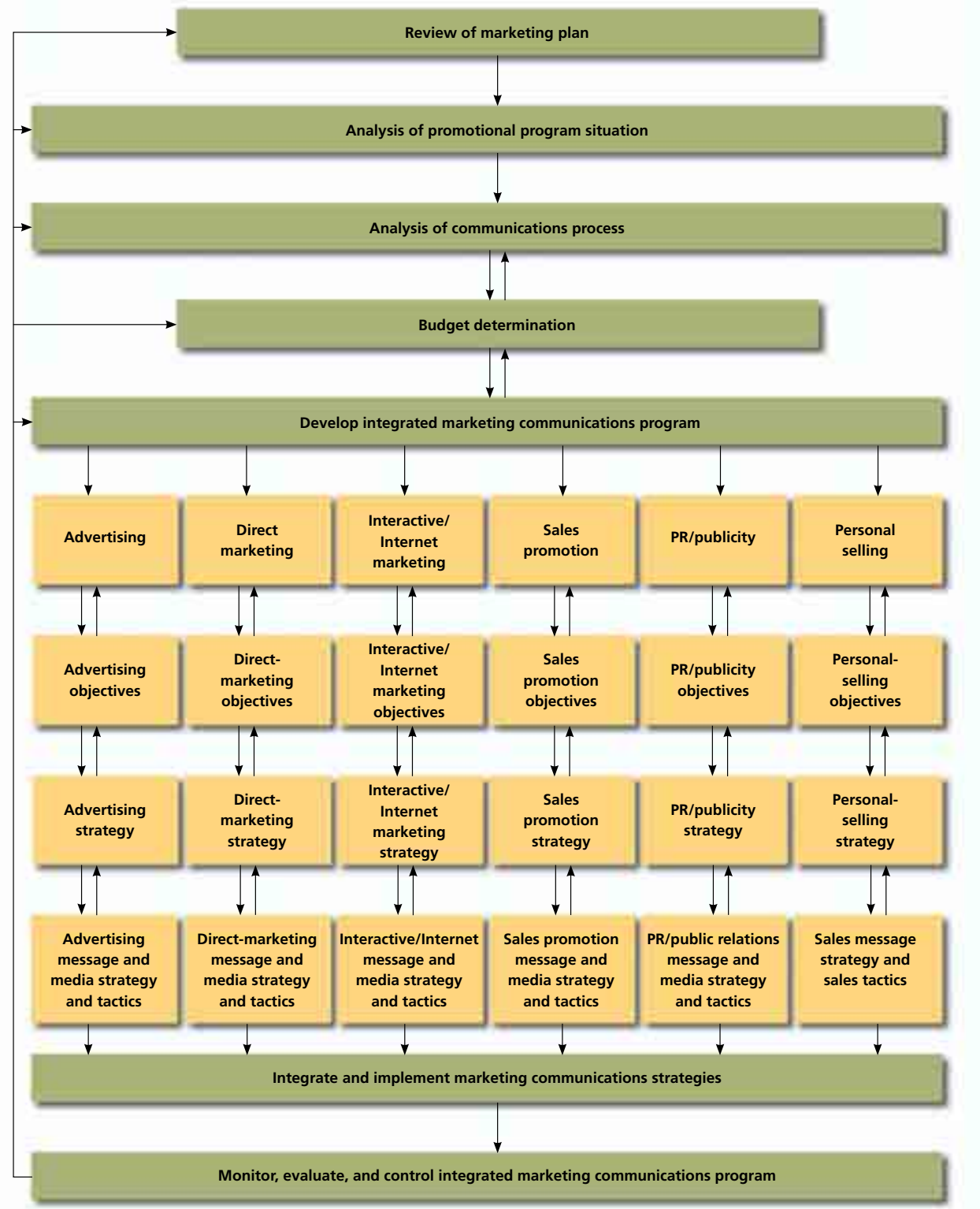
For most firms, the promotional plan is an integral part of the marketing strategy. Thus, the promotional planners must know the roles advertising and other promotional-mix elements will play in the overall marketing program. The promotional plan is developed similarly to the marketing plan and often uses its detailed information. Promotional planners focus on information in the marketing plan that is relevant to the promotional strategy.

### Promotional Program Situation Analysis

After the overall marketing plan is reviewed, the next step in developing a promotional plan is to conduct the situation analysis. In the IMC program, the situation analysis focuses on the factors that influence or are relevant to the development of a promotional strategy. Like the overall marketing situation analysis, the promotional program situation analysis includes both an internal and an external analysis.

**Internal Analysis** The **internal analysis** assesses relevant areas involving the product/service offering and the firm itself. The capabilities of the firm and its ability to develop and implement a successful promotional program, the organization of the promotional department, and the successes and failures of past programs should be reviewed. The analysis should study the relative advantages and disadvantages of

**Figure 1-4** An integrated marketing communications planning model



### Review of Marketing Plan

Examine overall marketing plan and objectives  
Role of advertising and promotion  
Competitive analysis  
Assess environmental influences

### Analysis of Promotional Program Situation

Internal analysis	External analysis
Promotional department organization	Consumer behavior analysis
Firm's ability to implement promotional program	Market segmentation and target marketing
Agency evaluation and selection	Market positioning
Review of previous program results	

### Analysis of Communications Process

Analyze receiver's response processes  
Analyze source, message, channel factors  
Establish communications goals and objectives

### Budget Determination

Set tentative marketing communications budget  
Allocate tentative budget

### Develop Integrated Marketing Communications Program

Advertising	Sales promotion
Set advertising objectives	Set sales promotion objectives
Determine advertising budget	Determine sales promotion budget
Develop advertising message	Determine sales promotion tools and develop messages
Develop advertising media strategy	Develop sales promotion media strategy
Direct marketing	Public relations/publicity
Set direct-marketing objectives	Set PR/publicity objectives
Determine direct-marketing budget	Determine PR/publicity budget
Develop direct-marketing message	Develop PR/publicity messages
Develop direct-marketing media strategy	Develop PR/publicity media strategy
Interactive/Internet marketing	Personal selling
Set interactive/Internet marketing objectives	Set personal-selling and sales objectives
Determine interactive/Internet marketing budget	Determine personal-selling/sales budget
Develop interactive/Internet message	Develop sales message
Develop interactive/Internet media strategy	Develop selling roles and responsibilities

### Integrate and Implement Marketing Communications Strategies

Integrate promotional-mix strategies  
Create and produce ads  
Purchase media time, space, etc.  
Design and implement direct-marketing programs  
Design and distribute sales promotion materials  
Design and implement public relations/publicity programs  
Design and implement interactive/Internet marketing programs

### Monitor, Evaluate, and Control Integrated Marketing Communications Program

Evaluate promotional program results/effectiveness  
Take measures to control and adjust promotional strategies



**Exhibit 1-16** Wal-Mart has a very strong image and reputation as a socially responsible company

performing the promotional functions in-house as opposed to hiring an external agency (or agencies). For example, the internal analysis may indicate the firm is not capable of planning, implementing, and managing certain areas of the promotional program. If this is the case, it would be wise to look for assistance from an advertising agency or some other promotional facilitator. If the organization is already using an ad agency, the focus will be on the quality of the agency's work and the results achieved by past and/or current campaigns.

In this text we will examine the functions ad agencies perform for their clients, the agency selection process, compensation, and considerations in evaluating agency performance. We will also discuss the role and function of other promotional facilitators such as sales promotion firms, direct-marketing companies, public relations agencies, and marketing and media research firms.

Another aspect of the internal analysis is assessing the strengths and weaknesses of the firm or the brand from an image perspective. Often the image a firm brings to the market will have a significant impact on the way the firm can advertise and promote itself as well as its various products and services. Companies or brands that are new to the market or those for whom perceptions are negative may have to concentrate on their images, not just the benefits or attributes of the specific product or service. On the other hand, a firm with a strong reputation and/or image is already a step ahead when it comes to marketing its products or services. For example, a nationwide survey found that the companies with the best overall reputations among American consumers include Johnson & Johnson, Coca-Cola, Hewlett-Packard, Intel, Ben & Jerry's, and Wal-Mart.<sup>34</sup> Wal-Mart was rated very high in the area of social responsibility, which involves perceptions of the company as a good citizen in its dealings with communities, employees, and the environment. Wal-Mart enhances its image as a socially responsible company by supporting various causes at both local and national levels (Exhibit 1-16).

The internal analysis also assesses the relative strengths and weaknesses of the product or service; its advantages and disadvantages; any unique selling points or benefits it may have; its packaging, price, and design; and so on. This information is particularly important to the creative personnel who must develop the advertising message for the brand.

Figure 1-5 is a checklist of some of the areas one might consider when performing analyses for promotional planning purposes. Addressing internal areas may require information the company does not have available internally and must gather as part of the external analysis.

**External Analysis** The **external analysis** focuses on factors such as characteristics of the firm's customers, market segments, positioning strategies, and competitors, as shown in Figure 1-5. An important part of the external analysis is a detailed consideration of customers' characteristics and buying patterns, their decision processes, and factors influencing their purchase decisions. Attention must also be given to consumers' perceptions and attitudes, lifestyles, and criteria for making purchase decisions. Often, marketing research studies are needed to answer some of these questions.

A key element of the external analysis is an assessment of the market. The attractiveness of various market segments must be evaluated and the segments to target must be identified. Once the target markets are chosen, the emphasis will be on determining how the product should be positioned. What image or place should it have in consumers' minds?

This part of the promotional program situation analysis also includes an in-depth examination of both direct and indirect competitors. While competitors were analyzed in the overall marketing situation analysis, even more attention is devoted to promo-

**Figure 1-5** Areas covered in the situation analysis

Internal Factors	External Factors
<p><b><i>Assessment of Firm's Promotional Organization and Capabilities</i></b></p> <ul style="list-style-type: none"> <li>Organization of promotional department</li> <li>Capability of firm to develop and execute promotional programs</li> <li>Determination of role and function of ad agency and other promotional facilitators</li> </ul> <p><b><i>Review of Firm's Previous Promotional Programs and Results</i></b></p> <ul style="list-style-type: none"> <li>Review previous promotional objectives</li> <li>Review previous promotional budgets and allocations</li> <li>Review previous promotional-mix strategies and programs</li> <li>Review results of previous promotional programs</li> </ul> <p><b><i>Assessment of Firm or Brand Image and Implications for Promotion</i></b></p> <p><b><i>Assessment of Relative Strengths and Weaknesses of Product or Service</i></b></p> <ul style="list-style-type: none"> <li>What are the strengths and weaknesses of product or service?</li> <li>What are its key benefits?</li> <li>Does it have any unique selling points?</li> <li>Assessment of packaging, labeling, and brand image</li> <li>How does our product or service compare with competition?</li> </ul>	<p><b><i>Customer Analysis</i></b></p> <ul style="list-style-type: none"> <li>Who buys our product or service?</li> <li>Who makes the decision to buy the product?</li> <li>Who influences the decision to buy the product?</li> <li>How is the purchase decision made? Who assumes what role?</li> <li>What does the customer buy? What needs must be satisfied?</li> <li>Why do customers buy a particular brand?</li> <li>Where do they go or look to buy the product or service?</li> <li>When do they buy? Any seasonality factors?</li> <li>What are customers' attitudes toward our product or service?</li> <li>What social factors might influence the purchase decision?</li> <li>Do the customers' lifestyles influence their decisions?</li> <li>How is our product or service perceived by customers?</li> <li>How do demographic factors influence the purchase decision?</li> </ul> <p><b><i>Competitive Analysis</i></b></p> <ul style="list-style-type: none"> <li>Who are our direct and indirect competitors?</li> <li>What key benefits and positioning are used by our competitors?</li> <li>What is our position relative to the competition?</li> <li>How big are competitors' ad budgets?</li> <li>What message and media strategies are competitors using?</li> </ul> <p><b><i>Environmental Analysis</i></b></p> <ul style="list-style-type: none"> <li>Are there any current trends or developments that might affect the promotional program?</li> </ul>

tional aspects at this phase. Focus is on the firm's primary competitors: their specific strengths and weaknesses; their segmentation, targeting, and positioning strategies; and the promotional strategies they employ. The size and allocation of their promotional budgets, their media strategies, and the messages they are sending to the marketplace should all be considered.

The external phase also includes an analysis of the marketing environment and current trends or developments that might affect the promotional program. IMC Perspective 1-3 discusses how marketers responded to the marketing environment that emerged after the terrorist attacks on September 11, 2002.

## Analysis of the Communications Process

This stage of the promotional planning process examines how the company can effectively communicate with consumers in its target markets. The promotional planner must think about the process consumers will go through in responding to marketing communications. The response process for products or services for which consumer decision making is characterized by a high level of interest is often different from that for low-involvement or routine purchase decisions. These differences will influence the promotional strategy.

Communication decisions regarding the use of various source, message, and channel factors must also be considered. The promotional planner should recognize the different effects various types of advertising messages might have on consumers and whether they are appropriate for the product or brand. Issues such as whether a celebrity spokesperson should be used and at what cost may also be studied. Preliminary discussion of media-mix options (print, TV, radio, newspaper, direct marketing) and their cost implications might also occur at this stage.



## IMC PERSPECTIVE I-3

## Marketers Respond to 9/11

Marketers often have to deal with events that have a significant impact on the economy as well as the psyche of the consumer. However, the tragedy created by the horrific events of September 11, 2001, caused an environment unlike anything most businesspeople have ever experienced. The aftershocks of the terrorist attacks rippled through nearly every sector of the U.S. economy, with certain industries, such as travel, tourism, media, and entertainment, being particularly hard hit.

After the attacks, the major television networks, including CBS, NBC, ABC, and Fox, went commercial-free for several days, an approach costing them a combined \$35 to \$40 million a day in lost revenue. Adding in cable news networks and local stations, the television industry's cost for covering the attacks and their immediate aftermath was more than \$700 million in canceled advertising. The major broadcast and cable news operations face growing expenses to cover the war on terrorism, including the costs of creating new bureaus abroad, improving technology, and widening coverage.

The terrorist attacks also have had a significant impact on the advertising industry and created major problems for ad agencies as well as media companies, both of which were already reeling from the soft economy and dot-com bust that resulted in lower advertising spending. Advertising agencies and their clients have had to determine how to appeal to consumers facing economic uncertainty, rethinking their priorities, and feeling anxious about their safety. Marketing after a tragedy is always a tricky business and was even more so because of the scale of the September 11 events. Marketers who alluded to the tragedy risked alienating consumers who might think they were trying to capitalize on it, while those who ignored it ran the risk of seeming insensitive and out of touch.

Consumers emitted mixed signals regarding their feelings about the terrorist attacks. Researchers found a resurgence of patriotism, a renewed desire to connect with family and friends, and a strengthened belief in old-fashioned values such as community service and charity. In a survey conducted six months after the attacks, 80 percent of the consumer respondents indicated that 9/11 was still affecting their professional and personal lives. Though their lives were returning to normal and few people radically modified their day-to-day activities, changes included keeping cell phones handy, installing more locks, watching more 24-hour news channels, and looking more for products that were made in the United States.

Some marketers decided that the best way to respond to the new times was with messages offering



appeals to patriotism, the promise of escape, or tribute to those who died or were involved with the tragedy. One of the most popular commercials during the 2002 Super Bowl was an Anheuser Busch spot featuring stately Clydesdales trotting across serene snowy landscapes and over the Brooklyn Bridge to pause before the Manhattan skyline and bow in tribute to New York City. Not surprisingly, New York City firefighters and police officers became popular advertising spokespersons.

The U.S. government used the public's outrage over the terrorist attacks as part of its efforts to fight drug abuse. The White House Office of National Drug Control Policy developed an advertising campaign suggesting that illegal drug sales have become a major means of raising money for terrorism. The idea behind the campaign is that people will be less likely to use drugs if they understand that by using them they may be supporting terrorism.

Marketers have now had time to reflect on how they responded to the nation's worst terrorist tragedy and how their marketing communications during the chaotic months after the attacks were received by consumers. Appeals to patriotism were unwelcome if they were seen as attempts to cash in on the tragedy. However, companies whose advertising programs were already identified with patriotism, the flag, and other U.S. symbols and those whose marketing efforts were tied to charitable donations destined to help the recovery effort were perceived favorably.

Sources: Steve Jarvis, "Red, White and the Blues," *Marketing News*, May 27, 2002, pp. 1, 9; Hillary Chura, "The New Normal," *Advertising Age*, Mar. 11, 2002, pp. 1, 4; Gwendolyn Bounds, "Marketers Tread Precarious Terrain," *The Wall Street Journal*, Feb. 5, 2002, pp. B1, 4; Jon E. Hilsenrath, "Terror's Toll on the Economy," *The Wall Street Journal*, Oct. 9, 2002, pp. B1, 4.

An important part of this stage of the promotional planning process is establishing communication goals and objectives. In this text, we stress the importance of distinguishing between communication and marketing objectives. **Marketing objectives** refer to what is to be accomplished by the overall marketing program. They are often stated in terms of sales, market share, or profitability.

**Communication objectives** refer to what the firm seeks to accomplish with its promotional program. They are often stated in terms of the nature of the message to be communicated or what specific communication effects are to be achieved. Communication objectives may include creating awareness or knowledge about a product and its attributes or benefits; creating an image; or developing favorable attitudes, preferences, or purchase intentions. Communication objectives should be the guiding force for development of the overall marketing communications strategy and of objectives for each promotional-mix area.

## Budget Determination

After the communication objectives are determined, attention turns to the promotional budget. Two basic questions are asked at this point: What will the promotional program cost? How will the money be allocated? Ideally, the amount a firm needs to spend on promotion should be determined by what must be done to accomplish its communication objectives. In reality, promotional budgets are often determined using a more simplistic approach, such as how much money is available or a percentage of a company's or brand's sales revenue. At this stage, the budget is often tentative. It may not be finalized until specific promotional-mix strategies are developed.

## Developing the Integrated Marketing Communications Program

Developing the IMC program is generally the most involved and detailed step of the promotional planning process. As discussed earlier, each promotional-mix element has certain advantages and limitations. At this stage of the planning process, decisions have to be made regarding the role and importance of each element and their coordination with one another. As Figure 1-4 shows, each promotional-mix element has its own set of objectives and a budget and strategy for meeting them. Decisions must be made and activities performed to implement the promotional programs. Procedures must be developed for evaluating performance and making any necessary changes.

For example, the advertising program will have its own set of objectives, usually involving the communication of some message or appeal to a target audience. A budget will be determined, providing the advertising manager and the agency with some idea of how much money is available for developing the ad campaign and purchasing media to disseminate the ad message.

Two important aspects of the advertising program are development of the message and the media strategy. Message development, often referred to as *creative strategy*, involves determining the basic appeal and message the advertiser wishes to convey to the target audience. This process, along with the ads that result, is to many students the most fascinating aspect of promotion. *Media strategy* involves determining which communication channels will be used to deliver the advertising message to the target audience. Decisions must be made regarding which types of media will be used (e.g., newspapers, magazines, radio, TV, billboards) as well as specific media selections (e.g., a particular magazine or TV program). This task requires careful evaluation of the media options' advantages and limitations, costs, and ability to deliver the message effectively to the target market.

Once the message and media strategies have been determined, steps must be taken to implement them. Most large companies hire advertising agencies to plan and produce their messages and to evaluate and purchase the media that will carry their ads. However, most agencies work very closely with their clients as they develop the ads and select media, because it is the advertiser that ultimately approves (and pays for) the creative work and media plan.

A similar process takes place for the other elements of the IMC program as objectives are set, an overall strategy is developed, message and media strategies are determined,

and steps are taken to implement them. While the marketer's advertising agencies may be used to perform some of the other IMC functions, they may also hire other communication specialists such as direct-marketing and interactive and/or sales promotion agencies, as well as public relations firms.

## Monitoring, Evaluation, and Control

The final stage of the promotional planning process is monitoring, evaluating, and controlling the promotional program. It is important to determine how well the promotional program is meeting communications objectives and helping the firm accomplish its overall marketing goals and objectives. The promotional planner wants to know not only how well the promotional program is doing but also why. For example, problems with the advertising program may lie in the nature of the message or in a media plan that does not reach the target market effectively. The manager must know the reasons for the results in order to take the right steps to correct the program.

This final stage of the process is designed to provide managers with continual feedback concerning the effectiveness of the promotional program, which in turn can be used as input into the planning process. As Figure 1-3 shows, information on the results achieved by the promotional program is used in subsequent promotional planning and strategy development.

## Perspective and Organization of This Text

Traditional approaches to teaching advertising, promotional strategy, or marketing communications courses have often treated the various elements of the promotional mix as separate functions. As a result, many people who work in advertising, sales promotion,

direct marketing, or public relations tend to approach marketing communications problems from the perspective of their particular specialty. An advertising person may believe marketing communications objectives are best met through the use of media advertising; a promotional specialist argues for a sales promotion program to motivate consumer response; a public relations person advocates a PR campaign to tackle the problem. These orientations are not surprising, since each person has been trained to view marketing communications problems primarily from one perspective.

In the contemporary business world, however, individuals working in marketing, advertising, and other promotional areas are expected to understand and use a variety of marketing communications tools, not just the one in which they specialize. Ad agencies no longer confine their services to the advertising area. Many are involved in sales promotion, public relations, direct marketing, event sponsorship, and other marketing communications areas. Individuals working on the client or advertiser side of the business, such as brand, product, or promotional managers, are developing marketing programs that use a variety of marketing communications methods.

This text views advertising and promotion from an integrated marketing communications perspective. We will examine all the promotional-mix elements and their roles in an organization's integrated marketing communications efforts. Although media advertising may be the most visible part of the communications program, understanding its role in contemporary marketing requires attention to other promotional areas such as the Internet and interactive marketing, direct marketing, sales promotion, public relations, and personal selling. Not all the promotional-mix areas are under the direct control of the advertising or marketing communications manager. For example, personal selling is typically a specialized marketing function outside the control of the advertising or promotional department. Likewise, publicity/public relations is often assigned to a separate department. All these departments should, however, communicate to coordinate all the organization's marketing communications tools.

The purpose of this book is to provide you with a thorough understanding of the field of advertising and other elements of a firm's promotional mix and show how they are combined to form an integrated marketing communications program. To plan, develop, and implement an effective IMC program, those involved must understand marketing, consumer behavior, and the communications process. The first part of this book is designed to provide this foundation by examining the roles of advertising and other forms of promotion in the marketing process. We examine the process of market

segmentation and positioning and consider their part in developing an IMC strategy. We also discuss how firms organize for IMC and make decisions regarding ad agencies and other firms that provide marketing and promotional services.

We then focus on consumer behavior considerations and analyze the communications process. We discuss various communications models of value to promotional planners in developing strategies and establishing goals and objectives for advertising and other forms of promotion. We also consider how firms determine and allocate their marketing communications budget.

After laying the foundation for the development of a promotional program, this text will follow the integrated marketing communications planning model presented in Figure 1-4. We examine each of the promotional-mix variables, beginning with advertising. Our detailed examination of advertising includes a discussion of creative strategy and the process of developing the advertising message, an overview of media strategy, and an evaluation of the various media (print, broadcast, and support media). The discussion then turns to the other areas of the promotional mix: direct marketing, interactive/Internet marketing, sales promotion, public relations/publicity, and personal selling. Our examination of the IMC planning process concludes with a discussion of how the promotional program is monitored, evaluated, and controlled. Particular attention is given to measuring the effectiveness of advertising and other forms of promotion.

The final part of the text examines special topic areas and perspectives that have become increasingly important in contemporary marketing. We will examine the area of international advertising and promotion and the challenges companies face in developing IMC programs for global markets as well as various countries around the world. The text concludes with an examination of the environment in which integrated marketing communications operates, including the regulatory, social, and economic factors that influence, and in turn are influenced by, an organization's advertising and promotional program.

## Summary

Advertising and other forms of promotion are an integral part of the marketing process in most organizations. Over the past decade, the amount of money spent on advertising, sales promotion, direct marketing, and other forms of marketing communication has increased tremendously, both in the United States and in foreign markets. To understand the role of advertising and promotion in a marketing program, one must understand the role and function of marketing in an organization. The basic task of marketing is to combine the four controllable elements, known as the marketing mix, into a comprehensive program that facilitates exchange with a target market. The elements of the marketing mix are the product or service, price, place (distribution), and promotion.

For many years, the promotional function in most companies was dominated by mass-media advertising. However, more and more companies are recognizing the importance of integrated marketing communications, coordinating the various marketing and promotional elements to achieve more efficient and effective communication programs. A number of factors underlie the move toward IMC by marketers as well as ad agencies and other promotional facilitators. Reasons for the growing importance of the integrated marketing communications perspective include a rapidly changing environment with respect to consumers, technology, and media. The IMC movement is also being driven by changes in the ways companies market their products and services. A shift in marketing dol-

lars from advertising to sales promotion, the rapid growth and development of database marketing, and the fragmentation of media markets are among the key changes taking place.

Promotion is best viewed as the communication function of marketing. It is accomplished through a promotional mix that includes advertising, personal selling, publicity/public relations, sales promotion, direct marketing, and interactive/Internet marketing. The inherent advantages and disadvantages of each of these promotional-mix elements influence the roles they play in the overall marketing program. In developing the promotional program, the marketer must decide which tools to use and how to combine them to achieve the organization's marketing and communication objectives.

Promotional management involves coordinating the promotional-mix elements to develop an integrated program of effective marketing communication. The model of the IMC planning

process in Figure I-4 contains a number of steps: a review of the marketing plan; promotional program situation analysis; analysis of the communications process; budget determination; development

of an integrated marketing communications program; integration and implementation of marketing communications strategies; and monitoring, evaluation, and control of the promotional program.

## Key Terms

marketing, 7  
exchange, 7  
relationship marketing, 7  
mass customization, 7  
marketing mix, 8  
integrated marketing communications (IMC), 9

promotion, 16  
promotional mix, 16  
advertising, 16  
direct marketing, 18  
direct-response advertising, 20  
interactive media, 20

sales promotion, 21  
publicity, 22  
public relations, 23  
personal selling, 23  
promotional management, 24  
promotional plan, 25

marketing plan, 25  
internal analysis, 25  
external analysis, 28  
marketing objectives, 31  
communication objectives, 31

## Discussion Questions

1. Analyze the role of integrated marketing communications in the recruitment efforts of various branches of the military such as the U.S. Army. How can each element of the promotional mix be used by the military in its recruitment marketing?

2. Discuss the role integrated marketing communications plays in relationship marketing. How might the mass customization of advertising and other forms of marketing communication be possible?

3. Choose a company or organization and discuss how it communicates with its customers at the corporate, marketing and the marketing communications levels.

4. Discuss how the integrated marketing communications perspective differs from traditional advertising and promotion. What are some of the reasons

more marketers and more companies are taking an integrated marketing communications perspective in their advertising and promotional programs?

5. Discuss the concept of buzz marketing and some of the reasons markets are using the technique. Do you think there are any ethical issues that should be considered in using buzz marketing techniques?

6. Why are marketers putting so much emphasis on developing strong brands? Choose one of the top 10 brands listed in IMC Perspective I-2 and discuss how the company has used integrated marketing communications to build a strong brand image.

7. Discuss the role of direct marketing as an IMC tool, giving attention to the various forms of direct marketing.

8. Analyze the role of the Internet in the integrated marketing communications program of a company. Discuss how the Internet can be used to execute the various elements of the promotional mix.

9. IMC Perspective I-3 discusses how marketers responded to the tragedy resulting from the terrorist attack of September 11, 2001. Do you think that companies are still being influenced by this tragedy with respect to the planning and execution of their integrated marketing communication programs? If so, how are they being affected?

10. Why is it important for those who work in the field of advertising and promotion to understand and appreciate all various integrated marketing communications tools, not just the area in which they specialize?



# The Role of IMC in the Marketing Process

## 2

### Chapter Objectives

1. To understand the marketing process and the role of advertising and promotion in an organization's integrated marketing program.
2. To know the various decision areas under each element of the marketing mix and how they influence and interact with advertising and promotional strategy.
3. To understand the concept of target marketing in an integrated marketing communications program.
4. To recognize the role of market segmentation and its use in an integrated marketing communications program.
5. To understand the use of positioning and repositioning strategies.

## Look Out Sony—The Koreans Are Coming!

Have you ever heard of Samsung? Probably not, unless you own a microwave oven (the com-



pany's preeminent U.S. brand presence). But then again, not too many people had heard of Sony back in the early 1960s. Like Sony, which was initially known for its clock radios and small black-and-white TVs and was a secondary player relative to Motorola, Philips, and Zenith, Samsung has been known in the United States for low-end products, such as VCRs, TVs, and microwave ovens. Now the company wants to be like Sony in another way—by becoming a well-known, market-leading electronics brand. In fact, Korea-based Samsung has Sony in its crosshairs—its goal is to be a stronger brand name than Sony by the year 2005.

Not likely, you say? Well, don't tell that to Samsung. Consider this: While the Japanese companies Fujitsu, Hitachi, Matsushita, NEC, and Toshiba have all been losing money and Sony has been struggling, Samsung has been on a roll, turning a \$2.2 billion profit on sales of \$24.7 billion in 2001. Not only that, but Samsung now manufactures laptops, DVDs, cell phones, and flat-screen TVs (among many other products) and is ranked fifth in the world in patents, behind IBM, NEC, Canon, and Micron Technology. The firm's growth has caught the attention of the competition, who now no longer doubt that Samsung can do it.

Samsung's strategy is to reposition its current brands upward. The company's most well known brand, Sanyo, produced copycat products—cheaper versions of Sony or Mitsubishi products. But since 1997, the company has changed its image by producing more upscale, top-of-the line offerings. It is pulling out of big discount chains like Kmart and Wal-Mart, which focus on price over quality, and moving in to Best Buy, Circuit City, and other specialty stores. And while its brands are still slightly lower priced than the very top names, the Samsung label is right there with them in quality.

The change in image has been supported by changes in advertising and promotion. A new campaign, "DigitAll:Everyone's Invited," attempts to position Samsung products as exciting, cutting edge, and reasonably priced. The company's 55 different advertising agencies were consolidated into one. Over \$900 million was to be spent on global IMC marketing campaigns in 2002, \$70 million of it in the United States, including the cost of a redesigned 65-foot-high electronic billboard in New York's Times Square and a high-profile presence at the Olympic Games in Salt Lake City. The

current advertising campaign is designed to raise awareness, as well as to enhance the brand image. The focus of the ads is surreal, many featuring the “snow woman”—a hauntingly beautiful woman who imparts an expensive and classy feeling to the viewer and, hopefully, to the brand. The ads will appear on television, in print, and on retail and outdoor billboards.

Samsung’s Olympic sponsorship typifies the repositioning strategy the company has undertaken. Samsung’s objectives in Salt Lake were “to provide Olympic fans, athletes and their families with entertaining and memorable Olympic experiences” and “to showcase [its] leadership in digital convergence by letting spectators touch and feel products that will soon be unveiled to the U.S. market” (Il-Hyung Chang, head of Samsung’s Olympic projects). The Olympic Rendezvous was the centerpiece of the sponsorship. Located in Salt Lake Olympic Square, the sponsorship provided daily entertainment shows, athlete appearances, future product displays, free phone calls, and other forms of entertainment. More than 240,000 people visited the Rendezvous during the 16-day period, and it was rated the top attraction in Olympic Square by visiting fans. Perhaps more important, 74 percent of the visitors stated they now had a more positive image of Samsung, and 76 percent indicated a willingness to purchase a Samsung product in the future.

The Internet is also a major part of the new IMC program. Samsung will have front-page sponsorships on 50 major websites, including Fortune.com, Forbes.com, BusinessWeek.com, and other business publication sites. CNN.com and EW.com will also be included in an attempt to reach 300 million “hits”

per month. By being on these sites, Samsung hopes to associate its brand with other well-known, and well-expected, brands. Joint product development ventures with strong-brand-image companies such as Sprint, Texas Instruments, and Dell are also working to reposition the brand.

So far, the efforts appear to have gone well. According to Interbrand—a brand consulting firm in New York—Samsung’s brand-value rank is 43 (Sony’s is 18). While still behind Sony, the brand’s value rose 22 percent in 2001, with only Starbucks doing better. The Samsung brand ranks number 1 in flat-panel monitors and DRAM semiconductor memory chips. It is number 2, behind Sony, in DVD players and number 3 in mobile handsets. Samsung is, by far, the largest corporate presence in South Korea. Overall, Samsung is the second most recognizable consumer electronics brand in the world, according to Interbrand. A very strong player in China, Russia, and Korea, Samsung has now become a global brand as well, with 70 percent of its sales outside these three countries.

Can Samsung overtake Sony? As of now, the company has less than half the revenue of Sony, but it is no longer just making cheaper versions of Sony products. Robert Batt, of Nebraska Furniture Mart, thinks Samsung can outstrip Sony. To quote the \$300 million retailer, “Someone shook that company up. It’s moving up with the big boys.” Look out big boys!

Sources: Christopher Saunders, “Samsung Ramps Up Web Efforts in New Campaign,” *InternetNews.com*, May 24, 2002, pp. 1–2; William J. Holstein, “Samsung’s Golden Touch,” *Fortune*, Apr. 1, 2002, pp. 89–94; Frank Gibney, Jr., “Samsung Moves Upmarket,” *Time*, Mar. 25, 2002, pp. 49–52; Heidi Brown, “Look Out, Sony,” *Forbes*, June 11, 2001, pp. 96–98.

The Samsung example is just one of many image-creating strategies that demonstrate a number of important marketing strategies that will be discussed in this chapter. These include the identification of market opportunities, market segmentation, target marketing and positioning, and marketing program development. Samsung’s recognition of the importance of a strong brand image coupled with a strong IMC program reflects the solid marketing orientation required to be successful in today’s marketplace.

In this chapter, we take a closer look at how marketing strategies influence the role of promotion and how promotional decisions must be coordinated with other areas of the marketing mix. In turn, all elements of the marketing mix must be consistent in a

strategic plan that results in an integrated marketing communications program. We use the model in Figure 2-1 as a framework for analyzing how promotion fits into an organization's marketing strategy and programs.

This model consists of four major components: the organization's marketing strategy and analysis, the target marketing process, the marketing planning program development (which includes the promotional mix), and the target market. As the model shows, the marketing process begins with the development of a marketing strategy and analysis in which the company decides the product or service areas and particular markets where it wants to compete. The company must then coordinate the various elements of the marketing mix into a cohesive marketing program that will reach the target market effectively. Note that a firm's promotion program is directed not only to the final buyer but also to the channel or "trade" members that distribute its products to the ultimate consumer. These channel members must be convinced there is a demand for the company's products so they will carry them and will aggressively merchandise and promote them to consumers. Promotions play an important role in the marketing program for building and maintaining demand not only among final consumers but among the trade as well.

As noted in Chapter 1, all elements of the marketing mix—price, product, distribution, and promotions—must be integrated to provide consistency and maximum communications impact. Development of a marketing plan is instrumental in achieving this goal.

As Figure 2-1 shows, development of a marketing program requires an in-depth analysis of the market. This analysis may make extensive use of marketing research as an input into the planning process. This input, in turn, provides the basis for the development of marketing strategies in regard to product, pricing, distribution, and promotion decisions. Each of these steps requires a detailed analysis, since this plan serves as the road map to follow in achieving marketing goals. Once the detailed market analysis has been completed and marketing objectives have been established, each element in the marketing mix must contribute to a comprehensive integrated marketing program. Of course, the promotional program element (the focus of this text) must be combined with all other program elements in such a way as to achieve maximum impact.

**Figure 2-1** Marketing and promotions process model



## Marketing Strategy and Analysis

Any organization that wants to exchange its products or services in the marketplace successfully should have a **strategic marketing**

**plan** to guide the allocation of its resources. A strategic marketing plan usually evolves from an organization's overall corporate strategy and serves as a guide for specific marketing programs and policies. For example, a few years ago Abercrombie & Fitch decided to reposition the brand as part of the overall corporate effort to attract a younger audience. As we noted earlier, marketing strategy is based on a situation analysis—a detailed assessment of the current marketing conditions facing the company, its product lines, or its individual brands. From this situation analysis, a firm develops an understanding of the market and the various opportunities it offers, the competition, and the **market segments** or target markets the company wishes to pursue. We examine each step of the marketing strategy and *planning* in this chapter.

### Opportunity Analysis

A careful analysis of the marketplace should lead to alternative market opportunities for existing product lines in current or new markets, new products for current markets, or new products for new markets. **Market opportunities** are areas where there are favorable demand trends, where the company believes customer needs and opportunities are not being satisfied, and where it can compete effectively. For example, the number of people who exercise has increased tremendously in recent years, and the market for athletic footwear has reached over \$13.5 billion.<sup>1</sup> Athletic-shoe companies such as Nike, Reebok, and others see the shoe market as an opportunity to broaden their customer base both domestically and internationally. To capitalize on this growth, some companies spend millions of dollars on advertising alone. In 2001 New Balance spent “only” \$13 million, Reebok spent \$49 million and Nike spent over \$155 million. All told, athletic-footwear companies spent over \$5.9 billion on advertising and celebrity endorsements in 2001.<sup>2</sup> Changes in lifestyles have seen changes in the market for trail, running, basketball, and “lifestyle” shoes such as slip-ons (Exhibit 2-1).

A company usually identifies market opportunities by carefully examining the marketplace and noting demand trends and competition in various market segments. A market can rarely be viewed as one large homogeneous group of customers; rather, it consists of many heterogeneous groups, or segments. In recent years, many companies have recognized the importance of tailoring their marketing to meet the needs and demand trends of different market segments.

**Exhibit 2-1** Merrell sees market opportunities for “lifestyle” shoes





For example, different market segments in the personal computer (PC) industry include the home, education, science, and business markets. These segments can be even further divided. The business market consists of both small companies and large corporations; the education market can range from elementary schools to colleges and universities. A company that is marketing its products in the auto industry must decide in which particular market segment or segments it wishes to compete. This decision depends on the amount and nature of competition the brand will face in a particular market. For example, a number of companies that have been successful in the luxury-car segment have now introduced SUVs. Lincoln, Cadillac, Lexus, BMW, and Mercedes now offer models in this line. Porsche—a successful participant in the sports-car segment—will introduce its SUV in 2004. A competitive analysis is an important part of marketing strategy development and warrants further consideration.

## Competitive Analysis

In developing the firm's marketing strategies and plans for its products and services, the manager must carefully analyze the competition to be faced in the marketplace. This may range from direct brand competition (which can also include its own brands) to more indirect forms of competition, such as product substitutes. For example, when Lay's introduced Baked Lay's low-fat chips, the product ended up taking away sales from the regular Lay's potato chip brand. At the same time, new consumers were gained from competing brands of potato chips.

In addition to having direct potato chip competitors, Lay's faces competition from other types of snack foods, such as pretzels and crackers. One might argue that other low-fat products also offer the consumer a choice and compete with Lay's as well (e.g., fruits). The sale of bagels has declined in recent years as competitors have introduced breakfast bars (Nutri-Grain and Quaker Oats) and breakfast snacks such as Chex Morning Mix.

At a more general level, marketers must recognize they are competing for the consumer's discretionary income, so they must understand the various ways potential customers choose to spend their money. For example, sales of motorcycles in the United States had declined significantly in the late 1980s and early 1990s. This decline reflected shifting demographic patterns; aging baby boomers are less inclined to ride motorcycles, and the number of 18- to 34-year-old males has been declining. The drop in sales could also be attributed to the number of other options consumers could spend their discretionary income on, including Jet Skis, dirt bikes, home fitness equipment, spas, and home entertainment systems such as large-screen TVs and stereos. Thus, motorcycle marketers like Honda and Harley-Davidson had to convince potential buyers that a motorcycle was worth a sizable portion of their disposable income in comparison to other purchase options. Through successful marketing strategies, the industry was effective in reversing the downturn, increasing sales by over 25 percent by the late 1990s.<sup>3</sup>

An important aspect of marketing strategy development is the search for a **competitive advantage**, something special a firm does or has that gives it an edge over competitors. Ways to achieve a competitive advantage include having quality products that command a premium price, providing superior customer service, having the lowest production costs and lower prices, or dominating channels of distribution. Competitive advantage can also be achieved through advertising that creates and maintains product differentiation and brand equity, an example of which was the long-running advertising campaign for Michelin tires, which stressed security as well as performance. For example, the strong brand images of Colgate toothpaste, Campbell's soup, Nike shoes, Kodak, and McDonald's give them a competitive advantage in their respective markets (Exhibit 2-2).

Recently, there has been concern that some marketers have not been spending enough money on advertising to allow leading brands to sustain their competitive edge. Advertising proponents have been calling for companies to protect their brand equity and franchises by investing more money in advertising instead of costly trade promotions. Some companies, recognizing the important competitive advantage strong brands provide, have been increasing their investments in them. Capital One and McDonald's are just two of many examples. Capital One used public relations,

**Exhibit 2-2** Campbell's campaign stresses taste and convenience



**Exhibit 2-3** Capital One's new branding campaign also uses celebrities



direct marketing and \$96 million in media spending on a new branding campaign designed to show the protection offered by their credit cards (Exhibit 2-3).

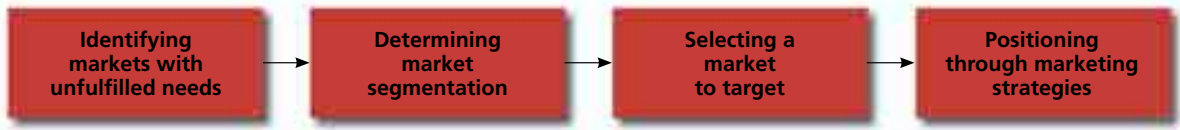
Companies must be concerned with the ever-changing competitive environment. Competitors' marketing programs have a major impact on a firm's marketing strategy, so they must be analyzed and monitored. The reactions of competitors to a company's marketing and promotional strategy are also very important. Competitors may cut price, increase promotional spending, develop new brands, or attack one another through comparative advertising. One of the more intense competitive rivalries is the battle between Coca-Cola and Pepsi. A number of other intense competitive rivalries exist in the marketplace, including Hertz and Avis and Ford and GM among others.

A final aspect of competition is the growing number of foreign companies penetrating the U.S. market and taking business from domestic firms. In products ranging from beer to cars to electronics, imports are becoming an increasingly strong form of competition with which U.S. firms must contend. As we move to a more global economy, U.S. companies must not only defend their domestic markets but also learn how to compete effectively in the international marketplace.

## Target Market Selection

After evaluating the opportunities presented by various market segments, including a detailed competitive analysis, the company may select one, or more, as a target market. This target market becomes the focus of the firm's marketing effort, and goals and objectives are set according to where the company wants to be and what it hopes to accomplish in this market. As noted in Chapter 1, these goals and objectives are set in terms of specific performance variables such as sales, market share, and profitability. The selection of the target market (or markets) in which the firm will compete is an important part of its marketing strategy and has direct implications for its advertising and promotional efforts.

Recall from our discussion of the integrated marketing communications planning program that the situation analysis is conducted at the beginning of the promotional planning process. Specific objectives—both marketing and communications—are derived from the situation analysis, and the promotional-mix strategies are developed to achieve these objectives. Marketers rarely go after the entire market with one product, brand, or service offering. Rather, they pursue a number of different strategies, breaking the market into segments and targeting one or more of these segments for marketing and promotional efforts. This means different objectives may be established, different budgets may be used, and the promotional-mix strategies may vary, depending on the market approach used.

**Figure 2-2** The target marketing process

Because few, if any, products can satisfy the needs of all consumers, companies often develop different marketing strategies to satisfy different consumer needs. The process by which marketers do this (presented in Figure 2-2) is referred to as **target marketing** and involves four basic steps: identifying markets with unfulfilled needs, segmenting the market, targeting specific segments, and positioning one's product or service through marketing strategies.

## The Target Marketing Process

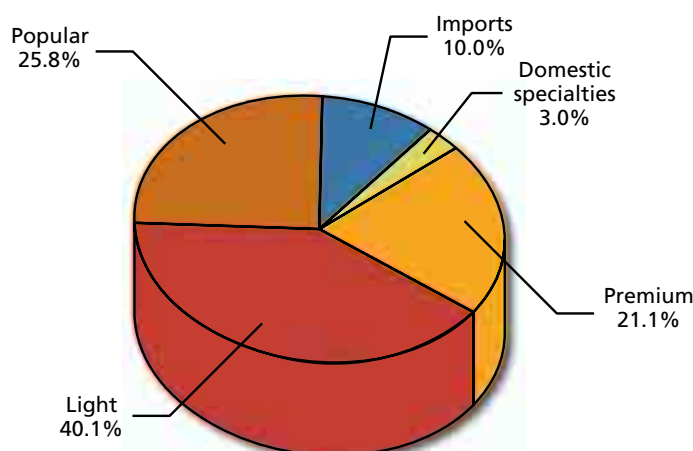
### Identifying Markets

When employing a target marketing strategy, the marketer identifies the specific needs of groups of people (or segments), selects one or more of these segments as a target, and develops marketing programs directed to each. This approach has found increased applicability in marketing for a number of reasons, including changes in the market (consumers are becoming much more diverse in their needs, attitudes, and lifestyles); increased use of segmentation by competitors; and the fact that more managers are trained in segmentation and realize the advantages associated with this strategy. Perhaps the best explanation, however, comes back to the basic premise that you must understand as much as possible about consumers to design marketing programs that meet their needs most effectively.

Target market identification isolates consumers with similar lifestyles, needs, and the like, and increases our knowledge of their specific requirements. The more marketers can establish this common ground with consumers, the more effective they will be in addressing these requirements in their communications programs and informing and/or persuading potential consumers that the product or service offering will meet their needs.

Let's use the beer industry as an example. Years ago, beer was just beer, with little differentiation, many local distributors, and few truly national brands. The industry began consolidating; many brands were assumed by the larger brewers or ceased to exist. As the number of competitors decreased, competition among the major brewers increased. To compete more effectively, brewers began to look at different tastes, lifestyles, and so on, of beer drinkers and used this information in their marketing strategies. This process resulted in the identification of many market segments, each of which corresponds to different customers' needs, lifestyles, and other characteristics.

As you can see in Figure 2-3, the beer market has become quite segmented, offering superpremiums, premiums, populars (low price), imports, lights (low calorie), and

**Figure 2-3** Market breakdown by product in the beer industry

**Exhibit 2-4** Grupo Modelo offers a variety of products to market



malts. Low-alcohol and nonalcoholic brands have also been introduced, as has draft beer in bottles and cans. And there are now imported lights, superpremium drafts, dry beers, and on and on. As you can see in Exhibit 2-4, to market to these various segments, Grupo Modelo pursues a strategy whereby it offers a variety of products from which consumers can choose, varying the marketing mix for each. Each appeals to a different set of needs. Taste is certainly one; others include image, cost, and the size of one's waistline. A variety of other reasons for purchasing are also operating, including the consumer's social class, lifestyle, and economic status.

Marketers competing in nearly all product and service categories are constantly searching for ways to segment their markets in an attempt to better satisfy customers' needs. Diversity Perspective 2-1 discusses the increasing emphasis being placed on marketing to ethnic groups. The remainder of this section discusses ways to approach this task.

## Market Segmentation

It is not possible to develop marketing strategies for every consumer. Rather, the marketer attempts to identify broad classes of buyers who have the same needs and will respond similarly to marketing actions. As noted by Eric N. Berkowitz, Roger A. Kerin, and William Rudelius, **market segmentation** is "dividing up a market into distinct groups that (1) have common needs and (2) will respond similarly to a marketing action."<sup>4</sup> The segmentation process involves five distinct steps:

1. Finding ways to group consumers according to their needs.
2. Finding ways to group the marketing actions—usually the products offered—available to the organization.
3. Developing a market-product grid to relate the market segments to the firm's products or actions.
4. Selecting the target segments toward which the firm directs its marketing actions.
5. Taking marketing actions to reach target segments.

The more marketers segment the market, the more precise is their understanding of it. But the more the market becomes divided, the fewer consumers there are in each segment. Thus, a key decision is, How far should one go in the segmentation process? Where does the process stop? As you can see by the strategy taken in the beer industry, it can go far!

In planning the promotional effort, managers consider whether the target segment is substantial enough to support individualized strategies. More specifically, they consider whether this group is accessible. Can it be reached with a communications program? For example, you will see in Chapter 10 that in some instances there are no media that can be used to reach some targeted groups. Or the promotions manager may identify a number of segments but be unable to develop the required programs to reach them. The firm may have insufficient funds to develop the required advertising campaign, inadequate sales staff to cover all areas, or other promotional deficiencies. After determining that a segmentation strategy is in order, the marketer must establish the basis on which it will address the market. The following section discusses some of the bases for segmenting markets and demonstrates advertising and promotions applications.



## DIVERSITY PERSPECTIVE 2-1

# Marketers Reach Out to Hispanics—A Multidimensional Segment

It seems that U.S. marketers have finally discovered the Hispanic market. Not that it hasn't been here for some time; it has. And not that it isn't of substantial size; it is. So what has suddenly woken Madison Avenue to the potential in this market? A number of things.

First, consider the size of the Hispanic market—35.3 million people. Second, consider the growth rate—58 percent in the past decade (four times that of the overall population). Third, throw in the estimated \$400 billion in buying power, which “seems impervious to the Nasdaq’s swoons” according to Marci McDonald of *U.S. News & World Report*. The end result is an extremely attractive market. And, unlike the case in the past, this market has finally attracted the attention of some big-time marketers.

CBS has noticed. Hoping that the Hispanic market will help reverse the downward trend in the size of its soap opera audience, the network has introduced a Spanish simulcast of *The Bold and the Beautiful* titled *Belleza y Poder* (“Beauty and Power”). Liz Claiborne Cosmetics introduced its new perfume, Mambo, with a \$20 million campaign targeting Latinos (among others), and the American Association of Retired Persons (AARP) has more specifically targeted the over-50 Hispanic market with a \$3 million campaign. Among the other firms now increasing their efforts in this market are MasterCard International, Reader’s Digest, and Tillamook Cheese.

Even though there has been a significant increase in spending in the Hispanic market, Spanish-language and bilingual campaigns still account for only about one percent of the \$200 billion advertisers spend yearly on broadcast media (another \$250 million goes to magazines and newspapers). While some companies already spend heavily to attract this segment (e.g., Sears has targeted this market for over 10 years, and AT&T spent about \$35 million on it in 2001), most have simply ignored the segment—until now. The fact that young Hispanics will become the largest ethnic youth population in the United States by 2005 has made more marketers take notice.

Reaching this segment may not be as easy as it seems, however. Roberto Ramos, president of the Ruido Group, a Hispanic-youth-focused communication agency in New York, notes: “One of the biggest misconceptions about Hispanic youth is that they are a homogeneous group. Puerto Ricans, Colombians and Cubans are not all the same. What works to attract one group may not work for another.” Erasmo Arteaga, a



Sears store manager in West Covina, California, adds: “People think Hispanic means one thing, . . . But it’s different from Miami to Southern California. And here in California, it’s not just Mexicans; it’s Guatemalans, Salvadorans, and other people from Central America.” Arteaga notes that two Hispanic-designated stores in Los Angeles only 20 miles apart reflect very different buying motives. While this segment is certainly a challenging market, there is no doubt among many marketers that Hispanics are worth the effort. Consider some of the efforts being taken:

- Reader’s Digest has launched *Selecciones* magazine, a magazine showcasing Latinos.
- MasterCard International maintains a Spanish-language website to encourage Latinos to apply for credit cards.
- AC Nielsen formed a Southern California Hispanic-consumer panel to learn more about the likes and dislikes of this audience.
- American Airlines has an in-flight magazine titled *NEXOS* that is targeted at Hispanics.
- The “Got Milk” campaign now includes Spanish versions of the ads.
- Galavision, a Spanish-language cable station, launched five youth programs aimed at bilingual and bicultural Hispanic youth.
- Throughout its bilingual TV, print, and radio campaigns, the Office of National Drug Control Policy focuses its antidrug message on the strong family values inherent in Hispanic cultures.

The above are just a few examples of the many companies and organizations targeting the Hispanic market. With the segment’s strong growth rates in population and in spending power, you can be sure that many more will join in. The question is, will they



take the time and effort required to understand the diversity of this market, or will they simply attempt to reach Hispanics through the appeals and media they employ for other ethnic groups. One thing is sure: If they pursue the latter strategy, they won't be in the Hispanic market for very long.

Sources: John Kerrigan "Playing to Hispanics garners rewards," *Marketing News*, July 22, 2002, p. 20; Jennifer Gonzalez McPherson, "Targeting Teens," *Hispanic Magazine*, September 2001, pp. 33-36; Marci McDonald, "Madison Avenue's New Latin Beat," *U.S. News & World Report*, June 4, 2001, p. 42; Greg Johnson, "Gaining Insight into the Latino Middle Class," *Los Angeles Times*, June 11, 2001, p. C-1.



**Exhibit 2-5** Big Red markets to a specific geographic region

**Bases for Segmentation** As shown in Figure 2-4, several methods are available for segmenting markets. Marketers may use one of the segmentation variables or a combination of approaches. Consider the market segmentation strategy that might be employed to market snow skis. The consumer's lifestyle—active, fun-loving, enjoys outdoor sports—is certainly important. But so are other factors, such as age (participation in downhill skiing drops off significantly at about age 30) and income (Have you seen the price of a lift ticket lately?), as well as marital status. Let us review the bases for segmentation and examine some promotional strategies employed in each.

**Geographic Segmentation** In the **geographic segmentation** approach, markets are divided into different geographic units. These units may include nations, states, counties, or even neighborhoods. Consumers often have different buying habits depending on where they reside. For example, General Motors, among other car manufacturers, considers California a very different market from the rest of the United States and has developed specific marketing programs targeted to the consumers in that state. Other companies have developed programs targeted at specific regions. Exhibit 2-5 shows an ad for Big Red, just one of the regional soft-drink "cult" brands—along with Cheerwine (the Carolinas), Vernors (Michigan), and Moxie (New England)—that have found success by marketing in regional areas (in this case, Texas). One company—Olde Brooklyn Beverage Company—has even gone so far as to promote a brand based on a specific section of New York City, differentiating it from bigger brands by promoting the product's "Brooklyn Attitude."

**Demographic Segmentation** Dividing the market on the basis of demographic variables such as age, sex, family size, education, income, and social class is called **demographic segmentation**. Secret deodorant and the Lady Schick shaver are products that have met with a great deal of success by using the demographic variable of sex as a basis for segmentation. iVillage, a website targeting women, may be one of the most successful websites on the Internet (Exhibit 2-6).

Although market segmentation on the basis of demographics may seem obvious, companies sometimes discover that they need to focus more attention on a specific demographic group. For example, Kodak and Procter & Gamble, among others, have had to redo their images for younger markets. Abercrombie changed its image to reach the "echo-boomer" (18- to 22-year-old) segment (Exhibit 2-7). Magazines like *Modern Maturity* are targeted to the estimated 76 million people in the "Be Generation," who are now in their fifties or older or are from the baby-boomer generation, the cohort born between 1946 and 1964, and *Segunda Juventud* to the 50+ Hispanic market (Exhibit 2-8).

Other products that have successfully employed demographic segmentation include Virginia Slims cigarettes (sex), Doan's Pills (age), JCPenney Co. (race), Mercedes-Benz and BMW cars (income), and prepackaged dinners (family size).

While demographics may still be the most common method of segmenting markets, it is important to recognize that other factors may be the underlying basis for homogeneity and/or consumer behavior. The astute marketer will identify additional bases for segmenting and will recognize the limitations of demographics.

**Figure 2-4** Some bases for market segmentation

Main Dimension	Segmentation Variables	Typical Breakdowns
<b>Customer Characteristics</b>		
Geographic	Region	Northeast; Midwest; South; West; etc.
	City size	Under 10,000; 10,000–24,999; 25,000–49,999; 50,000–99,999; 100,000–249,999; 250,000–499,999; 500,000–999,999; 1,000,000 or more
	Metropolitan area	Metropolitan statistical area (MSAs); etc.
Demographic	Density	Urban; suburban; small town; rural
	Gender	Male; female
	Age	Under 6 yrs; 6–11 yrs; 12–17 yrs; 18–24 yrs; 25–34 yrs; 35–44 yrs; 45–54 yrs; 55–64 yrs; 65–74 yrs; 75 yrs plus
	Race	African-American; Asian; Hispanic; White/Caucasian; etc.
	Life stage	Infant; preschool; child; youth; collegiate; adult; senior
	Birth era	Baby boomer (1949–1964); Generation X (1965–1976); baby boomlet/Generation Y (1977–present)
	Household size	1; 2; 3–4; 5 or more
Socioeconomic	Residence tenure	Own home; rent home
	Marital status	Never married; married; separated; divorced; widowed
	Income	<\$15,000; \$15,000–\$24,999; \$25,000–\$34,999; \$35,000–\$49,999; \$50,000–\$74,999; \$75,000+
	Education	Some high school or less; high school graduate (or GED); etc.
Psychographic	Occupation	Managerial and professional specialty; technical, sales, and administrative support; service; farming, forestry, and fishing; etc.
	Personality	Gregarious; compulsive; introverted; aggressive; ambitious; etc.
	Values (VALS)	Actualizers; fulfilleds; achievers; experiencers; believers; strivers; makers; strugglers
	Lifestyle (Claritas)	Settled in; white picket fence; and 46 other household segments
<b>Buying Situations</b>		
Outlet type	In-store	Department; specialty; outlet; convenience; supermarket; superstore/mass merchandiser; catalog
	Direct	Mail order/catalog; door-to-door; direct response; Internet
Benefits sought	Product features	Situation specific; general
	Needs	Quality; service; price/value; financing; warranty; etc.
Usage	Usage rate	Light user; medium user; heavy user
	User status	Nonuser; ex-user; prospect; first-time user; regular user
Awareness and intentions	Product knowledge	Unaware; aware; informed; interested; intending to buy; purchaser; rejection
Behavior	Involvement	Minimum effort; comparison; special effort

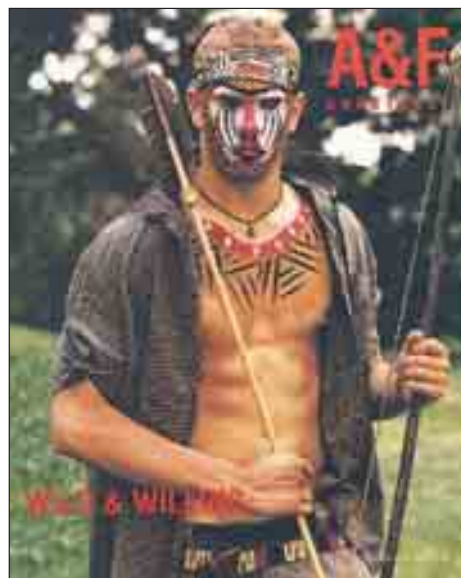
**Exhibit 2-6** iVillage initiated a website targeted at women



**Psychographic Segmentation** Dividing the market on the basis of personality and/or lifestyles is referred to as **psychographic segmentation**. While there is some disagreement as to whether personality is a useful basis for segmentation, lifestyle factors have been used effectively. Many consider lifestyle the most effective criterion for segmentation.

The determination of lifestyles is usually based on an analysis of the activities, interests, and opinions (AIOs) of consumers. These lifestyles are then correlated with the consumers' product, brand, and/or media usage. For many products and/or services, lifestyles may be the best discriminator between use and nonuse, accounting for differences in food, clothing, and car selections, among numerous other consumer behaviors.<sup>5</sup>

**Exhibit 2-7** Abercrombie & Fitch changed its image to appeal to echo boomers



**Exhibit 2-8** Segunda Juventud targets the 50+ Hispanic segment



Psychographic segmentation has been increasingly accepted with the advent of the values and lifestyles (VALS) program. Although marketers employed lifestyle segmentation long before VALS and although a number of alternatives—for example, PRIZM—are available, VALS remains one of the more popular options. Developed by the Stanford Research Institute (SRI), VALS has become a very popular method for applying lifestyle segmentation. VALS 2 divides Americans into eight lifestyle segments that exhibit distinctive attitudes, behaviors, and decision-making patterns.<sup>6</sup> SRI believes that when combined with an estimate of the resources the consumer can draw on (education, income, health, energy level, self-confidence, and degree of consumerism), the VALS 2 system is an excellent predictor of consumer behaviors. A number of companies, including Chevron, Mercedes, and Eastman Kodak, have employed the VALS 2 program for a variety of purposes, including advertising, positioning, and media planning.

**Behavioristic Segmentation** Dividing consumers into groups according to their usage, loyalties, or buying responses to a product is **behavioristic segmentation**. For example, product or brand usage, degree of use (heavy versus light), and/or brand loyalty are combined with demographic and/or psychographic criteria to develop profiles of market segments. In the case of usage, the marketer assumes that nonpurchasers of a brand or product who have the same characteristics as purchasers hold greater potential for adoption than nonusers with different characteristics. A profile (demographic or psychographic) of the user is developed, which serves as the basis for promotional strategies designed to attract new users. For example, teenagers share certain similarities in their consumption behaviors. Those who do not currently own a Sony Discman are more likely to be potential buyers than people in other age groups.

Degree of use relates to the fact that a few consumers may buy a disproportionate amount of many products or brands. Industrial marketers refer to the **80-20 rule**, meaning 20 percent of their buyers account for 80 percent of their sales volume. Again, when the characteristics of these users are identified, targeting them allows for a much greater concentration of efforts and less wasted time and money. The same heavy-half strategy is possible in the consumer market as well. The majority of purchases of many products (e.g., soaps and detergents, shampoos, cake mixes, beer, dog food, colas, bourbon, and toilet tissue—yes, toilet tissue!) are accounted for by a small proportion of the population. Perhaps you can think of some additional examples.

**Benefit Segmentation** In purchasing products, consumers are generally trying to satisfy specific needs and/or wants. They are looking for products that provide specific benefits to satisfy these needs. The grouping of consumers on the basis of attributes sought in a product is known as **benefit segmentation** and is widely used (Exhibit 2-9).

Consider the purchase of a wristwatch. While you might buy a watch for particular benefits such as accuracy, water resistance, or stylishness, others may seek a different set of benefits. Watches are commonly given as gifts for birthdays, Christmas, and graduation. Certainly some of the same benefits are considered in the purchase of a gift, but the benefits the purchaser derives are different from those the user will obtain. Ads that portray watches as good gifts stress different criteria to consider in the purchase decision. The next time you see an ad or commercial for a watch, think about the basic appeal and the benefits it offers.

Another example of benefit segmentation can be seen in the toothpaste market. Some consumers want a product with fluoride (Crest, Colgate); others prefer one that freshens their breath (Close-Up, Aqua-Fresh). More recent benefit segments offer tartar control (Crest) and plaque reduction (Viadent). The Den-Mat Corp. introduced Rembrandt whitening toothpaste for consumers who want whiter teeth, and other brands followed with their own whitening attributes.

**The Process of Segmenting a Market** The segmentation process develops over time and is an integral part of the situation analysis. It is in this stage that marketers attempt to determine as much as they

**Exhibit 2-9** Estrostep takes a unique approach in its dual-benefit ads





can about the market: What needs are not being fulfilled? What benefits are being sought? What characteristics distinguish among the various groups seeking these products and services? A number of alternative segmentation strategies may be used. Each time a specific segment is identified, additional information is gathered to help the marketer understand this group.

For example, once a specific segment is identified on the basis of benefits sought, the marketer will examine lifestyle characteristics and demographics to help characterize this group and to further its understanding of this market. Behavioristic segmentation criteria will also be examined. In the purchase of ski boots, for example, specific benefits may be sought—flexibility or stiffness—depending on the type of skiing the buyer does. All this information will be combined to provide a complete profile of the skier.

A number of companies now offer research services to help marketing managers define their markets and develop strategies targeting them. The VALS and PRIZM systems discussed earlier are just a few of the services offered; others use demographic, socioeconomic, and geographic data to cluster consumer households into distinct “microgeographic” segments.

Whether these microunits meet the criteria for useful segmentation is determined by the user of the system. A national company might not attempt to define such small segments, but it could be useful for companies operating within one city or geographic area.

After completing the segmentation analysis, the marketer moves to the third phase shown in Figure 2-2: targeting a specific market.

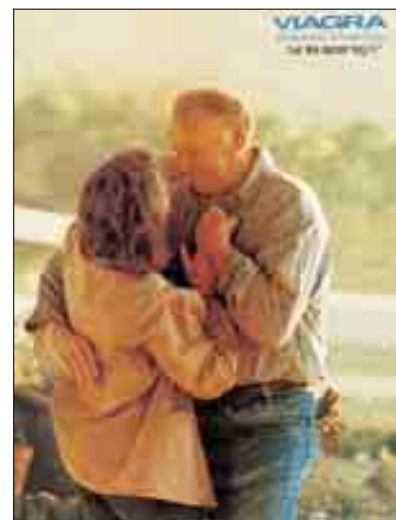
## Selecting a Target Market

The outcome of the segmentation analysis will reveal the market opportunities available. The next phase in the target marketing process involves two steps: (1) determining how many segments to enter and (2) determining which segments offer the most potential.

**Determining How Many Segments to Enter** Three market coverage alternatives are available. **Undifferentiated marketing** involves ignoring segment differences and offering just one product or service to the entire market. For example, when Henry Ford brought out the first assembly-line automobile, all potential consumers were offered the same basic product: a black Ford. For many years, Coca-Cola offered only one product version. While this standardized strategy saves the company money, it does not allow the opportunity to offer different versions of the product to different markets.

**Differentiated marketing** involves marketing in a number of segments, developing separate marketing strategies for each. The Viagra ads in Exhibit 2-10 reflect this strategy. Notice how the two ads differ given alternate target markets and media.

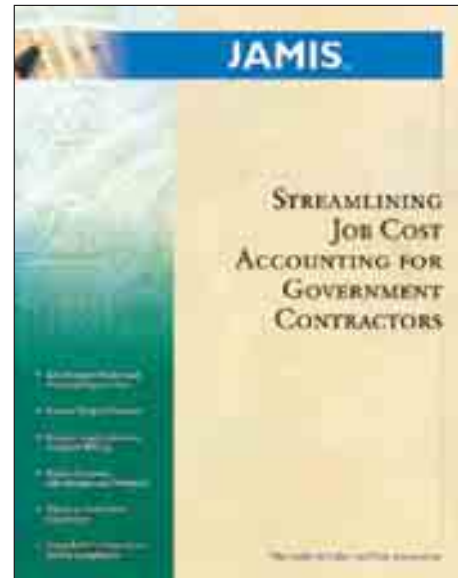
**Exhibit 2-10** Viagra uses different appeals for the same product in different segments





While an undifferentiated strategy offers reduced costs through increased production, it does not allow for variety or tailoring to specific needs. Through differentiation, products—or advertising appeals—may be developed for the various segments, increasing the opportunity to satisfy the needs and wants of various groups.

The third alternative, **concentrated marketing**, is used when the firm selects one segment and attempts to capture a large share of this market. Volkswagen used this strategy in the 1950s when it was the only major automobile company competing in the economy-car segment in the United States. While Volkswagen has now assumed a more differentiated strategy, other companies have found the concentrated strategy effective. For example, Maxwell Business Systems has focused its business exclusively on providing software for job cost accounting/MIS systems for government contractors through its JAMIS product line (Exhibit 2-11).



**Exhibit 2-11** Maxwell Business Systems pursues a concentrated marketing strategy with JAMIS

**Determining Which Segments Offer Potential** The second step in selecting a market involves determining the most attractive segment. The firm must examine the sales potential of the segment, the opportunities for growth, the competition, and its own ability to compete. Then it must decide whether it can market to this group. Stories abound of companies that have entered new markets only to find their lack of resources or expertise would not allow them to compete successfully. For example, Royal Crown (RC) Cola has often been quite successful in identifying new segment opportunities but because of limited resources has been less able to capitalize on them than Coke and Pepsi. RC was the first to bring to market diet colas and caffeine-free colas, but it has not been able to establish itself as a market leader in either market. After selecting the segments to target and determining that it can compete, the firm proceeds to the final step in Figure 2-2: the market positioning phase.

## Market Positioning

**Positioning** has been defined as “the art and science of fitting the product or service to one or more segments of the broad market in such a way as to set it meaningfully apart from competition.”<sup>7</sup> As you can see, the position of the product, service, or even store is the image that comes to mind and the attributes consumers perceive as related to it. This communication occurs through the message itself, which explains the benefits, as well as the media strategy employed to reach the target group. Take a few moments to think about how some products are positioned and how their positions are conveyed to you. For example, what comes to mind when you hear the name Mercedes, Dr. Pepper, or Sony? What about department stores such as Neiman Marcus, Sears, and JCPenney? Now think of the ads for each of these products and companies. Are their approaches different from their competitors’? When and where are these ads shown?

**Approaches to Positioning** Positioning strategies generally focus on either the consumer or the competition. While both approaches involve the association of product benefits with consumer needs, the former does so by linking the product with the benefits the consumer will derive or creating a favorable brand image, as shown in Exhibit 2-12. The latter approach positions the product by comparing it and the benefit it offers with the competition, as shown in Exhibit 2-13. Products like Scope mouthwash (positioning itself as better tasting than Listerine) and Poweraid (comparing their rehydration capabilities and caloric content to the leading brand) have employed this strategy successfully.

Many advertising practitioners consider market positioning the most important factor in establishing a brand in the marketplace.



**Exhibit 2-12** Positioning that focuses on the consumer



**Exhibit 2-13** Positioning that focuses on the competition

David Aaker and John Myers note that the term *position* has been used to indicate the brand's or product's image in the marketplace.<sup>8</sup> Jack Trout and Al Ries suggest that this brand image must contrast with competitors. They say, "In today's marketplace, the competitors' image is just as important as your own. Sometimes more important."<sup>9</sup> Thus, *positioning*, as used in this text, relates to the image of the product and or brand relative to competing products or brands. The position of the product or brand is the key factor in communicating the benefits it offers and differentiating it from the competition. Let us now turn to strategies marketers use to position a product.

**Developing a Positioning Strategy** To create a position for a product or service, Trout and Ries suggest that managers ask themselves six basic questions:<sup>10</sup>

1. What position, if any, do we already have in the prospect's mind? (This information must come from the marketplace, not the managers' perceptions.)
2. What position do we want to own?
3. What companies must be outgunned if we are to establish that position?
4. Do we have enough marketing money to occupy and hold the position?
5. Do we have the guts to stick with one consistent positioning strategy?
6. Does our creative approach match our positioning strategy?

A number of positioning strategies might be employed in developing a promotional program. David Aaker and J. Gary Shansby discuss six such strategies: positioning by product attributes, price/quality, use, product class, users, and competitor.<sup>11</sup> Aaker and Myers add one more approach, positioning by cultural symbols.<sup>12</sup>

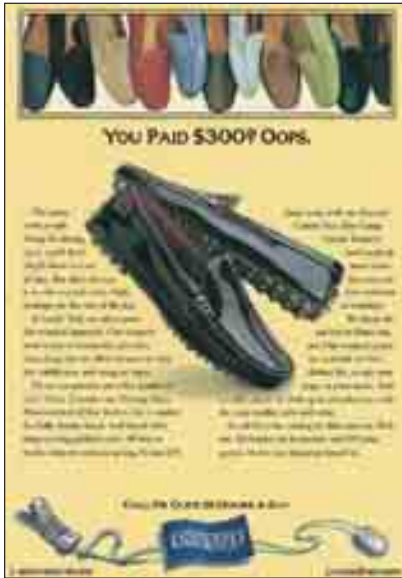
**Positioning by Product Attributes and Benefits** A common approach to positioning is setting the brand apart from competitors on the basis of the specific characteristics or benefits offered. Sometimes a product may be positioned on more than one product benefit. Marketers attempt to identify **salient attributes** (those that are important to consumers and are the basis for making a purchase decision). For example, when Apple first introduced its computers, the key benefit stressed was ease of use—an effective strategy, given the complexity of computers in the market at that time.

**Positioning by Price/Quality** Marketers often use price/quality characteristics to position their brands. One way they do this is with ads that reflect the image of a high-quality brand where cost, while not irrelevant, is considered secondary to the quality benefits derived from using the brand. Premium brands positioned at the high end of the market use this approach to positioning.

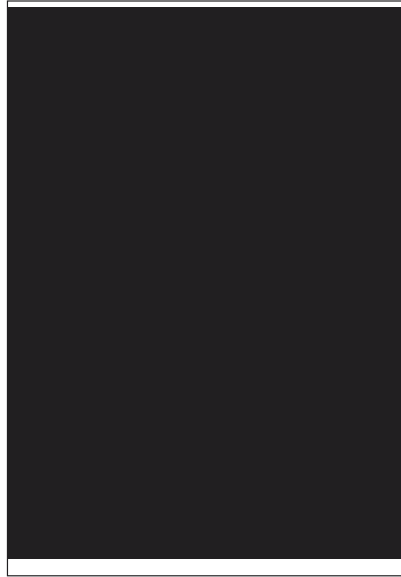
Another way to use price/quality characteristics for positioning is to focus on the quality or value offered by the brand at a very competitive price. For example, the Lands' End ad shown in Exhibit 2-14 uses this strategy by suggesting that quality need not be unaffordable. Remember that although price is an important consideration, the product quality must be comparable to, or even better than, competing brands for the positioning strategy to be effective.

**Positioning by Use or Application** Another way to communicate a specific image or position for a brand is to associate it with a specific use or application. For example, Black & Decker introduced the Snakelight as an innovative solution to the problem of trying to hold a flashlight while working. A TV commercial showed various uses for the product, while creative packaging and in-store displays were used to communicate the uses (Exhibit 2-15).

**Exhibit 2-14** Lands' End positions its brand as having high quality for the right price



**Exhibit 2-15** Black & Decker shows the various uses of the Snakelight

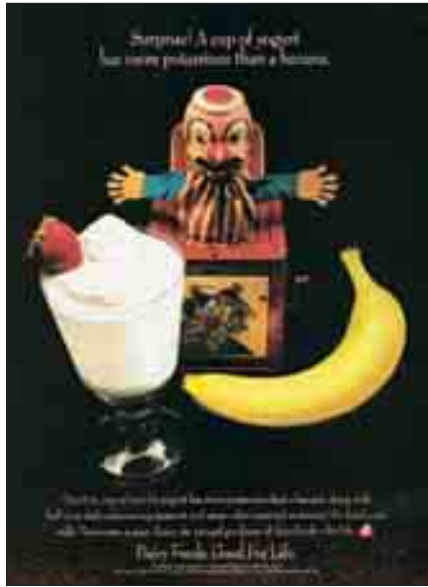


While this strategy is often used to enter a market on the basis of a particular use or application, it is also an effective way to expand the usage of a product. For example, Arm & Hammer baking soda has been promoted for everything from baking to relieving heartburn to eliminating odors in carpets and refrigerators (Exhibit 2-16).

**Positioning by Product Class** Often the competition for a product comes from outside the product class. For example, airlines know that while they compete with other airlines, trains and buses are also viable alternatives. Amtrak has positioned itself as an alternative to airplanes, citing cost savings, enjoyment, and other advantages. Manufacturers of music CDs must compete with MP3 players; many margarines position themselves against butter. Rather than positioning against another brand, an alternative



**Exhibit 2-16** Arm & Hammer baking soda demonstrates numerous product uses



**Exhibit 2-17** An example of positioning by product class

strategy is to position oneself against another product category, as shown in Exhibit 2-17.

**Positioning by Product User** Positioning a product by associating it with a particular user or group of users is yet another approach. An example would be the Valvoline ad shown in Exhibit 2-18. This campaign emphasizes identification or association with a specific group, in this case, people who receive pleasure from working on their cars.

**Positioning by Competitor** Competitors may be as important to positioning strategy as a firm's own product or services. As Trout and Ries observe, the old strategy of ignoring one's competition no longer works.<sup>13</sup> (Advertisers used to think it was a cardinal sin to mention a competitor in their advertising.) In today's market, an effective positioning strategy for a product or brand may focus on specific competitors. This approach is similar to positioning by product class, although in this case the competition is within the same product category. Perhaps the best-known example of this strategy was Avis, which positioned itself against the car-rental leader, Hertz, by stating, "We're number two, so we try harder." The Powerade ad shown earlier (Exhibit 2-13) is an example of positioning a brand against the competition. When positioning by competitor, a marketer must often employ another positioning

strategy as well to differentiate the brand.

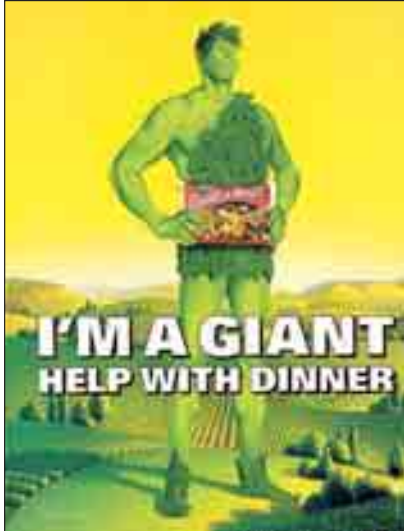
**Positioning by Cultural Symbols** Aaker and Myers include an additional positioning strategy in which cultural symbols are used to differentiate brands. Examples are the Jolly Green Giant, the Keebler elves, Speedy Alka-Seltzer, the Pillsbury Doughboy, Buster Brown, Ronald McDonald, Chiquita Banana, and Mr. Peanut. Each of these symbols has successfully differentiated the product it represents from competitors' (Exhibit 2-19).

**Exhibit 2-18** Valvoline positions by product user





**Exhibit 2-19** The Jolly Green Giant is a cultural symbol



**Exhibit 2-20** This ad is one of a series used in the successful campaign to reposition *Rolling Stone* magazine



**Repositioning** One final positioning strategy involves altering or changing a product's or brand's position. **Repositioning** a product usually occurs because of declining or stagnant sales or because of anticipated opportunities in other market positions. Repositioning is often difficult to accomplish because of entrenched perceptions about and attitudes toward the product or brand. Many companies' attempts to change their positions have met with little or no success. For example, Kmart (the store) and Aurora (the Oldsmobile) have both attempted to reposition themselves to a level of higher quality, appealing to younger and more well-to-do customers. Both have met with limited success. (Kmart is in bankruptcy and the Oldsmobile line will be discontinued). Nutri-Grain Bars—originally positioned as a convenience snack (“Good food to go”)—have been repositioned as a breakfast substitute (“Respect yourself in the morning”). Buick has repositioned in an attempt to reach a younger market (using Tiger Woods, in his twenties, as a spokesperson), while La-Z-Boy is attempting to move away from its blue-collar image and to a more affluent one. Sears has changed its positioning so often in recent years that consumers may not know exactly what image the company is trying to convey.

One extremely successful effort at repositioning was employed by *Rolling Stone* magazine. In an attempt to change advertisers' image of the type of person who reads *Rolling Stone*, the company embarked on an extensive advertising campaign directed at potential advertisers. The ad shown in Exhibit 2-20 is just one example of how this strategy was successfully implemented.

IMC Perspective 2-1 describes how Jet Blue has been successful in its positioning efforts in a very competitive market.

**Determining the Positioning Strategy** Having explored the alternative positioning strategies available, the marketer must determine which strategy is best suited for the firm or product and begin developing the positioning platform. As you remember from the promotional planning process in Chapter 1, the input into this stage will be derived from the situation analysis—specifically, the marketing research conducted therein. Essentially, the development of a positioning platform can be broken into a six-step process:<sup>14</sup>

1. **Identifying competitors.** This process requires broad thinking. Competitors may not be just those products and/or brands that fall into our product class or with which we compete directly. For example, a red wine competes with other red wines of various positions. It may also compete with white, sparkling, and nonalcoholic wines. Wine coolers provide an alternative, as do beer and other alcoholic drinks. Other



## IMC PERSPECTIVE 2-1

### JetBlue—the “Unairline”

At a time when most of the airlines of the world are struggling, one carrier is seeing nothing but “blue skies.” Despite the simultaneous problems of September 11, a recession, and war, the airline—aptly named JetBlue—has continued to succeed where competitors have faltered. For the second quarter of 2002, JetBlue reported a net income of \$14.6 million on operating revenues of \$149.3 million, while nearly all major airlines reported record losses.

What’s the secret behind JetBlue’s success? It’s a combination of successful branding, unique positioning, and integrated marketing communications that transcends seemingly every aspect of the “antiairline” approach. JetBlue flies at about 80 percent full on every flight (versus the industry average of 64 percent) and attracts travelers from all segments—students, grandmothers, and business travelers (Everybody who likes low fares and a great flying experience). JetBlue has adopted a unique positioning in the industry, and takes every effort conceivable to maintain that image and attitude.

First, there is the unique positioning. Initially positioned as a low-fare, all-coach carrier, the airline has evolved into what one writer has described as a cross between Southwest Airlines (low price, all coach) and Virgin Atlantic (hip and sassy). This means that fares generally are lower than those of competitors flying the same routes but the product itself is more attractive. The planes are new and feature leather seats, each of which offers free satellite TV on a personal video screen. The pilots are efficient and honest about delays, and the flight attendants offer excellent service and go about with a “fun” attitude. JetBlue claims to bring pleasure and style back into flying—and they usually do.

JetBlue has also focused on branding. Its strategy has been to emphasize the things that distinguish the

brand from other carriers but cost little—things like courtesy, comfort, and punctuality—while paying less attention to those items that do not, like food. Service is a top priority, including updates on flight status every 15 minutes. *Vanity Fair* magazine named JetBlue its top airline of 2000, and readers of *Condé Nast Traveler* and *Zagat* rated it number 2 behind Midwest Express—an all-business airline that charges much higher prices.

The communication mix for JetBlue supports the brand image and positioning. From the blue potato chips to the stylish blue uniforms, all communications attempt to appeal to its “aspirational audience”—frugal, yet style-conscious consumers. For example, the JetBlue website is simple, functional, and user-friendly. It doesn’t look like other airlines’ sites, nor does it have the same impact. (More than 60 percent of JetBlue’s customers book on the airline’s website, while other airlines average about 10 percent.) The original advertising message—“Somebody up there likes you”—attempted to be “un-airline,” focusing on big-city swagger and wit rather than the typical “small-world” theme used by others. The post-September 11 campaign—“reasons to fly,” which included both TV and radio spots, featured sentimental and nonsentimental reasons for flying—but did so in a humorous style to maintain JetBlue’s personality.

The question in the minds of many travelers and industry pundits is, How long can JetBlue keep this up? With its strong identity, positioning, and brand image, and consumers’ increasing hatred for other airlines, the future looks pretty bright. Let’s hope so!

Sources: Amy Goldwasser, “Something Stylish, Something Blue,” *Business 2.0*, February 2002, pp. 94–95; Sally B. Donnelly, “Blue Skies,” *Time*, July 30, 2001, pp. 24–27; Scott Donaton, “Flying Lessons: JetBlue Soars When Front Lines Value Brand,” *Advertising Age*, Feb. 11, 2002, p.16.



nonalcoholic drinks may come into consideration at various times and/or in certain situations. The marketer must consider all likely competitors, as well as the diverse effects of use and situations on the consumer.

2. *Assessing consumers' perceptions of competitors.* Once we define the competition, we must determine how they are perceived by consumers. Which attributes are important to consumers in evaluating a product and/or brand? As you might expect, for many products, consumers consider a wide variety of attributes or product benefits—most if not all of which are important. Much of marketing firms' research is directed at making such determinations. Consumers are asked to take part in focus groups and/or complete surveys indicating which attributes are important in their purchase decisions. For example, attributes considered important in the selection of a bank may include convenience, teller friendliness, financial security, and a host of other factors. This process establishes the basis for determining competitive positions.

3. *Determining competitors' positions.* After identifying the relevant attributes and their relative importance to consumers, we must determine how each competitor (including our own entry) is positioned with respect to each attribute. This will also show how the competitors are positioned relative to each other. Consumer research is required to make this assessment.

4. *Analyzing the consumers' preferences.* Our discussion of segmentation noted various factors that may distinguish among groups of consumers, including lifestyles, purchase motivations, and demographic differences. Each of these segments may have different purchase motivations and different attribute importance ratings. One way to determine these differences is to consider the *ideal brand or product*, defined as the object the consumer would prefer over all others, including objects that can be imagined but do not exist. Identifying the ideal product can help us identify different ideals among segments or identify segments with similar or the same ideal points.

5. *Making the positioning decision.* Going through the first four steps should let us decide which position to assume in the marketplace. Such a decision is not always clear and well defined, however, and research may provide only limited input. In that case, the marketing manager or groups of managers must make some subjective judgments. These judgments raise a number of questions:

- *Is the segmentation strategy appropriate?* Positioning usually entails a decision to segment the market. Consider whether the market segment sought will support an entry and whether it is in the best interests of the company to de-emphasize the remaining market. When a specific position is chosen, consumers may believe this is what the product is for. Those not looking for that specific benefit may not consider the brand. If the marketer decides on an undifferentiated strategy, it may be possible to be general in the positioning platform. For example, Toyota's slogan, "Get the feeling" allows receivers to project their feelings about the brand—all of which (hopefully) involve a positive image of Toyota.
- *Are there sufficient resources available to communicate the position effectively?* It is very expensive to establish a position. One ad, or even a series of ads, is not likely to be enough. The marketer must commit to a long-range effort in all aspects of the marketing campaign to make sure the objectives sought are obtained. Too often, the firm abandons a position and/or advertising campaign long before it can establish a position successfully. The *Rolling Stone* repositioning discussed earlier is an excellent example of sticking with a campaign: The basic theme ran for a number of years. In contrast, Sears has switched campaigns so often in the past few years that it has been impossible to establish a distinct position in the consumer's mind. Further, once a successful position is attained, it is likely to attract competitors. It may become expensive to ward off "me-too" brands and continue to hold on to the brand distinction.
- *How strong is the competition?* The marketing manager must ask whether a position sought is likely to be maintained, given the strengths of the competition. For example, General Foods often made it a practice not to be the first entry into a market. When competitors developed new markets with their entries, General Foods would simply improve on the product and capture a large percentage of the

market share. This leads to two basic questions: First, if our firm is first into the market, will we be able to maintain the position (in terms of quality, price, etc.)? Second, if a product is positioned as finest quality, it must be. If it is positioned as lowest cost, it has to be. Otherwise, the position claimed is sure to be lost.

- *Is the current positioning strategy working?* There is an old saying, “If it ain’t broke, don’t fix it.” If current efforts are not working, it may be time to consider an alternative positioning strategy. But if they are working, a change is usually unwise. Sometimes executives become bored with a theme and decide it is time for a change, but this change causes confusion in the marketplace and weakens a brand’s position. Unless there is strong reason to believe a change in positioning is necessary, stick with the current strategy.

6. *Monitoring the position.* Once a position has been established, we want to monitor how well it is being maintained in the marketplace. Tracking studies measure the image of the product or firm over time. Changes in consumers’ perceptions can be determined, with any slippage immediately noted and reacted to. At the same time, the impact of competitors can be determined.

Before leaving this section, you might stop to think for a moment about the positioning (and repositioning) strategies pursued by different companies. Any successful product that comes to mind probably occupies a distinct market position.

## Developing the Marketing Planning Program

The development of the marketing strategy and selection of a target market(s) tell the marketing department which customers to focus on and what needs to attempt to satisfy. The next stage of the marketing process involves combining the various elements of the marketing mix into a cohesive, effective marketing program. Each marketing-mix element is multidimensional and includes a number of decision areas. Likewise, each must consider and contribute to the overall IMC program. We now examine product, price, and distribution channels and how each influences and interacts with the promotional program.

### Product Decisions

An organization exists because it has some product, service, or idea to offer consumers, generally in exchange for money. This offering may come in the form of a physical product (such as a soft drink, pair of jeans, or car), a service (banking, airlines, or legal assistance), a cause (United Way, March of Dimes), or even a person (a political candidate). The product is anything that can be marketed and that, when used or supported, gives satisfaction to the individual.

A *product* is not just a physical object; it is a bundle of benefits or values that satisfies the needs of consumers. The needs may be purely functional, or they may include social and psychological benefits. For example, the campaign for Michelin tires shown earlier stresses the quality built into Michelin tires (value) as well as their performance and durability (function). The term **product symbolism** refers to what a product or brand means to consumers and what they experience in purchasing and using it.<sup>15</sup> For many products, strong symbolic features and social and psychological meaning may be more important than functional utility.<sup>16</sup> For example, designer clothing such as Versace, Gucci, and Bebe is often purchased on the basis of its symbolic meaning and image, particularly by teenagers and young adults. Advertising plays an important role in developing and maintaining the image of these brands (Exhibit 2-21).

Product planning involves decisions not only about the item itself, such as design and quality, but also about aspects such as service and warranties as well as brand name and package design. Consumers look beyond the reality of the product and its ingredients. The product’s quality, branding, packaging, and even the company standing behind it all contribute to consumers’ perceptions.<sup>17</sup> In an effective IMC program, advertising, branding, and packaging are all designed to portray the product as more than just a bundle of attributes. All are coordinated to present an image or positioning of the product that extends well beyond its physical attributes. Think for a minute about the ads for Nike; the product benefits and attributes are usually not even mentioned—yet information about the brand is communicated effectively.

Exhibit 2-21 Advertising for designer clothing



**Branding** Choosing a brand name for a product is important from a promotional perspective because brand names communicate attributes and meaning. Marketers search for brand names that can communicate product concepts and help position the product in customers' minds. Names such as Safeguard (soap), I Can't Believe It's Not Butter! (margarine), Easy-Off (oven cleaner), Arrid (antiperspirant), and Spic and Span (floor cleaner) all clearly communicate the benefits of using these products and at the same time create images extending beyond the names themselves. (What about La-Z-Boy?)

One important role of advertising in respect to branding strategies is creating and maintaining **brand equity**, which can be thought of as an intangible asset of added value or goodwill that results from the favorable image, impressions of differentiation, and/or the strength of consumer attachment to a company name, brand name, or trademark. Brand equity allows a brand to earn greater sales volume and/or higher margins than it could without the name, providing the company with a competitive advantage. The strong equity position a company and/or its brand enjoys is often reinforced through advertising. For example, Rado watches command a premium price because of their high quality as well as the strong brand equity they have developed through advertising (Exhibit 2-22).

**Packaging** Packaging is another aspect of product strategy that has become increasingly important. Traditionally, the package provided functional benefits such as economy, protection, and storage. However, the role and function of the package have changed because of the self-service emphasis of many stores and the fact that more and more buying decisions are made at the point of purchase. One study estimated that as many as two-thirds of all purchases made in the supermarket are unplanned. The package is often the consumer's first exposure to the product, so it must make a favorable first impression. A typical supermarket has more

Exhibit 2-22 Rado creates strong brand equity through advertising







**Exhibit 2-23** Listerine communicates through effective packaging

than 20,000 items competing for attention. Not only must a package attract and hold the consumer's attention, but it must also communicate information on how to use the product, divulge its composition and content, and satisfy any legal requirements regarding disclosure. Moreover, many firms design the package to carry a sales promotion message such as a contest, sweepstakes, or premium offer.

Many companies view the package as an important way to communicate with consumers and create an impression of the brand in their minds. In other instances packages can extend the brand by offering new uses. For example, Listerine's PocketPaks (Exhibit 2-23) have created new opportunities for the mouthwash. Design factors such as size, shape, color, and lettering all contribute to the appeal of a package and can be as important as a commercial in determining what goes from the store shelf to the consumer's shopping cart. Many products use packaging to create a distinctive brand image and identity. The next time you walk by a perfume counter, stop to look at the many unique package designs (see Exhibit 2-24). Packaging can also serve more functional purposes. For example, Tylenol's Safe-Ty-Lock bottle protects children from consuming the medicine when they shouldn't (Exhibit 2-25).

## Price Decisions

The *price variable* refers to what the consumer must give up to purchase a product or service. While price is discussed in terms of the dollar amount exchanged for an item, the cost of a product to the consumer includes time, mental activity, and behavioral effort.<sup>18</sup> The marketing manager is usually concerned with establishing a price level, developing pricing policies, and monitoring competitors' and consumers' reactions to prices in the marketplace. A firm must consider a number of factors in determining the price it charges for its product or service, including costs, demand factors, competi-

**Exhibit 2-24** The packaging creates product image



**Exhibit 2-25** Packaging may also add product benefits







**Exhibit 4-7** 212 Men uses sex appeal in its advertising

Some corporations and advertising agencies have used motivation research to gain further insights into how consumers think. Examples include the following:<sup>7</sup>

- Chrysler had consumers sit on the floor, like children, and use scissors to cut words out of magazines to describe a car.<sup>8</sup>
- McCann-Erickson asked women to draw and describe how they felt about roaches. The agency concluded that many women associated roaches with men who had abandoned them and that this was why women preferred roach killers that let them see the roaches die.
- Saatchi & Saatchi used psychological probes to conclude that Ronald McDonald created a more nurturing mood than did the Burger King (who was perceived as more aggressive and distant).
- Foote, Cone & Belding gave consumers stacks of photographs of faces and asked them to associate the faces with the kinds of people who might use particular products.

While often criticized, motivation research has also contributed to the marketing discipline. The qualitative nature of the research is considered important in assessing how and why consumers buy. Focus groups and in-depth interviews are valuable methods for gaining insights into consumers' feelings, and projective techniques are often the only way to get around stereotypical or socially desirable responses. In addition, motivation research is the forerunner of psychographics (discussed in Chapter 2).

Finally, we know that buyers are sometimes motivated by symbolic as well as functional drives in their purchase decisions. At least one study has shown that two-thirds of all prime-time TV shows present an average of 5.2 scenes per hour that contain talk about sex. Thus, we see the use of sexual appeals and symbols in ads like Exhibit 4-7.

## Information Search

The second stage in the consumer decision-making process is *information search*. Once consumers perceive a problem or need that can be satisfied by the purchase of a product or service, they begin to search for information needed to make a purchase decision. The initial search effort often consists of an attempt to scan information stored in memory to recall past experiences and/or knowledge regarding various purchase alternatives.<sup>9</sup> This information retrieval is referred to as **internal search**. For many routine, repetitive purchases, previously acquired information that is stored in memory (such as past performance or outcomes from using a brand) is sufficient for comparing alternatives and making a choice.

If the internal search does not yield enough information, the consumer will seek additional information by engaging in **external search**. External sources of information include:

- *Personal sources*, such as friends, relatives, or co-workers.
- *Marketer-controlled (commercial) sources*, such as information from advertising, salespeople, or point-of-purchase displays and the Internet.
- *Public sources*, including articles in magazines or newspapers and reports on TV.
- *Personal experience*, such as actually handling, examining, or testing the product.

Determining how much and which sources of external information to use involves several factors, including the importance of the purchase decision, the effort needed to acquire information, the amount of past experience relevant, the degree of perceived risk associated with the purchase, and the time available. For example, the selection of a movie to see on a Friday night might entail simply talking to a friend or checking the movie guide in the daily newspaper. A more complex purchase such as a new car might use a number of information sources—perhaps a review of *Road & Track*,

*Motortrend*, or *Consumer Reports*; discussion with family members and friends; and test-driving of cars. At this point in the purchase decision, the information-providing aspects of advertising are extremely important.

## Perception

Knowledge of how consumers acquire and use information from external sources is important to marketers in formulating communication strategies. Marketers are particularly interested in (1) how consumers sense external information, (2) how they select and attend to various sources of information, and (3) how this information is interpreted and given meaning. These processes are all part of **perception**, the process by which an individual receives, selects, organizes, and interprets information to create a meaningful picture of the world.<sup>10</sup> Perception is an individual process; it depends on internal factors such as a person's beliefs, experiences, needs, moods, and expectations. The perceptual process is also influenced by the characteristics of a stimulus (such as its size, color, and intensity) and the context in which it is seen or heard.

**Sensation** Perception involves three distinct processes. **Sensation** is the immediate, direct response of the senses (taste, smell, sight, touch, and hearing) to a stimulus such as an ad, package, brand name, or point-of-purchase display. Perception uses these senses to create a representation of the stimulus. Marketers recognize that it is important to understand consumers' physiological reactions to marketing stimuli. For example, the visual elements of an ad or package design must attract consumers' favorable attention.

Marketers sometimes try to increase the level of sensory input so that their advertising messages will get noticed. For example, marketers of colognes and perfumes often use strong visuals as well as scent strips to appeal to multiple senses and attract the attention of magazine readers. Some advertisers have even inserted microcomputer chips into their print ads to play a song or deliver a message.

**Selecting Information** Sensory inputs are important but are only one part of the perceptual process. Other determinants of whether marketing stimuli will be attended to and how they will be interpreted include internal psychological factors such as the consumer's personality, needs, motives, expectations, and experiences. These psychological inputs explain why people focus attention on some things and ignore others. Two people may perceive the same stimuli in very different ways because they select, attend, and comprehend differently. An individual's perceptual processes usually focus on elements of the environment that are relevant to his or her needs and tune out irrelevant stimuli. Think about how much more attentive you are to advertising for personal computers, tires, or stereos when you are in the market for one of these products (a point that is made by the message from the American Association of Advertising Agencies in Exhibit 4-8).

**Interpreting the Information** Once a consumer selects and attends to a stimulus, the perceptual process focuses on organizing, categorizing, and interpreting the incoming information. This stage of the perceptual process is very individualized and is influenced by internal psychological factors. The interpretation and meaning an individual assigns to an incoming stimulus also depend in part on the nature of the stimulus. For example, many ads are objective, and their message is clear and straightforward. Other ads are more ambiguous, and their meaning is strongly influenced by the consumer's individual interpretation.

Selectivity occurs throughout the various stages of the consumer's perceptual process. Perception may be viewed as a filtering process in which internal and external factors influence what is received and how it is processed and interpreted. The sheer number and complexity of the marketing stimuli a person is exposed to in any given day require that

**Exhibit 4-8** This ad reminds consumers of how advertising responds to their needs



**Figure 4-4** The selective perception process

this filtering occur. **Selective perception** may occur at the exposure, attention, comprehension, or retention stage of perception, as shown in Figure 4-4.

**Selective Perception** **Selective exposure** occurs as consumers choose whether or not to make themselves available to information. For example, a viewer of a television show may change channels or leave the room during commercial breaks.

**Selective attention** occurs when the consumer chooses to focus attention on certain stimuli while excluding others. One study of selective attention estimates the typical consumer is exposed to nearly 1,500 ads per day yet perceives only 76 of these messages.<sup>11</sup> Other estimates range as high as 3,000 exposures per day. This means advertisers must make considerable effort to get their messages noticed. Advertisers often use the creative aspects of their ads to gain consumers' attention. For example, some advertisers set their ads off from others by showing their products in color against a black-and-white background (Exhibit 4-9). This creative tactic has been used in advertising for many products, among them Cherry 7UP, Nuprin, and Pepto-Bismol.<sup>12</sup>

Even if the consumer does notice the advertiser's message, there is no guarantee it will be interpreted in the intended manner. Consumers may engage in **selective comprehension**, interpreting information on the basis of their own attitudes, beliefs, motives, and experiences. They often interpret information in a manner that supports their own position. For example, an ad that disparages a consumer's favorite brand may be seen as biased or untruthful, and its claims may not be accepted.

The final screening process shown in Figure 4-4 is **selective retention**, which means consumers do not remember all the information they see, hear, or read even after attending to and comprehending it. Advertisers attempt to make sure information will be retained in the consumer's memory so that it will be available when it is time to make a purchase. **Mnemonics** such as symbols, rhymes, associations, and images that assist in the learning and memory process are helpful. Many advertisers use telephone numbers that spell out the company name and are easy to remember. Eveready put pictures of its pink bunny on packages to remind consumers at the point of purchase of its creative advertising.

**Exhibit 4-9** Tropicana attempts to create attention with this ad



**Subliminal Perception** Advertisers know consumers use selective perception to filter out irrelevant or unwanted advertising messages, so they employ various creative tactics to get their messages noticed. One controversial tactic advertisers have been accused of using is appealing to consumers' subconscious. **Subliminal perception** refers to the ability to perceive a stimulus that is below the level of conscious awareness. Psychologists generally agree it is possible to perceive things without being consciously aware of them.

As you might imagine, the possibility of using hidden persuaders such as subliminal audio messages or visual cues to influence consumers might be intriguing to advertisers but would not be welcomed by consumers. The idea of marketers influencing consumers at a subconscious level has strong ethical implications. Ethical Perspective 4-2 discusses researchers' mixed opinions as to whether subliminal messages are likely to be effective in influencing consumer behavior. The use of subliminal techniques is *not* a creative tactic we would recommend to advertisers.

## Alternative Evaluation

After acquiring information during the information search stage of the decision process, the consumer moves to alternative evaluation. In this stage, the consumer compares the various brands or products and

## ETHICAL PERSPECTIVE 4-2

## Subliminal Rats or Purely Coincidence?

One of the most controversial topics in all of advertising is subliminal advertising. Rooted in psychoanalytic theory, subliminal advertising supposedly influences consumer behaviors by subconsciously altering perceptions or attitudes toward products without the knowledge—or consent—of the consumer. Marketers have promoted subliminal self-help audiotapes, weight-loss videos, and golf game improvement tapes. Studies have shown that the majority of American consumers believe that advertisers sometimes use subliminal advertising and that it works.

The controversy hit national proportions in the last presidential election. In the Bush-Gore campaign, Democratic officials and some advertising experts accused the Republican National Committee of running a subliminal advertisement on television by having the phrase “bureaucrats decide” flashing around the screen and then, in larger print, flashing the word “rats” for a fraction of a second while an announcer criticized candidate Gore’s Medicare plan. Republicans argued that the word appeared for one-thirtieth of a second on only one frame out of 900 and was purely an accident. Advertising analysts, including two experts on political advertising, disagreed, contending that there is no way such a thing could happen by accident. At least one noted that the word was “carefully superimposed.” A Federal Communications Commission (FCC) investigation concluded that no further action would be taken.

The concept of subliminal advertising was introduced in 1957 when James Vicary, a motivational researcher, reported that he increased the sales of popcorn and Coke by subliminally flashing “Eat popcorn” and “Drink Coca-Cola” across the screen during a movie in New Jersey. Since then, numerous books and research studies have been published regarding the effectiveness of this advertising form. Some of these have reported on the use of this technique by advertisers to manipulate consumers.

Numerous articles have reviewed the research in this area. Timothy Moore, after reviewing the literature three times (1982, 1988, 1992), has concluded that there is no evidence to support the fact that subliminal messages can affect consumers’ motivations, perceptions, or attitudes. Joel Saegart and Jack Haberstroh have supported Moore’s conclusions in their studies. On the other hand, in 1994 Kathryn Theus concluded after an extensive review of the literature that “certain themes might be effectively applied by advertising or marketing specialists.”

In more recent writings, opposite positions are again taken. In a study conducted in Australia by an ad



agency and Mindtec (a consulting firm), 12 groups of television viewers were hypnotized and asked questions about specific commercials and programs. According to the study, 75 percent of the hypnotized subjects stated that sexy images were the main attraction for viewing, as opposed to only 22 percent of the nonhypnotized subjects. The researchers were surprised by the subliminal details that hypnotized participants were able to recall. In the ads, names and slogans that were visible only when the commercial was paused had high levels of recall, even when the brands recalled were not those being advertised. On the other hand, in his book, *Ice Cube Sex: The Truth about Subliminal Advertising*, Haberstroh reviews research and discussions with practitioners and concludes that subliminal advertising does not influence consumer behaviors, advertising recall, attitudes, or any other marketplace behavior.

When Haberstroh asked ad agency executives if they had ever deliberately used subliminal advertising, 96 percent said no, 94 percent said they had never supervised the use of implants, and 91 percent denied knowing anyone who had ever used this technique. A study by Rogers and Seiler supported these results, with over 90 percent denying any use of subliminal implants.

Going even further, Haberstroh contends that subliminal advertising does not even exist except for a few pranksters playing around with artwork for fun. But not so fast! Fashion retailer French Connection is not only employing subliminal advertising but incorporating it into a tagline. Using print and posters, the tagline “subliminal advertising experiment” is arranged in such a way as to spell out the word *sex* if one reads vertically. Likewise, Master Lock has become the first company to run a one-second national print commercial. The goal of the ad is to reinforce the brand name. And, in upstate New York, a personal-injury lawyer paid \$35 each for one-second spots in an attempt to gain new clients. At this time, no one knows if any of these efforts have been successful.



Thus, while most consumers believe subliminal techniques are used and effective, researchers are divided as to their effects. It seems few people in the advertising world think subliminal advertising works and even fewer claim to use it, but there are still those who feel they are wrong. Will there ever be an end to this controversy?

Sources: "Hypnosis Reveals Ad Effects," *Adweek Asia*, Jan. 29, 1999, p. 4; "Breaking French Connection," *Ad Age*, Mar. 22, 1999, p. 52; "Blink of an Ad," *Time*, Aug. 3, 1998, p. 51; Jack Haberstroh, *Ice Cube Sex: The Truth about Subliminal Advertising*, New York Times Pub-

lishing, 1996; Kathryn Theus, "Subliminal Advertising and the Psychology of Processing Unconscious Stimuli: A Review of Research," *Psychology & Marketing* 11, no. 3, 1994, pp. 271-90; Timothy Moore, "Subliminal Advertising: What You See Is What You Get," *Journal of Marketing* 46, no. 2 (Spring 1982), pp. 38-47; Timothy Moore, "The Case against Subliminal Manipulation," *Psychology and Marketing* 5, no. 4 (Winter 1988), pp. 297-316; Kalpana Srinivasan, "FCC Ends Probe on Republican Ad," *www.individual.com*, Mar. 12, 2001, pp. 1-2; George E. Condon Jr. and Toby Eckert, "Flap over 'RATS' Latest to Plague Bush's Drive," *San Diego Tribune*, Sept. 13, 2000, p. A1; Bob Garfield, "Subliminal Seduction and Other Urban Myths," *Advertising Age*, Sept. 18, 2000, p. 4.

services he or she has identified as being capable of solving the consumption problem and satisfying the needs or motives that initiated the decision process. The various brands identified as purchase options to be considered during the alternative evaluation process are referred to as the consumer's *evoked set*.

**The Evoked Set** The evoked set is generally only a subset of all the brands of which the consumer is aware. The consumer reduces the number of brands to be reviewed during the alternative evaluation stage to a manageable level. The exact size of the evoked set varies from one consumer to another and depends on such factors as the importance of the purchase and the amount of time and energy the consumer wants to spend comparing alternatives.

The goal of most advertising and promotional strategies is to increase the likelihood that a brand will be included in the consumer's evoked set and considered during alternative evaluation. Marketers use advertising to create *top-of-mind awareness* among consumers so that their brands are part of the evoked set of their target audiences. Popular brands with large advertising budgets use *reminder advertising* to maintain high awareness levels and increase the likelihood they will be considered by consumers in the market for the product. Marketers of new brands or those with a low market share need to gain awareness among consumers and break into their evoked sets. The ad promoting Spokane as a better place to live and do business (Exhibit 4-10) shows this strategy being used in a different context from products and brands. The ad presents the many benefits of Spokane and encourages prospective businesses to consider it in their evoked set of places to locate or relocate.

Advertising is a valuable promotional tool for creating and maintaining brand awareness and making sure a brand is included in the evoked set. However, marketers also work to promote their brands in the actual environment where purchase decisions are made. Point-of-purchase materials and promotional techniques such as in-store sampling, end-aisle displays, or shelf tags touting special prices encourage consumers to consider brands that may not have initially been in their evoked set.

**Evaluative Criteria and Consequences** Once consumers have identified an evoked set and have a list of alternatives, they must evaluate the various brands. This involves comparing the choice alternatives on specific criteria important to the consumer. **Evaluative criteria** are the dimensions or attributes of a product or service that are used to compare different alternatives. Evaluative criteria can be objective or subjective. For example, in buying an automobile, consumers use objective attributes such as price, warranty, and fuel economy as well as subjective factors such as image, styling, and performance.

**Exhibit 4-10** Spokane wants to be in the evoked set of business locations





Evaluative criteria are usually viewed as product or service attributes. Many marketers view their products or services as *bundles of attributes*, but consumers tend to think about products or services in terms of their *consequences* instead. J. Paul Peter and Jerry Olson define consequences as specific events or outcomes that consumers experience when they purchase and/or consume a product or service.<sup>13</sup> They distinguish between two broad types of consequences. **Functional consequences** are concrete outcomes of product or service usage that are tangible and directly experienced by consumers. The taste of a soft drink or a potato chip, the acceleration of a car, and the clarity of a fax transmission are examples of functional consequences. **Psychosocial consequences** are abstract outcomes that are more intangible, subjective, and personal, such as how a product makes you feel or how you think others will view you for purchasing or using it.

Marketers should distinguish between product/service attributes and consequences, because the importance and meaning consumers assign to an attribute are usually determined by its consequences for them. Moreover, advertisers must be sure consumers understand the link between a particular attribute and a consequence. For example, the Callaway golf ad in Exhibit 4-11 focuses on the consequences of using the new Hawkeye VFT Clubs, such as getting the ball airborne with less effort. Notice how the detail drawings reinforce that the clubs can help golfers enjoy the game more.

Product/service attributes and the consequences or outcomes consumers think they will experience from a particular brand are very important, for they are often the basis on which consumers form attitudes and purchase intentions and decide among various choice alternatives. Two subprocesses are very important during the alternative evaluation stage: (1) the process by which consumer attitudes are created, reinforced, and changed and (2) the decision rules or integration strategies consumers use to compare brands and make purchase decisions. We will examine each of these processes in more detail.



**Exhibit 4-11** This ad emphasizes the positive consequences of using Callaway golf clubs

## Attitudes

Attitudes are one of the most heavily studied concepts in consumer behavior. According to Gordon Allport's classic definition, "attitudes are learned predispositions to respond to an object."<sup>14</sup> More recent perspectives view attitudes as a summary construct that represents an individual's overall feelings toward or evaluation of an object.<sup>15</sup> Consumers hold attitudes toward a variety of objects that are important to marketers, including individuals (celebrity endorsers such as Tiger Woods or Andre Agassi), brands (Cheerios, Kix), companies (Intel, Microsoft), product categories (beef, pork, tuna), retail stores (Kmart, Sears), or even advertisements (Nike ads).

Attitudes are important to marketers because they theoretically summarize a consumer's evaluation of an object (or brand or company) and represent positive or negative feelings and behavioral tendencies. Marketers' keen interest in attitudes is based on the assumption that they are related to consumers' purchase behavior. Considerable evidence supports the basic assumption of a relationship between attitudes and behavior.<sup>16</sup> The attitude-behavior link does not always hold; many other factors can affect behavior.<sup>17</sup> But attitudes are very important to marketers. Advertising and promotion are used to create favorable attitudes toward new products/services or brands, reinforce existing favorable attitudes, and/or change negative attitudes. An approach to studying and measuring attitudes that is particularly relevant to advertising is multiattribute attitude models.

**Multiattribute Attitude Models** Consumer researchers and marketing practitioners have been using multiattribute attitude models to study consumer attitudes for two decades.<sup>18</sup> A **multiattribute attitude model** views an attitude object, such as a product or brand, as possessing a number of attributes that provide the basis on which consumers form their attitudes. According to this model, consumers have beliefs about

specific brand attributes and attach different levels of importance to these attributes. Using this approach, an attitude toward a particular brand can be represented as

$$A_B = \sum_{i=1}^n B_i \times E_i$$

where

$A_B$  = attitude toward a brand

$B_i$  = beliefs about the brand's performance on attribute  $i$

$E_i$  = importance attached to attribute  $i$

$n$  = number of attributes considered

For example, a consumer may have beliefs ( $B_i$ ) about various brands of toothpaste on certain attributes. One brand may be perceived as having fluoride and thus preventing cavities, tasting good, and helping control tartar buildup. Another brand may not be perceived as having these attributes, but consumers may believe it performs well on other attributes such as freshening breath and whitening teeth.

To predict attitudes, one must know how much importance consumers attach to each of these attributes ( $E_i$ ). For example, parents purchasing toothpaste for their children may prefer a brand that performs well on cavity prevention, a preference that leads to a more favorable attitude toward the first brand. Teenagers and young adults may prefer a brand that freshens their breath and makes their teeth white and thus prefer the second brand.

Consumers may hold a number of different beliefs about brands in any product or service category. However, not all of these beliefs are activated in forming an attitude. Beliefs concerning specific attributes or consequences that are activated and form the basis of an attitude are referred to as **salient beliefs**. Marketers should identify and understand these salient beliefs. They must also recognize that the saliency of beliefs varies among different market segments, over time, and across different consumption situations.

**Attitude Change Strategies** Multiattribute models help marketers understand and diagnose the underlying basis of consumers' attitudes. By understanding the beliefs that underlie consumers' evaluations of a brand and the importance of various attributes or consequences, the marketer is better able to develop communication strategies for creating, changing, or reinforcing brand attitudes. The multiattribute model provides insight into several ways marketers can influence consumer attitudes, including:

- Increasing or changing the strength or belief rating of a brand on an important attribute (Southwest Airlines has the most on-time arrivals).
- Changing consumers' perceptions of the importance or value of an attribute (demonstrating safety in Mercedes' ads).
- Adding a new attribute to the attitude formation process (American Airlines' increased leg room).
- Changing perceptions of belief ratings for a competing brand (Volvo's ads that show Volvo as stylish).

The first strategy is commonly used by advertisers. They identify an attribute or consequence that is important and remind consumers how well their brand performs on this attribute. In situations where consumers do not perceive the marketer's brand as possessing an important attribute or the belief strength is low, advertising strategies may be targeted at changing the belief rating. Even when belief strength is high, advertising may be used to increase the rating of a brand on an important attribute. BMW's "The Ultimate Driving Machine" campaign is a good example of a strategy designed to create a belief and reinforce it through advertising.

Marketers often attempt to influence consumer attitudes by changing the relative importance of a particular attribute. This second strategy involves getting consumers to attach more importance to the attribute in forming their attitude toward the brand. Marketers using this strategy want to increase the importance of an attribute their particular brand has.

The third strategy for influencing consumer attitudes is to add or emphasize a new attribute that consumers can use in evaluating a brand. Marketers often do this by improving their products or focusing on additional benefits or consequences associated with using the brand. Exhibit 4-12 shows how Panasonic is introducing wireless technology in an attempt to influence consumers' attitudes.

A final strategy marketers use is to change consumer beliefs about the attributes of competing brands or product categories. This strategy has become much more common with the increase in comparative advertising, where marketers compare their brands to competitors' on specific product attributes. An example of this is the Progresso ad shown in Exhibit 4-13, where the company compares what it has to offer to what Campbell's offers.

## Integration Processes and Decision Rules

Another important aspect of the alternative evaluation stage is the way consumers combine information about the characteristics of brands to arrive at a purchase decision. **Integration processes** are the way product knowledge, meanings, and beliefs are combined to evaluate two or more alternatives.<sup>19</sup> Analysis of the integration process focuses on the different types of *decision rules* or strategies consumers use to decide among purchase alternatives.

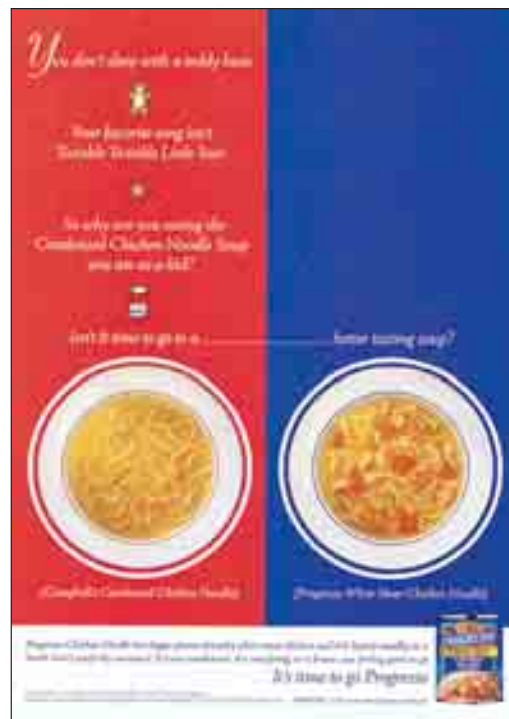
Consumers often make purchase selections by using formal integration strategies or decision rules that require examination and comparison of alternatives on specific attributes. This process involves a very deliberate evaluation of the alternatives, attribute by attribute. When consumers apply such formal decision rules, marketers need to know which attributes are being considered so as to provide the information the consumers require.

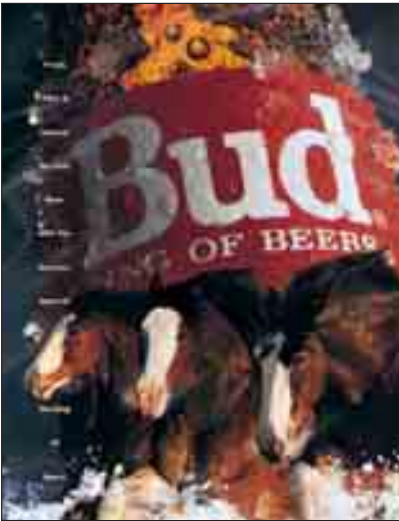
Sometimes consumers make their purchase decisions using more simplified decision rules known as **heuristics**. Peter and Olson note that heuristics are easy to use and are highly adaptive to specific environmental situations (such as a retail store).<sup>20</sup> For familiar products that are purchased frequently, consumers may use price-based heuristics (buy the least expensive brand) or promotion-based heuristics (choose the

**Exhibit 4-12** Panasonic adds a new attribute for customers to consider



**Exhibit 4-13** Progresso compares its products to those offered by Campbell's





**Exhibit 4-14** Market leaders such as Budweiser can appeal to consumer affect

brand for which I can get a price reduction through a coupon, rebate, or special deal).

One type of heuristic is the **affect referral decision rule**,<sup>21</sup> in which consumers make a selection on the basis of an overall impression or summary evaluation of the various alternatives under consideration. This decision rule suggests that consumers have affective impressions of brands stored in memory that can be accessed at the time of purchase. How many times have you gone into a store and made purchases based on your overall impressions of the brands rather than going through detailed comparisons of the alternatives' specific attributes?

Marketers selling familiar and popular brands may appeal to an affect referral rule by stressing overall affective feelings or impressions about their products. Market leaders, whose products enjoy strong overall brand images, often use ads that promote the brand as the best overall. Pepsi's "Joy of Pepsi," Jeep's "There's only one," and Budweiser's "The king of beers" are all examples of this strategy (Exhibit 4-14).

## Purchase Decision

At some point in the buying process, the consumer must stop searching for and evaluating information about alternative brands in the evoked set and make a *purchase decision*. As an outcome of the alternative evaluation stage, the consumer may develop a **purchase intention** or predisposition to buy a certain brand. Purchase intentions are generally based on a matching of purchase motives with attributes or characteristics of brands under consideration. Their formation involves many of the personal subprocesses discussed in this chapter, including motivation, perception, attitude formation, and integration.

A purchase decision is not the same as an actual purchase. Once a consumer chooses which brand to buy, he or she must still implement the decision and make the actual purchase. Additional decisions may be needed, such as when to buy, where to buy, and how much money to spend. Often, there is a time delay between the formation of a purchase intention or decision and the actual purchase, particularly for highly involved and complex purchases such as automobiles, personal computers, and consumer durables.

For nondurable products, which include many low-involvement items such as consumer package goods, the time between the decision and the actual purchase may be short. Before leaving home, the consumer may make a shopping list that includes specific brand names because the consumer has developed **brand loyalty**—a preference for a particular brand that results in its repeated purchase. Marketers strive to develop and maintain brand loyalty among consumers. They use reminder advertising to keep their brand names in front of consumers, maintain prominent shelf positions and displays in stores, and run periodic promotions to deter consumers from switching brands.

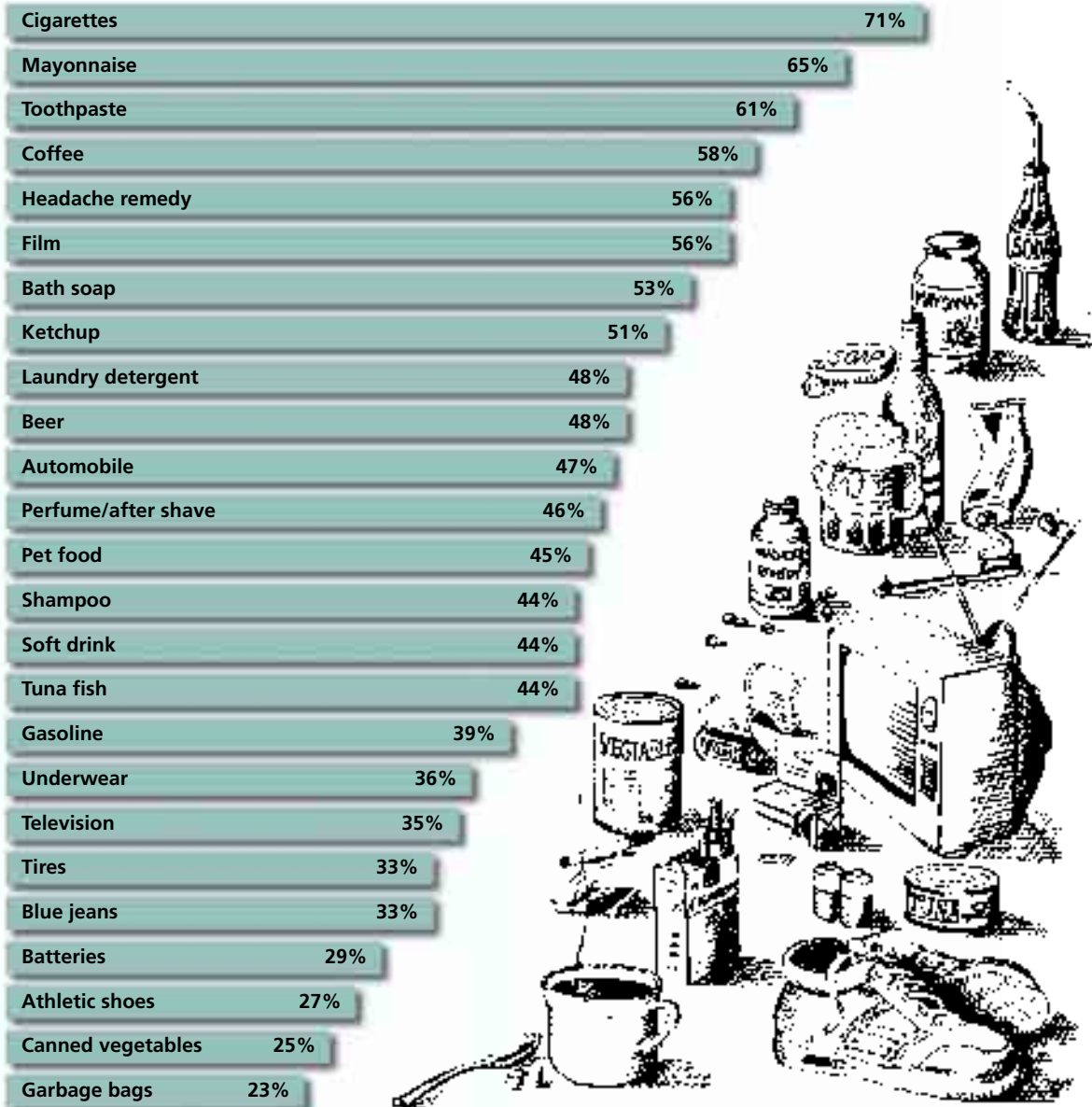
Maintaining consumers' brand loyalty is not easy. Competitors use many techniques to encourage consumers to try their brands, among them new product introductions and free samples. As Figure 4-5 shows, for many products fewer than 50 percent of consumers are loyal to one brand. Marketers must continually battle to maintain their loyal consumers while replacing those who switch brands.

Purchase decisions for nondurable, convenience items sometimes take place in the store, almost simultaneous with the purchase. Marketers must ensure that consumers have top-of-mind awareness of their brands so that they are quickly recognized and considered. These types of decisions are influenced at the actual point of purchase. Packaging, shelf displays, point-of-purchase materials, and promotional tools such as on-package coupons or premium offers can influence decisions made through constructive processes at the time of purchase.

## Postpurchase Evaluation

The consumer decision process does not end with the purchase. After using the product or service, the consumer compares the level of performance with expectations and is either satisfied or dissatisfied. *Satisfaction* occurs when the consumer's expectations



**Figure 4-5** Faithful or fickle? Percentage of users of these products who are loyal to one brand

are either met or exceeded; *dissatisfaction* results when performance is below expectations. The postpurchase evaluation process is important because the feedback acquired from actual use of a product will influence the likelihood of future purchases. Positive performance means the brand is retained in the evoked set and increases the likelihood it will be purchased again. Unfavorable outcomes may lead the consumer to form negative attitudes toward the brand, lessening the likelihood it will be purchased again or even eliminating it from the consumer's evoked set.

Another possible outcome of purchase is **cognitive dissonance**, a feeling of psychological tension or postpurchase doubt that a consumer experiences after making a difficult purchase choice. Dissonance is more likely to occur in important decisions where the consumer must choose among close alternatives (especially if the unchosen alternative has unique or desirable features that the selected alternative does not have).

Consumers experiencing cognitive dissonance may use a number of strategies to attempt to reduce it. They may seek out reassurance and opinions from others to confirm





**Exhibit 4-15** UUNET attempts to capitalize on consumer dissatisfaction

the wisdom of their purchase decision, lower their attitudes or opinions of the unchosen alternative, deny or distort any information that does not support the choice they made, or look for information that does support their choice. An important source of supportive information is advertising; consumers tend to be more attentive to advertising for the brand they have chosen.<sup>22</sup> Thus, it may be important for companies to advertise to reinforce consumer decisions to purchase their brands.

Marketers must recognize the importance of the postpurchase evaluation stage. Dissatisfied consumers who experience dissonance not only are unlikely to repurchase the marketer's product but may also spread negative word-of-mouth information that deters others from purchasing the product or service. The best guarantee of favorable postpurchase evaluations is to provide consumers with a quality product or service that always meets their expectations. Marketers must be sure their advertising and other forms of promotion do not create unreasonable expectations their products cannot meet.

Marketers have come to realize that postpurchase communication is also important. Some companies send follow-up letters and brochures to reassure buyers and reinforce the wisdom of their decision. Many companies have set up toll-free numbers or e-mail addresses for consumers to call if they need information or have a question or complaint regarding a product. Marketers also offer liberalized return and refund policies and extended warranties and guarantees to ensure customer satisfaction. Some have used customers' postpurchase dissatisfaction as an opportunity for gaining new business, as is reflected in the ad for UUNET (Exhibit 4-15).

## Variations in Consumer Decision Making

The preceding pages describe a general model of consumer decision making. But consumers do not always engage in all five steps of the purchase decision process or proceed in the sequence presented. They may minimize or even skip one or more stages if they have previous experience in purchasing the product or service or if the decision is of low personal, social, or economic significance. To develop effective promotional strategies and programs, marketers need some understanding of the problem-solving processes their target consumers use to make purchase decisions.<sup>23</sup>

Many of the purchase decisions we make as consumers are based on a habitual or routine choice process. For many low-priced, frequently purchased products, the decision process consists of little more than recognizing the problem, engaging in a quick internal search, and making the purchase. The consumer spends little or no effort engaging in external search or alternative evaluation.

Marketers of products characterized by a routine response purchase process need to get and/or keep their brands in the consumer's evoked set and avoid anything that may result in their removal from consideration. Established brands that have strong market share position are likely to be in the evoked set of most consumers. Marketers of these brands want consumers to follow a routine choice process and continue to purchase their products. This means maintaining high levels of brand awareness through reminder advertising, periodic promotions, and prominent shelf positions in retail stores.

Marketers of new brands or those with a low market share face a different challenge. They must find ways to disrupt consumers' routine choice process and get them to consider different alternatives. High levels of advertising may be used to encourage trial or brand switching, along with sales promotion efforts in the form of free samples, special price offers, high-value coupons, and the like.

A more complicated decision-making process may occur when consumers have limited experience in purchasing a particular product or service and little or no knowledge of the brands available and/or the criteria to use in making a purchase decision. They may have to learn what attributes or criteria should be used in making a purchase decision and how the various alternatives perform on these dimensions. For products or services characterized by problem solving, whether limited or extensive, marketers should make information available that will help consumers decide. Advertising that provides consumers with detailed information about a brand and

how it can satisfy their purchase motives and goals is important. Marketers may also want to give consumers information at the point of purchase, through either displays or brochures. Distribution channels should have knowledgeable salespeople available to explain the features and benefits of the company's product or service and why it is superior to competing products.

The Fidelity Investments ad in Exhibit 4-16 is a good example of how advertising can appeal to consumers who may be engaging in extended problem solving when considering retirement investing. Notice how the ad communicates with consumers who may feel they know little about how to plan for retirement. The ad helps the consumer by offering expert advice and planning a variety of options. The ad also makes more detailed information available by offering a toll-free number and a website.

## The Consumer Learning Process

The discussion of the decision process shows that the way consumers make a purchase varies depending on a number of factors, including the nature of the product or service, the amount of experience they have with the product, and the importance of the purchase. One factor in the level of problem solving to be employed is the consumer's *involvement* with the product or brand. Chapter 5 examines the meaning of involvement, the difference between low- and high-involvement decision making, and the implications of involvement for developing advertising and promotional strategies.

Our examination of consumer behavior thus far has looked at the decision-making process from a *cognitive orientation*. The five-stage decision process model views the consumer as a problem solver and information processor who engages in a variety of mental processes to evaluate various alternatives and determine the degree to which they might satisfy needs or purchase motives. There are, however, other perspectives regarding how consumers acquire the knowledge and experience they use in making purchase decisions. To understand these perspectives, we examine various approaches to learning and their implications for advertising and promotion.

Consumer learning has been defined as "the process by which individuals acquire the purchase and consumption knowledge and experience they apply to future related behavior."<sup>24</sup> Two basic approaches to learning are the behavioral approach and cognitive learning theory.

### Behavioral Learning Theory

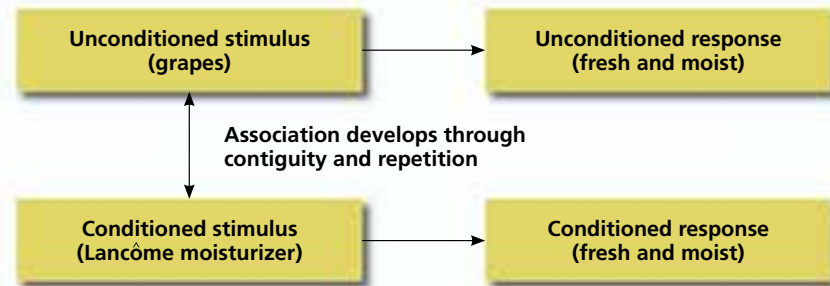
Behavioral learning theories emphasize the role of external, environmental stimuli in causing behavior; they minimize the significance of internal psychological processes. Behavioral learning theories are based on the *stimulus-response orientation* (S-R), the premise that learning occurs as the result of responses to external stimuli in the environment. Behavioral learning theorists believe learning occurs through the connection between a stimulus and a response. We will examine the basic principles of two behavioral learning theory approaches: classical conditioning and operant conditioning.

**Classical Conditioning** **Classical conditioning** assumes that learning is an *associative process* with an already existing relationship between a stimulus and a response. Probably the best-known example of this type of learning comes from the studies done with animals by the Russian psychologist Pavlov.<sup>25</sup> Pavlov noticed that at feeding times, his dogs would salivate at the sight of food. The connection between food and salivation is not taught; it is an innate reflex reaction. Because this relationship exists before the conditioning process, the food is referred to as an *unconditioned stimulus* and salivation is an *unconditioned response*. To see if salivation could be conditioned to occur in response to another neutral stimulus, Pavlov paired the ringing of a bell with the presentation of the food. After a number of trials, the dogs learned to salivate at the sound of the bell alone. Thus, the bell became a **conditioned stimulus** that elicited a **conditioned response** resembling the original unconditioned reaction.



**Exhibit 4-16** This ad for Fidelity Investments shows how marketers can appeal to consumers engaging in extended problem solving

**Figure 4-6** The classical conditioning process



Two factors are important for learning to occur through the associative process. The first is contiguity, which means the unconditioned stimulus and conditioned stimulus must be close in time and space. In Pavlov's experiment, the dog learns to associate the ringing of the bell with food because of the contiguous presentation of the two stimuli. The other important principle is *repetition*, or the frequency of the association. The more often the unconditioned and conditioned stimuli occur together, the stronger the association between them will be.

**Applying Classical Conditioning** Learning through classical conditioning plays an important role in marketing. Buyers can be conditioned to form favorable impressions and images of various brands through the associative process. Advertisers strive to associate their products and services with perceptions, images, and emotions known to evoke positive reactions from consumers. Many products are promoted through image advertising, in which the brand is shown with an unconditioned stimulus that elicits pleasant feelings. When the brand is presented simultaneously with this unconditioned stimulus, the brand itself becomes a conditioned stimulus that elicits the same favorable response.

Figure 4-6 provides a diagram of this process, and the ad for Lancôme in Exhibit 4-17 shows an application of this strategy. Notice how this ad associates Lancôme with the freshness and moisture of grapes. The brand's positioning plays off this association.

Classical conditioning can also associate a product or service with a favorable emotional state. A study by Gerald Gorn used this approach to examine how background music in ads influences product choice.<sup>26</sup> He found that subjects were more likely to choose a product when it was presented against a background of music they liked

**Exhibit 4-17** Lancôme associates itself with moisture



rather than music they disliked. These results suggest the emotions generated by a commercial are important because they may become associated with the advertised product through classical conditioning. Kellaris and colleagues also showed that music that was congruent with the message enhanced both ad recall and recognition.<sup>27</sup> Richard Yalch also has demonstrated that music can be used effectively as a mnemonic device to enhance the recall of advertising slogans. Advertisers often attempt to pair a neutral product or service stimulus with an event or situation that arouses positive feelings, such as humor, an exciting sports event, or popular music.

**Operant Conditioning** Classical conditioning views the individual as a passive participant in the learning process who simply receives stimuli. Conditioning occurs as a result of exposure to a stimulus that occurs before the response. In the **operant conditioning** approach, the individual must actively *operate* or act on some aspect of the environment for learning to occur. Operant conditioning is sometimes referred to as *instrumental conditioning* because the individual's response is instrumental in getting a positive reinforcement (reward) or negative reinforcement (punishment).

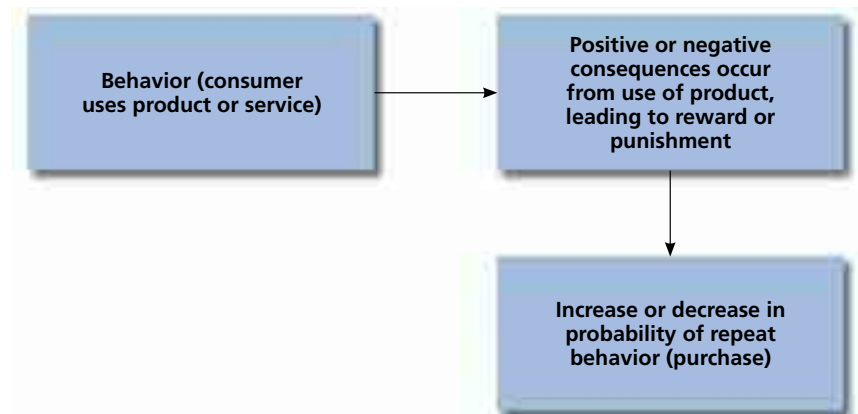
**Reinforcement**, the reward or favorable consequence associated with a particular response, is an important element of instrumental conditioning. Behavior that is reinforced strengthens the bond between a stimulus and a response. Thus, if a consumer buys a product in response to an ad and experiences a positive outcome, the likelihood that the consumer will use this product again increases. If the outcome is not favorable, the likelihood of buying the product again decreases.

The principles of operant conditioning can be applied to marketing, as shown in Figure 4-7. Companies attempt to provide their customers with products and services that satisfy their needs and reward them to reinforce the probability of repeat purchase. Reinforcement can also be implied in advertising; many ads emphasize the benefits or rewards a consumer will receive from using a product or service. Reinforcement also occurs when an ad encourages consumers to use a particular product or brand to avoid unpleasant consequences. For example, the ad for Energizer batteries in Exhibit 4-18 shows how using this product will help avoid negative consequences—that is, being without a working cell phone when you need it.

Two concepts that are particularly relevant to marketers in their use of reinforcement through promotional strategies are schedules of reinforcement and shaping. Different **schedules of reinforcement** result in varying patterns of learning and behavior. Learning occurs most rapidly under a *continuous reinforcement schedule*, in which every response is rewarded—but the behavior is likely to cease when the reinforcement stops. Marketers must provide continuous reinforcement to consumers or risk their switching to brands that do.



**Exhibit 4-18** This Energizer batteries ad shows how to avoid negative consequences



**Figure 4-7** Instrumental conditioning in marketing



Learning occurs more slowly but lasts longer when a *partial* or *intermittent reinforcement schedule* is used and only some of the individual's responses are rewarded. Promotional programs have partial reinforcement schedules. A firm may offer consumers an incentive to use the company's product. The firm does not want to offer the incentive every time (continuous reinforcement), because consumers might become dependent on it and stop buying the brand when the incentive is withdrawn. A study that examined the effect of reinforcement on bus ridership found that discount coupons given as rewards for riding the bus were as effective when given on a partial schedule as when given on a continuous schedule.<sup>28</sup> The cost of giving the discount coupons under the partial schedule, however, was considerably less.

Reinforcement schedules can also be used to influence consumer learning and behavior through a process known as **shaping**, the reinforcement of successive acts that lead to a desired behavior pattern or response. Rothschild and Gaidis argue that shaping is a very useful concept for marketers:

Shaping is an essential process in deriving new and complex behavior because a behavior cannot be rewarded unless it first occurs; a stimulus can only reinforce acts that already occur. New, complex behaviors rarely occur by chance in nature. If the only behavior to be rewarded were the final complex sought behavior, one would probably have to wait a long time for this to occur by chance. Instead, one can reward simpler existing behaviors; over time, more complex patterns evolve and these are rewarded. Thus the shaping process occurs by a method of successive approximations.<sup>29</sup>

In a promotional context, shaping procedures are used as part of the introductory program for new products. Figure 4-8 provides an example of how samples and discount coupons can be used to introduce a new product and take a consumer from trial to repeat purchase. Marketers must be careful in their use of shaping procedures: If they drop the incentives too soon, the consumer may not establish the desired behavior; but if they overuse them, the consumer's purchase may become contingent on the incentive rather than the product or service.

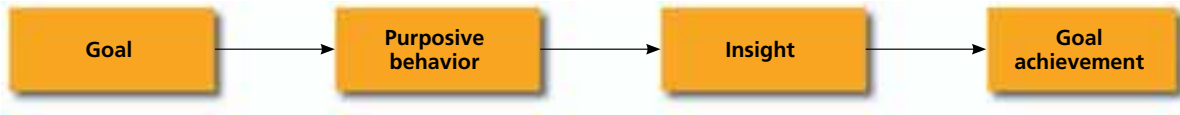
## Cognitive Learning Theory

Behavioral learning theories have been criticized for assuming a mechanistic view of the consumer that puts too much emphasis on external stimulus factors. They ignore internal psychological processes such as motivation, thinking, and perception; they

**Figure 4-8** Application of shaping procedures in marketing

Terminal Goal: Repeat Purchase Behavior		
Approximation Sequence	Shaping Procedure	Reinforcement Applied
Induce product trial	Free samples distributed; large discount coupon	Product performance; coupon
Induce purchase with little financial obligation	Discount coupon prompts purchase with little cost; coupon good for small discount on next purchase enclosed	Product performance; coupon
Induce purchase with moderate financial obligation	Small discount coupon prompts purchase with moderate cost	Product performance
Induce purchase with full financial obligation	Purchase occurs without coupon assistance	Product performance



**Figure 4-9** The cognitive learning process

assume that the external stimulus environment will elicit fairly predictable responses. Many consumer researchers and marketers disagree with the simplified explanations of behavioral learning theories and are more interested in the complex mental processes that underlie consumer decision making. The cognitive approach to studying learning and decision making has dominated the field of consumer behavior in recent years. Figure 4-9 shows how cognitive theorists view the learning process.

Since consumer behavior typically involves choices and decision making, the cognitive perspective has particular appeal to marketers, especially those whose product/service calls for important and involved purchase decisions. Cognitive processes such as perception, formation of beliefs about brands, attitude development and change, and integration are important to understanding the decision-making process for many types of purchases. The subprocesses examined during our discussion of the five-stage decision process model are all relevant to a cognitive learning approach to consumer behavior.

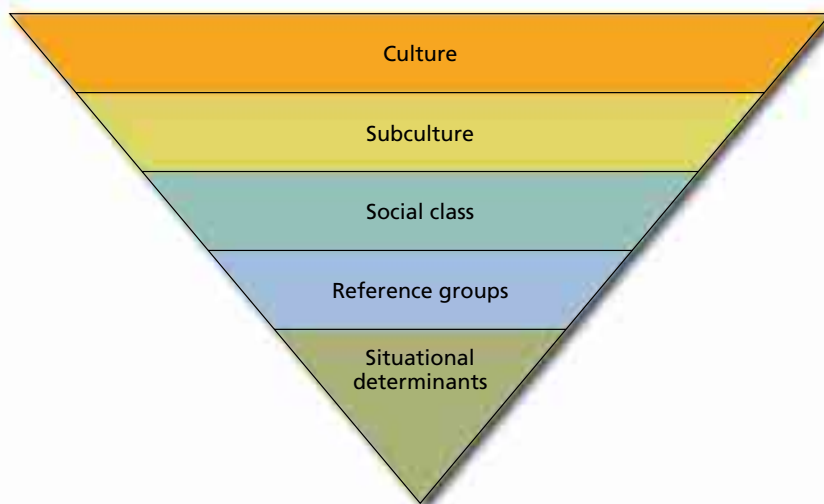
The consumer does not make purchase decisions in isolation. A number of external factors have been identified that may influence consumer decision making. They are shown in Figure 4-10 and examined in more detail in the next sections.

## Environmental Influences on Consumer Behavior

### Culture

The broadest and most abstract of the external factors that influence consumer behavior is **culture**, or the complexity of learned meanings, values, norms, and customs shared by members of a society. Cultural norms and values offer direction and guidance to members of a society in all aspects of their lives, including their consumption behavior. It is becoming increasingly important to study the impact of culture on consumer behavior as marketers expand their international marketing efforts. Each country has certain cultural traditions, customs, and values that marketers must understand as they develop marketing programs.

Marketers must also be aware of changes that may be occurring in a particular culture and the implications of these changes for their advertising and promotional strategies and programs. American culture continually goes through many changes that

**Figure 4-10** External influences on consumer behavior

have direct implications for advertising. Marketing researchers monitor these changes and their impact on the ways companies market their products and services.

While marketers recognize that culture exerts a demonstrable influence on consumers, they often find it difficult to respond to cultural differences in different markets. The subtleties of various cultures are often difficult to understand and appreciate, but marketers must understand the cultural context in which consumer purchase decisions are made and adapt their advertising and promotional programs accordingly.

## Subcultures

Within a given culture are generally found smaller groups or segments whose beliefs, values, norms, and patterns of behavior set them apart from the larger cultural mainstream. These **subcultures** may be based on age, geographic, religious, racial, and/or ethnic differences. A number of subcultures exist within the United States. The three largest racial/ethnic subcultures are African-Americans, Hispanics, and various Asian groups. These racial/ethnic subcultures are important to marketers because of their size, growth, purchasing power, and distinct purchasing patterns. Marketers develop specific marketing programs for various products and services for these target markets. The ads in Exhibit 4-19 are just two of the many specifically designed to appeal to U.S. subcultures—in these cases, blacks and Hispanics. Many others can easily be found that target teens, Generations X and Y, the elderly, and so on.

**Social Class** Virtually all societies exhibit some form of stratification whereby individuals can be assigned to a specific social category on the basis of criteria important to members of that society. **Social class** refers to relatively homogeneous divisions in a society into which people sharing similar lifestyles, values, norms, interests, and behaviors can be grouped. While a number of methods for determining social class exist, class structures in the United States are usually based on occupational status, educational attainment, and income. Sociologists generally agree there are three broad levels of social classes in the United States: the upper (14 percent), middle (70 percent), and lower (16 percent) classes.<sup>30</sup>

Social class is an important concept to marketers, since consumers within each social stratum often have similar values, lifestyles, and buying behavior. Thus, the various social class groups provide a natural basis for market segmentation. Consumers in the different social classes differ in the degree to which they use various products and services and in their leisure activities, shopping patterns, and media habits. Marketers respond to these differences through the positioning of their products and services, the

**Exhibit 4-19** Ads targeted to subcultures



media strategies they use to reach different social classes, and the types of advertising appeals they develop. The ad for New York Palace in Exhibit 4-20 shows how a product attempts to appeal to the upper classes in both copy and illustration.

## Reference Groups

Think about the last time you attended a party. As you dressed for the party, you probably asked yourself (or someone else) what others would be wearing. Your selection of attire may have been influenced by those likely to be present. This simple example reflects one form of impact that groups may exert on your behavior.

A group has been defined as “two or more individuals who share a set of norms, values, or beliefs and have certain implicitly or explicitly defined relationships to one another such that their behavior is interdependent.”<sup>31</sup> Groups are one of the primary factors influencing learning and socialization, and group situations constitute many of our purchase decisions.

A **reference group** is “a group whose presumed perspectives or values are being used by an individual as the basis for his or her judgments, opinions, and actions.” Consumers use reference groups as a guide to specific behaviors, even when the groups are not present.<sup>32</sup> In the party example, your peers—although not present—provided a standard of dress that you referred to in your clothing selection. Likewise, your college classmates, family, and co-workers, or even a group to which you aspire, may serve as referents, and your consumption patterns will typically conform to the expectations of the groups that are most important to you.

Marketers use reference group influences in developing advertisements and promotional strategies. The ads in Exhibit 4-21 are examples of *aspirational* reference groups (to which we might like to belong) and *disassociative* groups (to which we do not wish to belong), respectively.

## Family Decision Making: An Example of Group Influences

In some instances, the group may be involved more directly than just as a referent. Family members may serve as referents to each other, or they may actually be involved in the purchase decision process—acting as an individual buying unit. As shown in Figure 4-11, family members may assume a variety of roles in the decision-making process.<sup>33</sup> Each role has implications for marketers.

**The initiator.** The person responsible for initiating the purchase decision process; for example, the mother who determines she needs a new car.

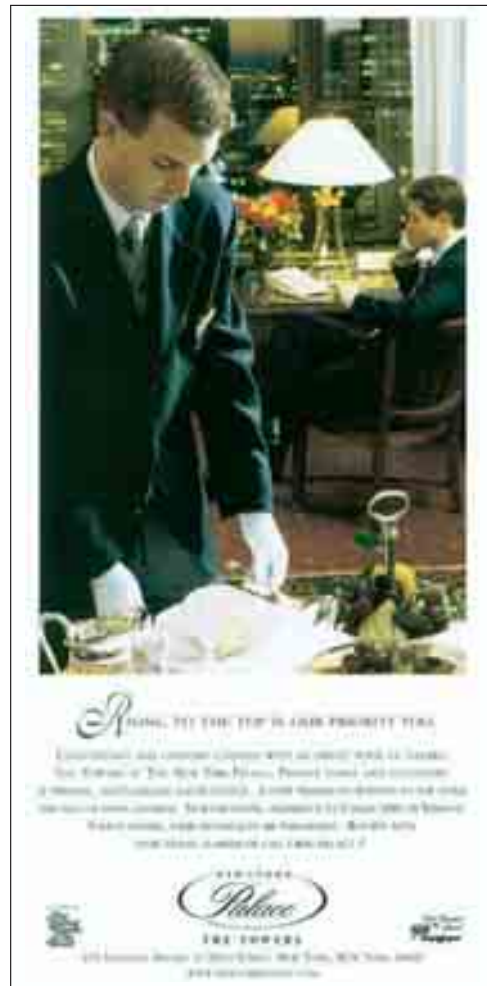
**The information provider.** The individual responsible for gathering information to be used in making the decision; for example, the teenage car buff who knows where to find product information in specific magazines or collects it from dealers.

**The influencer.** The person who exerts influence as to what criteria will be used in the selection process. All members of the family may be involved. The mother may have her criteria, whereas others may each have their own input.

**The decision maker(s).** That person(s) who actually makes the decision. In our example, it may be the mother alone or in combination with another family member.

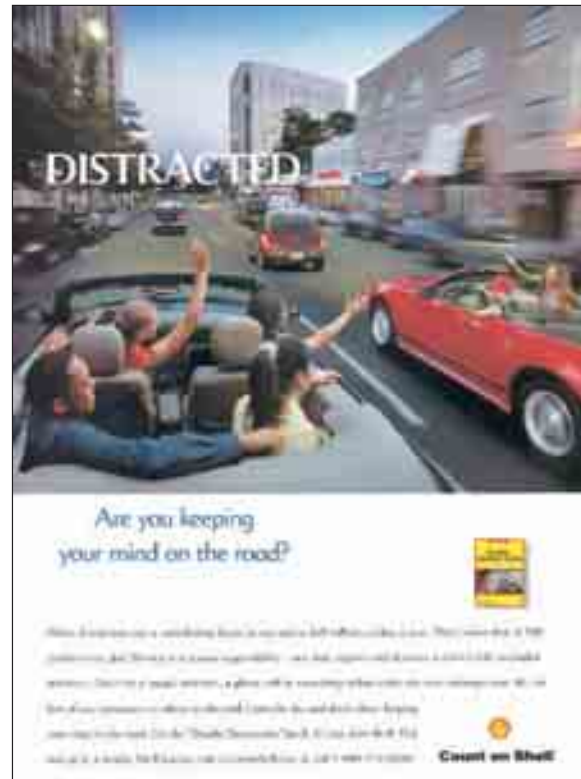
**The purchasing agent.** The individual who performs the physical act of making the purchase. In the case of a car, a husband and wife may decide to choose it together and sign the purchase agreement.

**The consumer.** The actual user of the product. In the case of a family car, all family members are consumers. For a private car, only the mother might be the consumer.



**Exhibit 4-20** New York Palace targets upper classes

**Figure 4-11** Roles in the family decision-making process



**Exhibit 4-21** The ad on the left shows an aspirational reference group; the one on the right stresses a disassociative reference group

First, the advertiser must determine who is responsible for the various roles in the decision-making process so messages can be targeted at that person (or those people). These roles will also dictate media strategies, since the appropriate magazines, newspapers, or TV or radio stations must be used. Second, understanding the decision-making process and the use of information by individual family members is critical to the design of messages and choice of promotional program elements. In sum, to create an effective promotional program, a marketer must have an overall understanding of how the decision process works and the role that each family member plays.

## Situational Determinants

The final external factor is the purchase and usage situation. The specific situation in which consumers plan to use the product or brand directly affects their perceptions, preferences, and purchasing behaviors.<sup>34</sup> Three types of **situational determinants** may have an effect: the specific usage situation, the purchase situation, and the communications situation.

*Usage* refers to the circumstance in which the product will be used. For example, purchases made for private consumption may be thought of differently from those that will be obvious to the public. The *purchase* situation more directly involves the environment operating at the time of the purchase. Time constraints, store environments, and other factors may all have an impact. The *communications* situation is the condition in which an advertising exposure occurs (in a car listening to the radio, with friends, etc.). This may be most relevant to the development of promotional strategies, because the impact on the consumer will vary according to the particular situation. For example, a consumer may pay more attention to a commercial that is heard alone at home than to one heard in the presence of friends, at work, or anywhere distractions may be present. If advertisers can isolate a particular time when the listener is likely to be attentive, they will probably earn his or her undivided attention.



In sum, situational determinants may either enhance or detract from the potential success of a message. To the degree that advertisers can assess situational influences that may be operating, they will increase the likelihood of successfully communicating with their target audiences.

In addition to the perspectives discussed, consumer researchers complement these psychological approaches with perspectives driven from other scientific disciplines, such as sociology, anthropology, philosophy, or history. These cross-disciplinary perspectives have broadened the realm of methodologies used to study consumers and have provided additional insights into consumer decision processes. IMC Perspective 4-3 provides a few examples of applications of these approaches.

## Alternative Approaches to Consumer Behavior

### New Methodologies

Whereas psychologists often study consumer responses to advertising and other forms of communication in controlled settings, where environmental variables can be kept constant, sociologists and anthropologists study behavior in context. For this reason, they often employ qualitative methodologies such as individual interviews, participant observation studies, and/or ethnographies. These methods help capture the social, cultural, and environmental influences that may affect consumer behavior.

The humanities have also been a source of new methodologies for consumer research. Historians and semioticians focus their analyses on the advertising messages and other forms of communications themselves. These researchers examine the significance of communications from a linguistic or historical perspective. Research methods such as semiotic and structural analyses examine the symbolic meanings of advertising and different facets of consumption.

### New Insights

These alternative perspectives and methodologies provide additional insights and expand our knowledge of consumers. For example, the cultural significance of advertising messages in shaping cultures and triggering communities is now better understood. Likewise, marketers now have a better understanding of how advertising campaigns like “Got Milk” become popular and help shape our culture. Thanks to the many interpretive analyses of advertisements over recent years, we are also more aware of the influence of advertising images on society.

Some consumer researchers believe that cross-disciplinary research is better suited for the study of consumers because it takes into account their complexity and multidimensionality. When considered along with psychological research, these alternative approaches help us better understand the impact of communications.



## IMC PERSPECTIVE 4-3

## Want to Name a Car or Develop an Ad Campaign? Try Archetype Research, Hypnosis, or Something Else Unconventional

Marketers are constantly trying to determine what goes on in the mind of consumers when they consider purchase decisions, view advertisements, and so on. Packages, brand names, ads, and commercials are commonly researched in an attempt to improve their likelihood of success. Surveys, focus groups, in-depth discussions, and a variety of other methods have been employed to find the “holy grail” of research that will provide insight into consumer’s minds. Recently some companies have turned to mind probing through less traditional methods, including hypnosis and “archetype research.”

Take DaimlerChrysler, for example. In searching for a “breakthrough” car, the company shunned traditional marketing research techniques and instead employed an unconventional approach known as *archetype research*. With billions of dollars of investments on the line, Chrysler recently shifted the bulk of its research to this methodology, which was developed by a French-born medical anthropologist, G. Clotaire Rapaille, whose previous work involved working with autistic children. To gain insights from deep inside consumers’ minds, Rapaille conducted three-hour focus group sessions, in which—with lights dimmed and mood music in the background—consumers were asked to look at a prototype of the newly designed PT Cruiser and to go far back into their childhood to discuss what emotions were evoked, as well as to write stories about their feelings. After the sessions, Rapaille and a team of Chrysler employees read the stories, looking for what they refer to as “reptilian hot buttons,” or nuggets of revealing emotions. According to Rapaille, remembering a new concept is dependent upon associating it with an emotion, and the more emotions evoked, the greater the likelihood of recall. The process led to significant design changes that resulted in a less-than-traditional-looking car that won an award as North America’s Car of the Year.

Actually, Chrysler was not the first to employ archetype research. Archetype research has also been applied to the

naming of SUVs. What comes to your mind when you hear Bronco, Cherokee, Wrangler, Blazer, Yukon, Navigator, or Denali? What about Tahoe, Explorer, Range Rover, or Bravada? As SUVs are increasingly adopted by women (men are going for trucks), it is important to convey some image of the vehicles that meets the target market’s needs—conscious or subconscious. According to archetype research, these SUV names conjure up the wilderness, ruggedness, and the new frontier. To women, the size and safety of these vehicles are what they need to compete in this “less than civilized” environment. Does it work? No other product class has seen greater growth over the last 10 years.

But don’t think that it’s only the auto companies that want to know what’s in your head. The list of subscribers to archetype research includes AT&T, Boeing, GE, Lego, Kellogg, and Samsonite, just to name a few. At least 10 years prior to Chrysler’s use of the technique, Procter & Gamble employed Rapaille to determine that aroma sells more coffee than taste because of the emotional ties to home. The Folger’s coffee ad in which a young soldier returns home and brews a pot of coffee that causes his sleeping mother to wake up and sense that he has returned is a direct result of that research. General Motors has also used this research methodology.

In an equally unconventional approach, California wine maker Domain Chandon and its ad agency D’Arcy



Masius Benton & Bowles of Los Angeles conducted focus groups of hypnotized consumers. In the groups, participants were asked to discuss their experiences and feelings about the first time they drank champagne and/or sparkling wine. According to Chandon and D'Arcy, traditional focus groups lead to "surface" discussions whereas drinking champagne involves more of an "inside"-driven and emotional response. By hypnotizing the participants, they felt they could get behind the barriers set up in conscious minds. The approach apparently worked; as noted by Diane Dreyer, senior VP at D'Arcy, some participants revealed romantic and sexual experiences that "I'm sure they wouldn't share in the waking state." The input from the groups was used in the development of a new advertising campaign that featured a sexual and passionate appeal, as well as a new logo. Essentially, the research led to a whole new positioning for the brand, with ads placed on billboards and in travel and epicurean magazines, as well as a move into e-commerce.

In his book *Why We Buy: The Science of Shopping*, retail consultant Paco Underhill attempts to explain

why consumers buy. With a degree in Chinese history, Underhill shifted his emphasis to environmental psychology and, like Rapaille, found the consulting world much more lucrative. Equating the modern-day shopper with the "hunter-gatherer" mentality of the past, he sees men as shopping because of an obsession with a single item. Women, on the other hand, look upon shopping as a social occasion that provides a sense of liberation. At the mall they can escape their husbands and families, exercise their judgments, and see and be seen. Is this what women did in the caveman days?

Traditional or not, millions of dollars are now being invested in previously unheard-of techniques. Billions more are riding on the results. Are you willing to take the risk?

Sources: Phil Patton, "Car Shrinks" *Fortune*, March 18, 2002, pp. 187-190; Alice Z. Cuneo, "Domain Chandon Looks beyond the Celebrations," *Advertising Age*, July 19, 1999, p. 9; Abigail Goldman, "Expert Offers Retailers Glimpse into Shoppers' Minds," *Los Angeles Times*, June 3, 1999, p. C5; Jeffrey Ball, "But How Does It Make You Feel?" *The Wall Street Journal*, May 3, 1999, p. B1.

## Summary

This chapter introduced you to the field of consumer behavior and examined its relevance to promotional strategy. Consumer behavior is best viewed as the process and activities that people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services to satisfy their needs and desires. A five-stage model of the consumer decision-making process consists of problem recognition, information search, alternative evaluation, purchase, and postpurchase evaluation. Internal psychological processes that influ-

ence the consumer decision-making process include motivation, perception, attitude formation and change, and integration processes.

The decision process model views consumer behavior primarily from a cognitive orientation. The chapter considered other perspectives by examining various approaches to consumer learning and their implications for advertising and promotion. Behavioral learning theories such as classical conditioning and operant (instrumental) conditioning were discussed. Problems with behavioral learning theories were noted, and

the alternative perspective of cognitive learning was discussed.

The chapter also examined relevant external factors that influence consumer decision making. Culture, subculture, social class, reference groups, and situational determinants were discussed, along with their implications for the development of promotional strategies and programs. The chapter concluded with an introduction to alternative perspectives on the study of consumer behavior (also called interpretive, postmodern, or postpositivist perspectives).

## Key Terms

consumer behavior, 105	selective exposure, 114	multiattribute attitude model, 117	operant conditioning, 125
problem recognition, 107	selective attention, 114	salient beliefs, 118	reinforcement, 125
want, 107	selective comprehension, 114	integration processes, 119	schedules of reinforcement, 125
motives, 109	selective retention, 114	heuristics, 119	shaping, 126
hierarchy of needs, 109	mnemonics, 114	affect referral decision rule, 120	culture, 127
psychoanalytic theory, 110	subliminal perception, 114	purchase intention, 120	subcultures, 128
motivation research, 110	evaluative criteria, 116	brand loyalty, 120	social class, 128
internal search, 112	functional consequences, 117	cognitive dissonance, 121	reference group, 129
external search, 112	psychosocial consequences, 117	classical conditioning, 123	situational determinants, 130
perception, 113		conditioned stimulus, 123	
sensation, 113		conditioned response, 123	
selective perception, 114			

## Discussion Questions

1. A number of factors may lead to problem recognition among consumers. Discuss the various causes of problem recognition, and give an example of each.
2. Explain the concept of an *evoked set*. Why is this concept important to marketers? Give examples of an evoked set, and how marketers might attempt to influence consumers to gain consideration.
3. Jerry Olson and J. Paul Peter define two broad categories of evaluative consequences. Describe each of these and provide examples.
4. Figure 4-10 details a number of external influences on consumer behavior. Describe each of these influences, explaining how it might have an impact on consumer behavior, and provide an example of each.
5. Psychoanalytic theory has been criticized for its problems with validity and reliability. How do the current methods discussed in the lead-in—for example, hypnosis—fare in regard to these criteria?
6. Explain how consumers might engage in each of the processes of selective perception described in the chapter. Provide examples.
7. Describe how cultural differences might impact viewers' perceptions of advertisements. Provide examples.
8. In the text it was indicated that families may influence the consumer decision-making process. Describe how various family members may assume the different roles described in Figure 4-11. Also explain how these roles might change depending upon the product under consideration.
9. The text discusses alternative approaches to studying consumer behavior. Explain how these approaches differ from those described earlier in the chapter.
10. Postmodern research often involves a sociological perspective to understanding consumer behavior. Give examples of how sociology might impact purchase behaviors.

# The Communication Process

## 5

### Chapter Objectives

1. To understand the basic elements of the communication process and the role of communications in marketing.
2. To examine various models of the communication process.
3. To analyze the response processes of receivers of marketing communications, including alternative response hierarchies and their implications for promotional planning and strategy.
4. To examine the nature of consumers' cognitive processing of marketing communications.

## EDS Rebuilds Its Image

Until 2000, if you asked the average person what, if anything, he or she knew about a company called Electronic Data Systems (EDS), you would probably get a blank stare. Some might associate the company with Ross Perot, the company's founder and former presidential candidate, and know that he later sold EDS to General Motors, but it is unlikely they would know anything more. Perot founded EDS in Dallas, Texas, in 1962 with the somewhat radical notion that organizations would hire an outside company to handle all of their computer operations. At the time, the word "outsourcing" had not even entered the business lexicon. However, the idea caught on quickly and EDS came to rule the industry it created, which was evolving beyond just computers into information technology services (ITS). EDS grew exponentially after being acquired by General Motors in 1984 and became a \$14 billion giant before splitting off from the automaker in 1996 and becoming an independent company. In many ways the success EDS had under General Motors' wing turned out to be a competitive handicap. A hefty annuity from GM provided a steady revenue stream that lulled the company into complacency and fostered an unwillingness to change even though the world was changing all around it, particularly with the rapid growth of the Internet.

In early 1999, EDS hired a new CEO, Dick Brown, who realized that he and his management team had to do more than reinvent the company—they had to remake its identity and brand image. EDS was perceived as a stodgy, old-economy firm in a new-economy industry and was being eclipsed by flashier firms such as Razorfish, Scient, and Viant, which focused purely on e-services, as well as a reinvented IBM, which had rebuilt its identity around the themes of e-business. Brown hired Don Uzzi, whose record



included leading a marketing turnaround for Gatorade in the 90s, as EDS's senior vice president of global marketing and advertising and put him in charge of rebuilding the company's image. Brown wanted Uzzi to build awareness of EDS and make the company a household name. However, there was also a second, equally critical goal: to market EDS to its own employees and make them feel good about working at the company.

The first area Brown turned to in establishing EDS as a power brand was advertising. EDS began working with the Fallon McElligott agency, which came up with a new tagline, "EDS Solved," that was chosen to position the company as a problem solver in the complicated, ever-changing world of e-business. While print work broke in the fall of 1999 with full-page ads in *The Wall Street Journal*, *New York Times*, and other major publications, the company did not limit its newfound boldness to advertising. Uzzi decided the Y2K fervor provided an opportunity for EDS, which had a thriving year-2000 conversion practice in place, as a publicity opportunity. He arranged for EDS's strategic command center



in Plano, Texas, to be opened to the media on New Year's Eve night. More than a dozen journalists showed up, and CNBC and CNN did live feeds from the command center, as did local TV crews. Uzzi noted: "We showed the world what EDS does and how we do it. That's something the company never would have done before." Once the new year passed with few glitches, EDS celebrated with a full-page "Y2KO" ad in *The Wall Street Journal*, calling attention to the role the company played in helping the world get ready for the date change.

The risk taking continued when EDS ran its now-famous "Cat Herders" ad during the 2000 Super Bowl. The Super Bowl is advertising's biggest showcase and is usually reserved for major advertisers rather than companies such as EDS, which was nearly invisible in the ad world. The commercial was shot in the style of a John Ford old-style western—big sky, big country, stirring musical score—and featured cowboys herding 10,000 house cats. Uzzi noted that herding cats is an information management metaphor for organizing an overwhelming amount of varied data and captures perfectly what EDS does: "We ride herd on complexity. We make technology go where clients want it to go." The commercial was one of the most popular of the Super Bowl ads, and the EDS website received 2 million hits in the first 24 hours after the ad ran and 10 million hits in the first week. Clients called from all over the world, asking for tapes of the commercial to play at meetings, and EDS parlayed the ad's success into a high-profile presence at trade shows.

EDS followed the "Cat Herders" spot with two more high-profile commercials including an ad that debuted on the 2001 Super Bowl called "Running with the Squirrels," which was a spoof of the traditional running of the bulls in Pamplona, Spain, and sent a message about the importance of staying nimble in business. The second commercial was called "Airplane," and it compared what EDS does to building an airplane while it is in the air. Follow-up research shows that the trilogy of commercials resulted in a doubling of the percentage of people associating EDS with e-business solutions and a 50 percent increase in overall brand awareness.

In 2002, EDS moved its advertising in a new direction with a series of commercials and print ads designed to move beyond creating awareness and provide businesses with a better understanding of each of the EDS lines of business—information technology outsourcing, hosting, and security/privacy.

In just two years, a lot more people in the corporate world have become aware of EDS and now view it as a hip, hardworking company that can provide solutions to information technology problems. In addition to helping generate business, EDS's advertising has created excitement among its employees and helped attract new talent to the company. EDS wants its advertising to continue to lead, surprise, and impress its customers as well as its own employees. It is likely that it will.

Sources: Suzanne Vranica, "Cats Corralled: EDS Ads Go Back to Basics," *The Wall Street Journal*, Feb. 8, 2002, p. B9; Tom Wasserman, "Brand Builders," *Brandweek*, Feb. 11, 2002, pp. 17, 18; "Reinventing the Brand," *Fortune*, October 2001, p. 112.

The function of all elements of the integrated marketing communications program is to communicate. An organization's IMC strategy is implemented through the various communications it sends to current or prospective customers as well as other relevant publics. Organizations send communications and messages in a variety of ways, such as through advertisements, brand names, logos and graphic systems, websites, press releases, package designs, promotions, and visual images. Thus, those involved in the planning and implementation of an IMC program need to understand the communications process and how it occurs. As you can see from the opening vignette on the EDS Company, the way marketers communicate with their target audiences depends on many factors, including how much customers know and what they think about the company and the image it hopes to create. Developing an effective marketing communications program is far more complicated than just choosing a product feature or attribute to emphasize. Marketers must understand how consumers will perceive and

interpret their messages and how these reactions will shape consumers' responses to the company and/or its product or service.

This chapter reviews the fundamentals of communication and examines various perspectives and models regarding how consumers respond to advertising and promotional messages. Our goal is to demonstrate how valuable an understanding of the communication process can be in planning, implementing, and evaluating the marketing communications program.

**Communication** has been variously defined as the passing of information, the exchange of ideas, or the process of establishing a commonness or oneness of thought between a sender and a receiver.<sup>1</sup> These definitions suggest that for communication to occur, there must be some common thinking between two parties and information must be passed from one person to another (or from one group to another). As you will see in this chapter, establishing this commonality in thinking is not always as easy as it might seem; many attempts to communicate are unsuccessful.

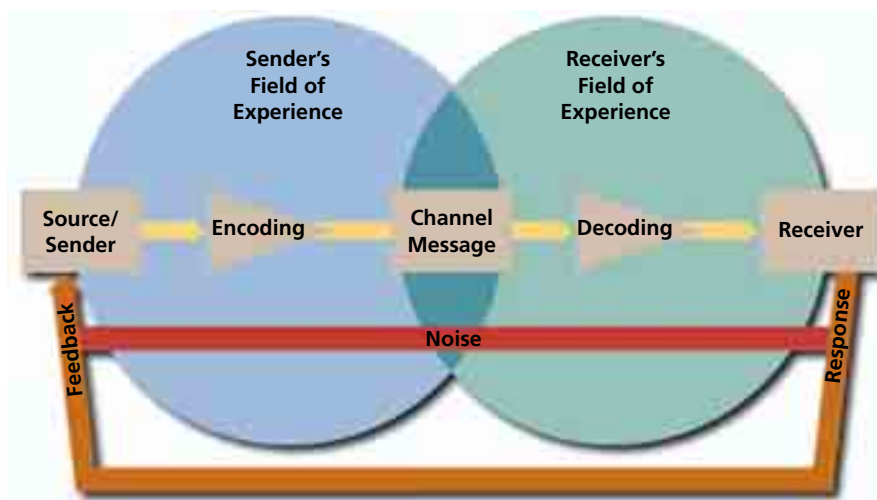
The communication process is often very complex. Success depends on such factors as the nature of the message, the audience's interpretation of it, and the environment in which it is received. The receiver's perception of the source and the medium used to transmit the message may also affect the ability to communicate, as do many other factors. Words, pictures, sounds, and colors may have different meanings to different audiences, and people's perceptions and interpretations of them vary. For example, if you ask for a soda on the East Coast or West Coast, you'll receive a soft drink such as Coke or Pepsi. However, in parts of the Midwest and South, a soft drink is referred to as pop. If you ask for a soda, you may get a glass of pop with ice cream in it. Marketers must understand the meanings that words and symbols take on and how they influence consumers' interpretation of products and messages. This can be particularly challenging to companies marketing their products in foreign countries.

Language is one of the major barriers to effective communication, as there are different languages in different countries, different languages or dialects within a single country, and more subtle problems of linguistic nuance and vernacular. The growth of bilingual, multicultural ethnic markets in the United States is also creating challenges for domestic marketers. Diversity Perspective 5-1 discusses issues advertisers must consider in developing messages for young Hispanics, who are a very fast growing market segment.

Over the years, a basic model of the various elements of the communication process has evolved, as shown in Figure 5-1.<sup>2</sup> Two elements represent the major participants in the communication process, the sender and the receiver. Another two are the major communication tools, message and channel.

## The Nature of Communication

## A Basic Model of Communication



**Figure 5-1** A model of the communication process

## DIVERSITY PERSPECTIVE 5-1

## Communicating with the Hispanic Teen Market

A few years ago, Jeff Manning, the executive director of the California Milk Processor Board (CMPB), was considering ways to reverse a decline in milk sales in the heavily Hispanic southern California market. As he reviewed a report on the Latino market, a potential solution to the problem came to him: target one of the fastest-growing market segments in the United States, which is Hispanic teenagers. The results from the 2000 census show that over the past decade the Hispanic market grew by 58 percent, compared with only 3 percent for the non-Hispanic white segment, and another 35 percent jump for Hispanics is forecast over the next 10 years. Moreover, the ranks of Hispanic teenagers are projected to swell to 18 percent of the U.S. teen population over the next decade, up from 12 percent in 2000. Nearly one in five children born in the United States today is of Latin American descent, and more than half of all children in Los Angeles alone are born to Latino mothers.

While marketers are recognizing the importance of appealing to the Hispanic market, they are also finding that communicating with this fast-growing segment can be very challenging and requires more than creating an ad in the Spanish with tried-and-true Hispanic themes. They have to decide whether to use ads with a Hispanic-focused creative, dub or remake general market campaigns into Spanish, or run English-language ads and trust that they will be picked up by bilingual Hispanics. Contributing to the challenge is the fact that Hispanic teens often live in two worlds: one rich in traditional Latino values, such as strong commitment to family and religion, and the other in which they eagerly participate in mainstream teen America. They bounce between hip-hop and *rock en Español*; watch *Buffy the Vampire Slayer* with their friends and Spanish *telenovelas* (night-time soap operas) with their parents; and blend Mexican rice with spaghetti sauce and spread peanut butter and jelly on tortillas.

Advertising and marketing executives have different perspectives on how to best reach these “young biculturals.” For example, research Manning conducted for the California Milk Processor Board on targeting English versions of its popular “Got Milk?” ads to Hispanic teens found that they reacted enthusiastically to the ads. The CMPB had considered doing the ads in Spanglish (a combination of English and Spanish) but found that the language used was not a major issue for teens, as they reacted to ideas, not language. However, a 2000 study of Hispanic teens by the Roslow Research Group found that advertising to bilingual Hispanics in Spanish is significantly more effective than advertising to them in English. English ads were 28 percent less effective than Spanish ads in terms of



ad recall, 54 percent less effective in terms of persuasion, and 14 percent less effective in terms of communication.

The California Milk Processor Board has decided that it is important to develop ads that appeal to bicultural teens. Recently its ad agency worked with Latino students from the Art Center College of Design in Pasadena to develop a commercial based on a Hispanic cultural myth that has long been used to scare kids straight. When Hispanic kids misbehave, their parents threaten that *La Llorona* (“the weeping woman”) will come to claim them. Basically she’s a boogiewoman for *bambinos*. In the spot the ghostly figure, clad in flowing gown and veil, wails as she wanders through a house. Walking through a wall, the specter enters the kitchen and opens the refrigerator. Rather abruptly, her tears terminate. “Leche!” she exclaims, lunging at the half gallon of milk needed to wash down the Mexican pastry she clutches. But sadly for *La Llorona*, the carton is empty, so the tears resume and the “Got milk?” tagline appears.

While the *La Llorona* ad targets bicultural teens through mainstream media, it relies on only one word of dialogue and thus may appeal to non-Hispanics as well. In fact, marketers are finding that by targeting Hispanic youth they may also attract the more general teen market. Many have noted the tremendous popularity of Hispanic entertainers such as Ricky Martin, Jennifer Lopez, Marc Anthony, and Shakira, and their crossover appeal to non-Hispanic teens. As one agency executive notes: “It’s very cool to be Hispanic at this age. It almost makes them more attractive, exotic.”

Sources: Becky Ebenkamp, “A House Lacking in Lactose? Intolerable,” *Brandweek*, Jan. 21, 2002, p. 23; Jeffery D. Zbar, “Hispanic Teens Set Urban Beat,” *Advertising Age*, June 25, 2001, p. S6; Rick Wartzman, “When You Translate ‘Got Milk’ for Latinos, What Do You Get?” *The Wall Street Journal*, June 3, 1999, pp. A1, 10.

Four others are the major communication functions and processes: encoding, decoding, response, and feedback. The last element, noise, refers to any extraneous factors in the system that can interfere with the process and work against effective communication.

## Source Encoding

The sender, or **source**, of a communication is the person or organization that has information to share with another person or group of people. The source may be an individual (say, a salesperson or hired spokesperson, such as a celebrity, who appears in a company's advertisements) or a non-personal entity (such as the corporation or organization itself). For example, the source of the ad shown in the opening vignette is the EDS company, since no specific spokesperson or source is shown. However, in the Rolex ad shown in Exhibit 5-1, Olympic gold medalist Picabo Street is also a source since she appears as a spokesperson for the company.

Because the receiver's perceptions of the source influence how the communication is received, marketers must be careful to select a communicator the receiver believes is knowledgeable and trustworthy or with whom the receiver can identify or relate in some manner. (How these characteristics influence the receiver's responses is discussed further in Chapter 6.)

The communication process begins when the source selects words, symbols, pictures, and the like, to represent the message that will be delivered to the receiver(s). This process, known as **encoding**, involves putting thoughts, ideas, or information into a symbolic form. The sender's goal is to encode the message in such a way that it will be understood by the receiver. This means using words, signs, or symbols that are familiar to the target audience. Many symbols have universal meaning, such as the familiar circle with a line through it to denote no parking, no smoking, and so forth. Many companies also have highly recognizable symbols—such as McDonald's golden arches, Nike's swoosh, or the Coca-Cola trademark—that are known to consumers around the world.

## Message

The encoding process leads to development of a **message** that contains the information or meaning the source hopes to convey. The message may be verbal or nonverbal, oral or written, or symbolic. Messages must be put into a transmittable form that is appropriate for the channel of communication being used. In advertising, this may range from simply writing some words or copy that will be read as a radio message to producing an expensive television commercial. For many products, it is not the actual words of the message that determine its communication effectiveness but rather the impression or image the ad creates. Notice how Spellbound perfume in Exhibit 5-2 uses only a picture



**Exhibit 5-1** Picabo Street is a source in this Rolex ad



**Exhibit 5-2** The image projected by an ad often communicates more than words




to deliver its message. However, the product name and picture help communicate a feeling of attraction and fascination between the man and woman shown in the ad.

To better understand the symbolic meaning that might be conveyed in a communication, advertising and marketing researchers have begun focusing attention on **semiotics**, which studies the nature of meaning and asks how our reality—words, gestures, myths, signs, symbols, products/services, theories—acquire meaning.<sup>3</sup> Semiotics is important in marketing communications since products and brands acquire meaning through the way they are advertised and consumers use products and brands to express their social identities. Consumer researcher Michael Solomon notes: “From a semiotic perspective, every marketing message has three basic components: an object, a sign or symbol and an interpretant. The object is the product that is the focus of the message (e.g., Marlboro cigarettes). The sign is the sensory imagery that represents the intended meanings of the object (e.g., the Marlboro cowboy). The interpretant is the meaning derived (e.g., rugged, individualistic, American).”<sup>4</sup>

Marketers may use individuals trained in semiotics and related fields such as cultural anthropology to better understand the conscious and subconscious meanings the nonverbal signs and symbols in their ads transmit to consumers. For example, Levi Strauss & Co.’s former agency, TBWA/Chiat/Day, hired a cultural anthropologist to help it better understand the image and meaning of clothing and fashion among young consumers. As part of the process, the agency research team recruited hip-looking young people in the streets of the East Village section of New York City, an area picked because they felt it is the best reflection of today’s youth life. Those chosen were handed a piece of red cardboard and a white marker and asked to “write down something you believe in; something that’s true about you or your world.” The process provided the agency with insight into the teen market and was the impetus for an ad campaign featuring teenagers holding placards inscribed with their philosophical messages.<sup>5</sup> Exhibit 5-3 shows the thinking behind the various elements of one of the ads used in the campaign as explained by Sean Dee, the director of the Levi’s brand.

Some advertising and marketing people are skeptical about the value of semiotics. They question whether social scientists read too much into advertising messages and are overly intellectual in interpreting them. However, the meaning of an advertising

**Exhibit 5-3** Semiotic analysis is used to describe the various elements of this Levi’s ad



**THE MODEL:** A premed student at New York University  
 “We wanted people who are not defined by what they do but by what they are. We chose her because she looks like a Levi’s type. She’s young. She has her own point of view. She’s sexy, but in an understated way. She’s not trying too hard. She’s definitely got something about her.”

**THE CLOTHES:** Levi’s cargo pants, her own T-shirt, zip-up sweatshirt, combat boots, and accessories  
 “It’s important that she wore what she wanted. We’re not trying to create a Levi’s uniform; that wouldn’t be very real. We didn’t use a professional stylist or a hairdresser; that wouldn’t be real.”

**THE SETTING:** Manhattan’s East Village  
 “We picked New York City because it’s the best reflection of today’s youth life. We drove around the grittiest parts of the city. The people in the background [of this image] give it a street feel. It’s obviously not staged in a studio.”

**THE STATEMENT:** “Music is my female soul”  
 “It’s hard for people to believe, but the [language] came totally from the kids; there was no prompting.... We liked the music theme [in this statement] because we do a lot to promote original music; we see music as being the voice of the young people.”

**THE TAG LINE:** “What’s true?”  
 “The challenge with youth marketing these days is not to dictate to kids. This [line] is both a statement and a question. Is what we’re saying true? Or is it a declaration? It works because it’s provocative and ambiguous.”



message or other form of marketing communication lies not in the message but with the people who see and interpret it. Moreover, consumers behave on the basis of meanings they ascribe to marketplace stimuli. Thus, marketers must consider the meanings consumers attach to the various signs and symbols. Semiotics may be helpful in analyzing how various aspects of the marketing program—such as advertising messages, packaging, brand names, and even the nonverbal communications of salespeople (gestures, mode of dress)—are interpreted by receivers.<sup>6</sup>

## Channel

The **channel** is the method by which the communication travels from the source or sender to the receiver. At the broadest level, channels of communication are of two types, personal and nonpersonal. *Personal channels* of communication are direct interpersonal (face-to-face) contact with target individuals or groups. Salespeople serve as personal channels of communication when they deliver their sales message to a buyer or potential customer. Social channels of communication such as friends, neighbors, associates, co-workers, or family members are also personal channels. They often represent *word-of-mouth communication*, a powerful source of information for consumers.<sup>7</sup>

*Nonpersonal channels* of communication are those that carry a message without interpersonal contact between sender and receiver. Nonpersonal channels are generally referred to as the **mass media** or mass communications, since the message is sent to many individuals at one time. For example, a TV commercial broadcast on a prime-time show may be seen by 20 million households in a given evening. Nonpersonal channels of communication consist of two major types, print and broadcast. Print media include newspapers, magazines, direct mail, and billboards; broadcast media include radio and television.

## Receiver/Decoding

The **receiver** is the person(s) with whom the sender shares thoughts or information. Generally, receivers are the consumers in the target market or audience who read, hear, and/or see the marketer's message and decode it. **Decoding** is the process of transforming the sender's message back into thought. This process is heavily influenced by the receiver's frame of reference or **field of experience**, which refers to the experiences, perceptions, attitudes, and values he or she brings to the communication situation.

For effective communication to occur, the message decoding process of the receiver must match the encoding of the sender. Simply put, this means the receiver understands and correctly interprets what the source is trying to communicate. As Figure 5-1 showed, the source and the receiver each have a frame of reference (the circle around each) that they bring to the communication situation. Effective communication is more likely when there is some *common ground* between the two parties. (This is represented by the overlapping of the two circles.) The more knowledge the sender has about the receivers, the better the sender can understand their needs, empathize with them, and communicate effectively.

While this notion of common ground between sender and receiver may sound basic, it often causes great difficulty in the advertising communications process. Marketing and advertising people often have very different fields of experience from the consumers who constitute the mass markets with whom they must communicate. Most advertising and marketing people are college-educated and work and/or reside in large urban areas such as New York, Chicago, or Los Angeles. Yet they are attempting to develop commercials that will effectively communicate with millions of consumers who have never attended college, work in blue-collar occupations, and live in rural areas or small towns. The executive creative director of a large advertising agency described how advertising executives become isolated from the cultural mainstream: "We pull them in and work them to death. And then they begin moving in sushi circles and lose touch with Velveeta and the people who eat it."<sup>8</sup>

Another factor that can lead to problems in establishing common ground between senders and receivers is age. IMC Perspective 5-2 discusses the youth bias in advertising and some interesting findings from a study that considered problems younger advertising professionals have in developing ads for older consumers.

## IMC PERSPECTIVE 5-2

## Does Advertising Ignore Older Consumers?

In early 2002, a battle was waged between two of the major television networks, CBS and ABC, over *The Late Show with David Letterman*. ABC was trying to lure Letterman's show away from CBS to replace *Nightline*, the news show hosted by Ted Koppel, which it had been airing in the late-night time slot for 22 years. The battle was being fought mainly because *Letterman* is more popular among younger viewers between the key ages of 18 to 32 and brings in \$100 million more in advertising revenue each year than *Nightline*. Observers argued that the tug-of-war over *Letterman* is just another example of advertisers' obsession with younger consumers. While aging baby boomers may argue they are more active, more fit, more adventurous, and more experimental than their predecessors, they are still of less interest to advertisers than younger consumers.

It has often been argued that people who work in advertising are different from the typical consumers who represent the target markets for their clients' products and services. Some say advertising may better reflect those who work in the industry than the consuming public, as it is really about the people who create it, not about the consumers who actually buy the products being advertised. A study conducted a few years ago on ageism in advertising considered potential problems that might arise because of age differences between agency personnel and older consumers. The study found that professionals who work in advertising agencies are much younger than the U.S. adult population. Nearly 40 percent of ad agency professional staff are between the ages of 30 and 39, while only 20 percent of all adults are in their 30s.

The youth bias is particularly evident in the creative departments. Agency employment drops like a rock after age 40, particularly among those involved in creating the ads. As a result, agencies rarely have creative professionals with a true understanding of life after age 40, not to mention life after 50 or 60. Richard Lee, a principal of High-Yield Marketing, the company that conducted the study, notes: "Most young agency staff, reflective of their life phase, are fixated on creating advertising that is hip, cool, impressive to their peers, and award-winning. This is more fulfilling than creating advertising for people with dated tastes who wouldn't know Smashing Pumpkins if they stepped on them."

Advertisers who are unable to connect with older consumers may be squandering opportunities to reach a valuable market. While nearly 40 percent of American adults are 50 or older and they control more than 50 percent of the U.S.'s discretionary income, they receive only 10 percent of the advertising messages. Many observers wonder why advertisers remain focused on consumers in their teens, 20s, and early 30s when spending power is becoming progressively more concentrated among those age 50 and older. Some point to the conventional wisdom in marketing and advertising that brand loyalties and consumer preferences form early and once formed, stay pretty much the same. Older people are stereotyped as unlikely to change brands and try something new.

Another reason for the youth bias stems from the problem of advertisers' not wanting to have their brands perceived as being for older consumers for fear of damaging their image among younger people. As the senior vice president of Zenith Media notes: "For a lot of brands we work with, it's sexier to advertise to the younger consumers who are trendier, much more fashion forward, very social and very in the public eye. With marketing dollars so limited and precious, you want to bet on the future."

Of course, not everyone in the advertising industry agrees with the findings of the ageism study. One agency executive calls the conclusions ridiculous, noting that "we have people of every age segment here." There are, of course, examples of excellent advertising targeted at mature consumers, and new media are being introduced to reach the over-50 crowd.

Many believe, however, that the youth bias in advertising is still a major problem. They note that the best hope for the demise of the primary focus on youth in advertising is the marketing people who are growing and maturing themselves. Some feel that it has finally dawned on advertisers that they ought to follow the green, which is quickly going gray, and that older consumers are more hip. As one ad executive noted: "Sixty-year-olds don't think like they did in the last generation. Sixty-year-olds in the last generation wore plaid pants."

Sources: Hillary Chura, "Boomers Hope to Break Age-Old Ad Myth," *Advertising Age*, May 13, 2002, p. 16; Richard Lee, "The Youth Bias in Advertising," *American Demographics*, January 1997, pp. 47-50.

Advertisers spend millions of dollars every year to understand the frames of reference of the target markets who receive their messages. They also spend much time and money pretesting messages to make sure consumers understand and decode them in the manner the advertiser intended.

## Noise

Throughout the communication process, the message is subject to extraneous factors that can distort or interfere with its reception. This unplanned distortion or interference is known as **noise**. Errors or problems that occur in the encoding of the message, distortion in a radio or television signal, or distractions at the point of reception are examples of noise. When you are watching your favorite commercial on TV and a problem occurs in the signal transmission, it will obviously interfere with your reception, lessening the impact of the commercial.

Noise may also occur because the fields of experience of the sender and receiver don't overlap. Lack of common ground may result in improper encoding of the message—using a sign, symbol, or words that are unfamiliar or have different meaning to the receiver. The more common ground there is between the sender and the receiver, the less likely it is this type of noise will occur.

## Response/Feedback

The receiver's set of reactions after seeing, hearing, or reading the message is known as a **response**. Receivers' responses can range from nonobservable actions such as storing information in memory to immediate action such as dialing a toll-free number to order a product advertised on television. Marketers are very interested in **feedback**, that part of the receiver's response that is communicated back to the sender. Feedback, which may take a variety of forms, closes the loop in the communications flow and lets the sender monitor how the intended message is being decoded and received.

For example, in a personal-selling situation, customers may pose questions, comments, or objections or indicate their reactions through nonverbal responses such as gestures and frowns.<sup>9</sup> The salesperson has the advantage of receiving instant feedback through the customer's reactions. But this is generally not the case when mass media are used. Because advertisers are not in direct contact with the customers, they must use other means to determine how their messages have been received. While the ultimate form of feedback occurs through sales, it is often hard to show a direct relationship between advertising and purchase behavior. So marketers use other methods to obtain feedback, among them customer inquiries, store visits, coupon redemptions, and reply cards. Research-based feedback analyzes readership and recall of ads, message comprehension, attitude change, and other forms of response. With this information, the advertiser can determine reasons for success or failure in the communication process and make adjustments.

Successful communication is accomplished when the marketer selects an appropriate source, develops an effective message or appeal that is encoded properly, and then selects the channels or media that will best reach the target audience so that the message can be effectively decoded and delivered. In Chapter 6, we will examine the source, message, and channel decisions and see how promotional planners work with these controllable variables to develop communication strategies. Since these decisions must consider how the target audience will respond to the promotional message, the remainder of this chapter examines the receiver and the process by which consumers respond to advertising and other forms of marketing communications.

To communicate effectively with their customers, marketers must understand who the target audience is, what (if anything) it knows or feels about the company's product or service, and how to communicate with the audience to influence its decision-making process. Marketers must also know how the market is likely to respond to various sources of communication or different types of messages. Before they make decisions regarding source, message, and channel variables, promotional planners must understand the potential effects associated with each of these factors. This section focuses

## Analyzing the Receiver

on the receiver of the marketing communication. It examines how the audience is identified and the process it may go through in responding to a promotional message. This information serves as a foundation for evaluating the controllable communication variable decisions in the next chapter.

## Identifying the Target Audience

The marketing communication process really begins with identifying the audience that will be the focus of the firm's advertising and promotional efforts. The target audience may consist of individuals, groups, niche markets, market segments, or a general public or mass audience (Figure 5-2). Marketers approach each of these audiences differently.

The target market may consist of *individuals* who have specific needs and for whom the communication must be specifically tailored. This often requires person-to-person communication and is generally accomplished through personal selling. Other forms of communication, such as advertising, may be used to attract the audience's attention to the firm, but the detailed message is carried by a salesperson who can respond to the specific needs of the individual customer. Life insurance, financial services, and real estate are examples of products and services promoted this way.

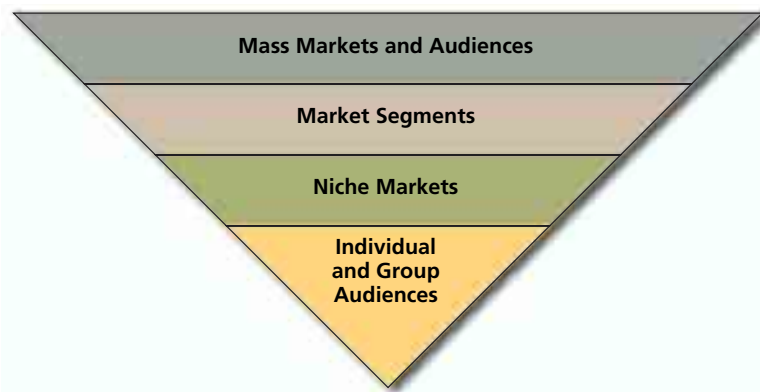
A second level of audience aggregation is represented by the *group*. Marketers often must communicate with a group of people who make or influence the purchase decision. For example, organizational purchasing often involves buying centers or committees that vary in size and composition. Companies marketing their products and services to other businesses or organizations must understand who is on the purchase committee, what aspect of the decision each individual influences, and the criteria each member uses to evaluate a product. Advertising may be directed at each member of the buying center, and multilevel personal selling may be necessary to reach those individuals who influence or actually make decisions.

Marketers look for customers who have similar needs and wants and thus represent some type of market segment that can be reached with the same basic communication strategy. Very small, well-defined groups of customers are often referred to as *market niches*. They can usually be reached through personal-selling efforts or highly targeted media such as direct mail. The next level of audience aggregation is *market segments*, broader classes of buyers who have similar needs and can be reached with similar messages. As we saw in Chapter 2, there are various ways of segmenting markets and reaching the customers in these segments. As market segments get larger, marketers usually turn to broader-based media such as newspapers, magazines, and TV to reach them.

Marketers of most consumer products attempt to attract the attention of large numbers of present or potential customers (*mass markets*) through mass communication such as advertising or publicity. Mass communication is a one-way flow of information from the marketer to the consumer. Feedback on the audience's reactions to the message is generally indirect and difficult to measure.

TV advertising, for example, lets the marketer send a message to millions of consumers at the same time. But this does not mean effective communication has

**Figure 5-2** Levels of audience aggregation



occurred. This may be only one of several hundred messages the consumer is exposed to that day. There is no guarantee the information will be attended to, processed, comprehended, or stored in memory for later retrieval. Even if the advertising message is processed, it may not interest consumers or may be misinterpreted by them. Studies by Jacob Jacoby and Wayne D. Hoyer have shown that nearly 20 percent of all print ads and even more TV commercials are miscomprehended by readers.<sup>10</sup>

Unlike personal or face-to-face communications, mass communications do not offer the marketer an opportunity to explain or clarify the message to make it more effective. The marketer must enter the communication situation with knowledge of the target audience and how it is likely to react to the message. This means the receiver's response process must be understood, along with its implications for promotional planning and strategy.

Perhaps the most important aspect of developing effective communication programs involves understanding the *response process* the receiver may go through in moving toward a specific behavior (like purchasing a product) and how the promotional efforts of the marketer influence consumer responses. In many instances, the marketer's only objective may be to create awareness of the company or brand name, which may trigger interest in the product. In other situations, the marketer may want to convey detailed information to change consumers' knowledge of and attitudes toward the brand and ultimately change their behavior.

## The Response Process

### Traditional Response Hierarchy Models

A number of models have been developed to depict the stages a consumer may pass through in moving from a state of not being aware of a company, product, or brand to actual purchase behavior. Figure 5-3 shows four of the best-known response hierarchy models. While these response models may appear similar, they were developed for different reasons.

The **AIDA model** was developed to represent the stages a salesperson must take a customer through in the personal-selling process.<sup>11</sup> This model depicts the buyer as passing successively through attention, interest, desire, and action. The salesperson must first get the customer's attention and then arouse some interest in the company's

**Figure 5-3** Models of the response process

Stages	Models			
	AIDA model <sup>a</sup>	Hierarchy of effects model <sup>b</sup>	Innovation adoption model <sup>c</sup>	Information processing model <sup>d</sup>
Cognitive stage	Attention	Awareness	Awareness	Presentation
		Knowledge		Attention
Affective stage	Interest	Liking	Interest	Yielding
	Desire	Preference	Evaluation	Retention
Behavioral stage	Action	Purchase	Adoption	Behavior



product or service. Strong levels of interest should create desire to own or use the product. The action stage in the AIDA model involves getting the customer to make a purchase commitment and closing the sale. To the marketer, this is the most important stage in the selling process, but it can also be the most difficult. Companies train their sales reps in closing techniques to help them complete the selling process.

Perhaps the best known of these response hierarchies is the model developed by Robert Lavidge and Gary Steiner as a paradigm for setting and measuring advertising objectives.<sup>12</sup> Their **hierarchy of effects model** shows the process by which advertising works; it assumes a consumer passes through a series of steps in sequential order from initial awareness of a product or service to actual purchase. A basic premise of this model is that advertising effects occur over a period of time. Advertising communication may not lead to immediate behavioral response or purchase; rather, a series of effects must occur, with each step fulfilled before the consumer can move to the next stage in the hierarchy. As we will see in Chapter 7, the hierarchy of effects model has become the foundation for objective setting and measurement of advertising effects in many companies.

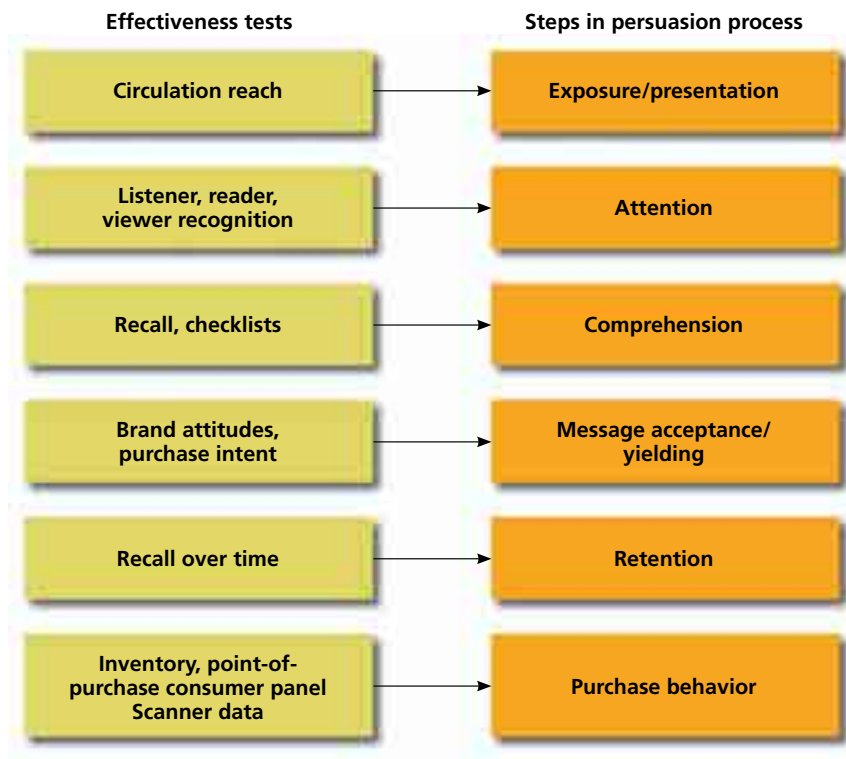
The **innovation adoption model** evolved from work on the diffusion of innovations.<sup>13</sup> This model represents the stages a consumer passes through in adopting a new product or service. Like the other models, it says potential adopters must be moved through a series of steps before taking some action (in this case, deciding to adopt a new product). The steps preceding adoption are awareness, interest, evaluation, and trial. The challenge facing companies introducing new products is to create awareness and interest among consumers and then get them to evaluate the product favorably. The best way to evaluate a new product is through actual use so that performance can be judged. Marketers often encourage trial by using demonstration or sampling programs or allowing consumers to use a product with minimal commitment (Exhibit 5-4). After trial, consumers either adopt the product or reject it.

The final hierarchy model shown in Figure 5-3 is the **information processing model** of advertising effects, developed by William McGuire.<sup>14</sup> This model assumes the receiver in a persuasive communication situation like advertising is an information processor or problem solver. McGuire suggests the series of steps a receiver goes through in being persuaded constitutes a response hierarchy. The stages of this model are similar to the hierarchy of effects sequence; attention and comprehension are similar to awareness and knowledge, and yielding is synonymous with liking. McGuire's model includes a stage not found in the other models: retention, or the receiver's ability to retain that portion of the comprehended information that he or she accepts as valid or relevant. This stage is important since most promotional campaigns are designed not to motivate consumers to take immediate action but rather to provide information they will use later when making a purchase decision.

Each stage of the response hierarchy is a dependent variable that must be attained and that may serve as an objective of the communication process. As shown in Figure 5-4, each stage can be measured, providing the advertiser with feedback regarding the effectiveness of various strategies designed to move the consumer to purchase. The information processing model may be an effective framework for planning and evaluating the effects of a promotional campaign.

**Exhibit 5-4** Sampling or demonstration programs encourage trial of new products such as disposable contact lenses





**Figure 5-4** Methods of obtaining feedback in the response hierarchy

**Implications of the Traditional Hierarchy Models** The hierarchy models of communication response are useful to promotional planners from several perspectives. First, they delineate the series of steps potential purchasers must be taken through to move them from unawareness of a product or service to readiness to purchase it. Second, potential buyers may be at different stages in the hierarchy, so the advertiser will face different sets of communication problems. For example, a company introducing an innovative product like Zenith's plasma high-definition television (HDTV) may need to devote considerable effort to making people aware of the product, how it works, and its benefits (Exhibit 5-5). Marketers of a mature brand that enjoys customer loyalty may need only supportive or reminder advertising to reinforce positive perceptions and maintain the awareness level for the brand.

The hierarchy models can also be useful as intermediate measures of communication effectiveness. The marketer needs to know where audience members are on the response hierarchy. For example, research may reveal that one target segment has low awareness of the advertiser's brand, whereas another is aware of the brand and its various attributes but has a low level of liking or brand preference.

For the first segment of the market, the communication task involves increasing the awareness level for the brand. The number of ads may be increased, or a product sampling program may be used. For the second segment, where awareness is already high but liking and preference are low, the advertiser must determine the

**Exhibit 5-5** Advertising for innovative new products such as HDTV must make consumers aware of their features and benefits



reason for the negative feelings and then attempt to address this problem in future advertising.

When research or other evidence reveals a company is perceived favorably on a particular attribute or performance criterion, the company may want to take advantage of this in its advertising.

**Evaluating Traditional Response Hierarchy Models** As you saw in Figure 5-3, the four models presented all view the response process as consisting of movement through a sequence of three basic stages. The *cognitive stage* represents what the receiver knows or perceives about the particular product or brand. This stage includes awareness that the brand exists and knowledge, information, or comprehension about its attributes, characteristics, or benefits. The *affective stage* refers to the receiver's feelings or affect level (like or dislike) for the particular brand. This stage also includes stronger levels of affect such as desire, preference, or conviction. The *conative or behavioral stage* refers to the consumer's action toward the brand: trial, purchase, adoption, or rejection.

All four models assume a similar ordering of these three stages. Cognitive development precedes affective reactions, which precede behavior. One might assume that consumers become aware of and knowledgeable about a brand, develop feelings toward it, form a desire or preference, and then make a purchase. While this logical progression is often accurate, the response sequence does not always operate this way.

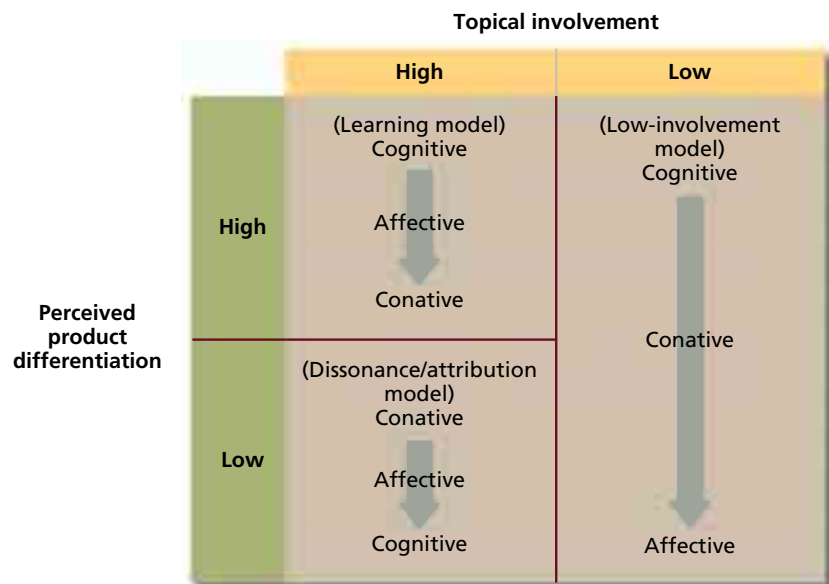
Over the past two decades, considerable research in marketing, social psychology, and communications has led to questioning of the traditional cognitive → affective → behavioral sequence of response. Several other configurations of the response hierarchy have been theorized.

## Alternative Response Hierarchies

Michael Ray has developed a model of information processing that identifies three alternative orderings of the three stages based on perceived product differentiation and product involvement.<sup>15</sup> These alternative response hierarchies are the standard learning, dissonance/attribution, and low-involvement models (Figure 5-5).

**The Standard Learning Hierarchy** In many purchase situations, the consumer will go through the response process in the sequence depicted by the traditional communication models. Ray terms this a **standard learning model**, which consists of a learn → feel → do sequence. Information and knowledge acquired or *learned* about the various brands are the basis for developing affect, or *feelings*, that guide what the

**Figure 5-5** Alternative response hierarchies: the three-orders model of information processing



consumer will *do* (e.g., actual trial or purchase). In this hierarchy, the consumer is viewed as an active participant in the communication process who gathers information through active learning.

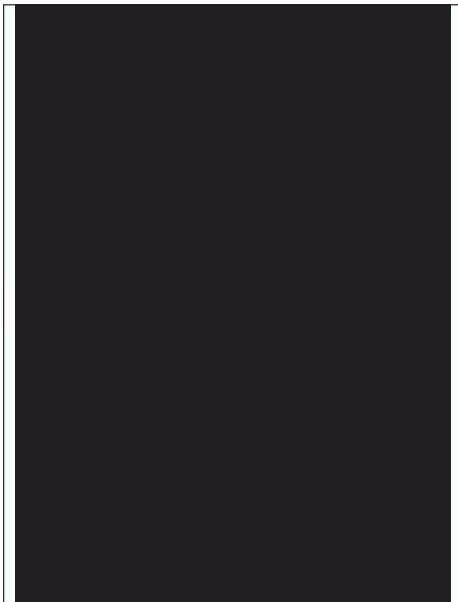
Ray suggests the standard learning hierarchy is likely when the consumer is highly involved in the purchase process and there is much differentiation among competing brands. High-involvement purchase decisions such as those for industrial products and services and consumer durables like personal computers, printers, cameras, appliances, and cars are areas where a standard learning hierarchy response process is likely. Ads for products and services in these areas are usually very detailed and provide customers with information that can be used to evaluate brands and help them make a purchase decision (Exhibit 5-6).

**The Dissonance/Attribution Hierarchy** A second response hierarchy proposed by Ray involves situations where consumers first behave, then develop attitudes or feelings as a result of that behavior, and then learn or process information that supports the behavior. This **dissonance/attribution model**, or *do* → *feel* → *learn*, occurs in situations where consumers must choose between two alternatives that are similar in quality but are complex and may have hidden or unknown attributes. The consumer may purchase the product on the basis of a recommendation by some nonmedia source and then attempt to support the decision by developing a positive attitude toward the brand and perhaps even developing negative feelings toward the rejected alternative(s). This reduces any *postpurchase dissonance* or anxiety the consumer may experience resulting from doubt over the purchase (as discussed in Chapter 4). Dissonance reduction involves *selective learning*, whereby the consumer seeks information that supports the choice made and avoids information that would raise doubts about the decision.

According to this model, marketers need to recognize that in some situations, attitudes develop *after* purchase, as does learning from the mass media. Ray suggests that in these situations the main effect of the mass media is not the promotion of original choice behavior and attitude change but rather the reduction of dissonance by reinforcing the wisdom of the purchase or providing supportive information. For example, the ad shown in Exhibit 5-7 reinforces consumers' decisions to purchase Michelin tires by showing the number of awards the brand has received for customer satisfaction.



**Exhibit 5-6** Ads for high-involvement products provide consumers with information to help them evaluate brands



**Exhibit 5-7** This ad reinforces the wisdom of the decision to purchase Michelin tires

As with the standard learning model, this response hierarchy is likely to occur when the consumer is involved in the purchase situation; it is particularly relevant for post-purchase situations. For example, a consumer may purchase tires recommended by a friend and then develop a favorable attitude toward the company and pay close attention to its ads to reduce dissonance.

Some marketers resist this view of the response hierarchy because they can't accept the notion that the mass media have no effect on the consumer's initial purchase decision. But the model doesn't claim the mass media have no effect—just that their major impact occurs after the purchase has been made. Marketing communications planners must be aware of the need for advertising and promotion efforts not just to encourage brand selection but to reinforce choices and ensure that a purchase pattern will continue.

**The Low-Involvement Hierarchy** Perhaps the most intriguing of the three response hierarchies proposed by Ray is the **low-involvement hierarchy**, in which the receiver is viewed as passing from cognition to behavior to attitude change. This learn → do → feel sequence is thought to characterize situations of low consumer involvement in the purchase process. Ray suggests this hierarchy tends to occur when involvement in the purchase decision is low, there are minimal differences among brand alternatives, and mass-media (especially broadcast) advertising is important.

The notion of a low-involvement hierarchy is based in large part on Herbert Krugman's theory explaining the effects of television advertising.<sup>16</sup> Krugman wanted to find out why TV advertising produced a strong effect on brand awareness and recall but little change in consumers' attitudes toward the product. He hypothesized that TV is basically a low-involvement medium and the viewer's perceptual defenses are reduced or even absent during commercials. In a low-involvement situation, the consumer does not compare the message with previously acquired beliefs, needs, or past experiences. The commercial results in subtle changes in the consumer's knowledge structure, particularly with repeated exposure. This change in the consumer's knowledge does not result in attitude change but is related to learning something about the advertised brand, such as a brand name, ad theme, or slogan. According to Krugman, when the consumer enters a purchase situation, this information may be sufficient to trigger a purchase. The consumer will then form an attitude toward the purchased brand as a result of experience with it. Thus, in the low-involvement situation the response sequence is as follows:

Message exposure under low involvement →

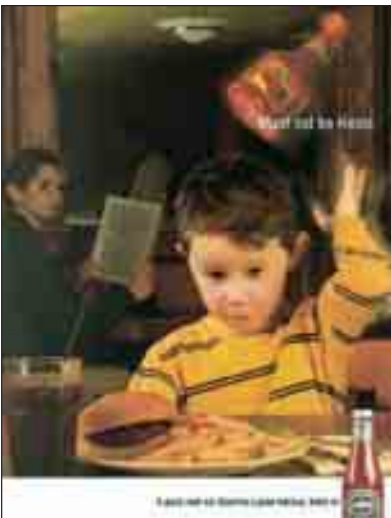
Shift in cognitive structure → Purchase →

Positive or negative experience → Attitude formation

In the low-involvement hierarchy, the consumer engages in passive learning and random information catching rather than active information seeking. The advertiser must recognize that a passive, uninterested consumer may focus more on nonmessage elements such as music, characters, symbols, and slogans or jingles than actual message content. The advertiser might capitalize on this situation by developing a catchy jingle that is stored in the consumer's mind without any active cognitive processing and becomes salient when he or she enters the actual purchase situation.

Advertisers of low-involvement products also repeat simple product claims such as a key copy point or distinctive product benefit. A study by Scott Hawkins and Stephen Hoch found that under low-involvement conditions, repetition of simple product claims increased consumers' memory of and belief in those claims.<sup>17</sup> They concluded that advertisers of low-involvement products might find it more profitable to pursue a heavy repetition strategy than to reach larger audiences with lengthy, more detailed messages. For example, Heinz has dominated the ketchup market for over 20 years by repeatedly telling consumers that its brand is the thickest and richest. Heinz has used a variety of advertising campaigns over the years. However, they all have communicated the same basic message that Heinz is the best and most preferred brand of ketchup (Exhibit 5-8).

**Exhibit 5-8** Advertising promoting taste quality has helped Heinz dominate the ketchup market





Low-involvement advertising appeals prevail in much of the advertising we see for frequently purchased consumer products: Wrigley's Doublemint gum invites consumers to "Double your pleasure." Bounty paper towels claim to be the "quicker picker-upper." Oscar Mayer uses the catchy jingle, "I wish I were an Oscar Mayer wiener." Each of these appeals is designed to help consumers make an association without really attempting to formulate or change an attitude.

Another popular creative strategy used by advertisers of low-involvement products is what advertising analyst Harry McMahan calls *VIP*, or *visual image personality*.<sup>18</sup> Advertisers often use symbols like the Pillsbury doughboy, Morris the cat, Tony the tiger, Speedy Alka-Seltzer, and Mr. Clean to develop visual images that will lead consumers to identify and retain ads. Eveready began using the pink bunny in ads for its Energizer batteries in 1989, and he has helped sales of the brand keep going and going for over 14 years.

## Implications of the Alternative Response Models

Advertising and consumer researchers recognize that not all response sequences and behaviors are explained adequately by either the traditional or the alternative response hierarchies. Advertising is just one source of information consumers use in learning about products, forming attitudes, and/or making a purchase decision. Consumers are likely to integrate information from advertising and other forms of marketing communication as well as direct experience in forming judgments about a brand. For example, a study by Robert Smith found that advertising can lessen the negative effects of an unfavorable trial experience on brand evaluations when the ad is processed before the trial. However, when a negative trial experience precedes exposure to an ad, cognitive evaluations of the ad are more negative.<sup>19</sup> More recent research has also shown that advertising can affect consumers' objective sensory interpretation of their experiences with a brand and what they remember about it.<sup>20</sup>

The various response models offer an interesting perspective on the ways consumers respond to advertising and other forms of marketing communications. They also provide insight into promotional strategies marketers might pursue in different situations. A review of these alternative models of the response process shows that the traditional standard learning model does not always apply. The notion of a highly involved consumer who engages in active information processing and learning and acts on the basis of higher-order beliefs and a well-formed attitude may be inappropriate for some types of purchases. Sometimes consumers make a purchase decision on the basis of general awareness resulting from repetitive exposure to advertising, and attitude development occurs after the purchase, if at all. The role of advertising and other forms of promotion may be to induce trial, so consumers can develop brand preferences primarily on the basis of their direct experience with the product.

From a promotional planning perspective, it is important that marketers examine the communication situation for their product or service and determine which type of response process is most likely to occur. They should analyze involvement levels and product/service differentiation as well as consumers' use of various information sources and their levels of experience with the product or service. Once the manager has determined which response sequence is most likely to operate, the integrated marketing communications program can be designed to influence the response process in favor of the company's product or service. Because this requires that marketers determine the involvement level of consumers in their target markets, we examine the concept of involvement in more detail.

Over the past two decades, consumer behavior and advertising researchers have extensively studied the concept of involvement.<sup>21</sup> Involvement is viewed as a variable that can help explain how consumers process advertising information and how this information might affect message recipients. One problem that has plagued the study of involvement has been agreeing on how to define and measure it. Advertising managers must be able to determine targeted consumers' involvement levels with their products.

## Understanding Involvement

Some of the problems in conceptualizing and measuring involvement have been addressed in extensive review by Judith Zaichkowsky. She has noted that although there is no single precise definition of involvement, there is an underlying theme focusing on *personal relevance*.<sup>22</sup> Zaichkowsky developed an involvement construct that includes three antecedents, or variables proposed to precede involvement (Figure 5-6). The first is traits of the person (value system, unique experiences, needs). The second factor is characteristics of the stimulus, or differences in type of media (TV, radio, or print), content of the communication, or product class variations. The third antecedent is situational factors, such as whether one is or is not in the market for a particular product.

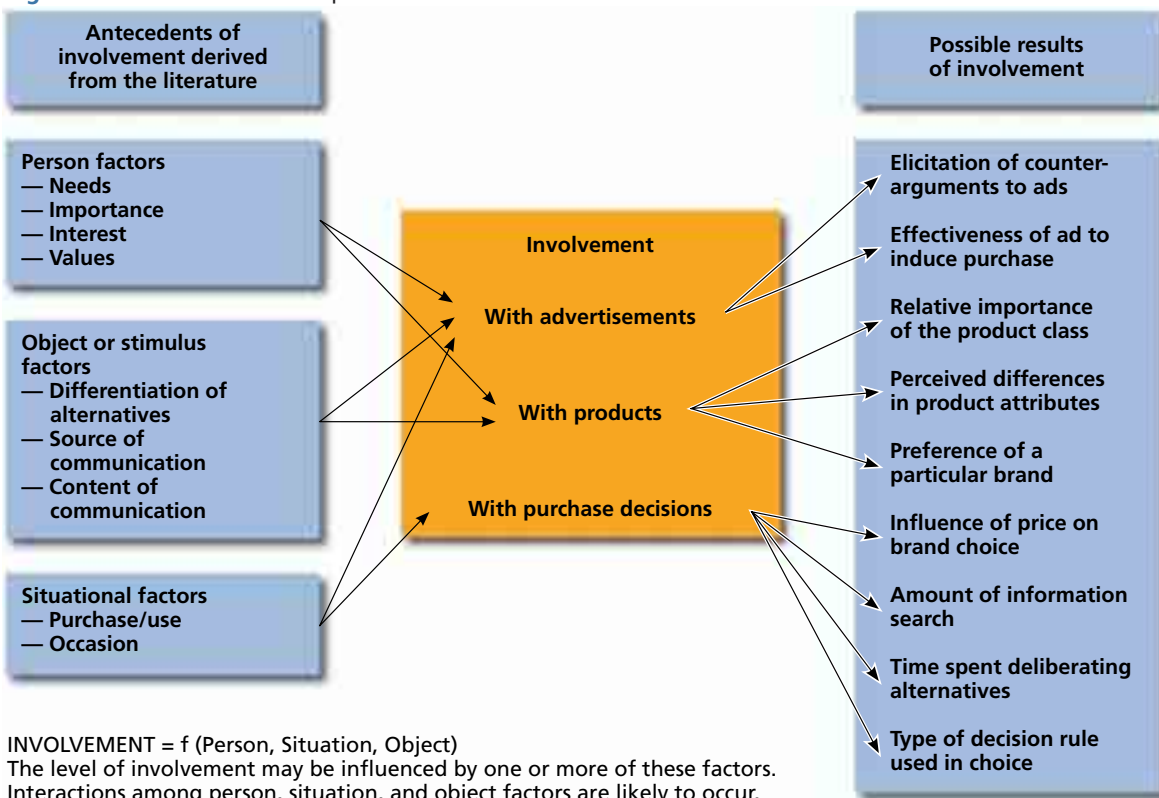
The various antecedents can influence the consumer's level of involvement in several ways, including the way the consumer responds to the advertising, the products being advertised, and the actual purchase decision. This involvement conceptualization shows that a variety of outcomes or behaviors can result from involvement with advertising, products, or purchase decisions.

Several other advertising planning grids have been developed that consider involvement levels as well as other factors, including response processes and motives that underlie attitude formation and subsequent brand choice.

### The FCB Planning Model

An interesting approach to analyzing the communication situation comes from the work of Richard Vaughn of the Foote, Cone & Belding advertising agency. Vaughn and his associates developed an advertising planning model by building on traditional response theories such as the hierarchy of effects model and its variants and research on high and low involvement.<sup>23</sup> They added the dimension of thinking versus feeling processing at each involvement level by bringing in theories regarding brain specialization. The right/left brain theory suggests the left side of the brain is more capable of rational, cognitive thinking, while the right side is more visual and emotional and

Figure 5-6 Involvement concept



engages more in the affective (feeling) functions. Their model, which became known as the FCB grid, delineates four primary advertising planning strategies—informative, affective, habit formation, and satisfaction—along with the most appropriate variant of the alternative response hierarchies (Figure 5-7).

Vaughn suggests that the *informative strategy* is for highly involving products and services where rational thinking and economic considerations prevail and the standard learning hierarchy is the appropriate response model. The *affective strategy* is for highly involving/feeling purchases. For these types of products, advertising should stress psychological and emotional motives such as building self-esteem or enhancing one's ego or self-image.

The *habit formation strategy* is for low-involvement/thinking products with such routinized behavior patterns that learning occurs most often after a trial purchase. The response process for these products is consistent with a behavioristic learning-by-doing model (remember our discussion of operant conditioning in Chapter 4?). The *self-satisfaction strategy* is for low-involvement/feeling products where appeals to sensory pleasures and social motives are important. Again, the do → feel or do → learn hierarchy is operating, since product experience is an important part of the learning process. Vaughn acknowledges that some minimal level of awareness (passive learning) may precede purchase of both types of low-involvement products, but deeper, active learning is not necessary. This is consistent with the low-involvement hierarchy discussed earlier (learn → do → feel).

The FCB grid provides a useful way for those involved in the advertising planning process, such as creative specialists, to analyze consumer-product relationships and develop appropriate promotional strategies. Consumer research can be used to determine how consumers perceive products or brands on the involvement and thinking/feeling dimensions.<sup>24</sup> This information can then be used to develop effective creative options such as using rational versus emotional appeals, increasing involvement levels, or even getting consumers to evaluate a think-type product on the basis of feelings. IMC Perspective 5-3 discusses how Whirlpool has used creative advertising to get women to develop an emotional connection to its appliances.

	Thinking	Feeling
High involvement	<b>1. Informative (thinker)</b> Car-house-furnishings-new products model: Learn-feel-do (economic?) <b>Possible implications</b> Test: Recall Diagnostics Media: Long copy format Reflective vehicles Creative: Specific information Demonstration	<b>2. Affective (feeler)</b> Jewelry-cosmetics-fashion apparel-motorcycles model: Feel-learn-do (psychological?) <b>Possible implications</b> Test: Attitude change Emotional arousal Media: Large space Image specials Creative: Executional Impact
Low involvement	<b>3. Habit formation (doer)</b> Food-household items model: Do-learn-feel (responsive?) <b>Possible implications</b> Test: Sales Media: Small space ads 10-second I.D.s Radio; POS Creative: Reminder	<b>4. Self-satisfaction (reactor)</b> Cigarettes-liquor-candy model: Do-feel-learn (social?) <b>Possible implications</b> Test: Sales Media: Billboards Newspapers POS Creative: Attention

Figure 5-7 The Foote, Cone & Belding (FCB) grid

## IMC PERSPECTIVE 5-3

## Whirlpool Connects with 21st-Century Women

Household appliances are a product category where the advertising has traditionally been pretty bland, with most ads appealing to consumers' rational, functional motives. Television commercials generally would show the capacity of a refrigerator, explain how a washer or dryer works, or tout their reliability; while print ads would feature a shot of the appliance and give a detailed description of how it functions. For example, among the most memorable appliance ads are those from the campaign featuring the Maytag repairman who would wait in vain for a repair call. The campaign was created more than 30 years ago, and the lonely Maytag repairman is still waiting for the phone to ring.

In recent years appliance companies have been focusing on form as well as function and have been touting the design of their products as much as their functionality in their ads. However, one company that has taken a very unique approach to its advertising is Whirlpool, whose "Just Imagine" campaign features Household Goddesses—five ethereal female figures who use water, fire, or air to take control of their environments while promoting various Whirlpool appliances. The campaign is designed to connect with the modern-day "supermoms," working women between the ages of 25 and 54 with children. These women's homes are very important to them; the women are challenged, yet capable of handling a very demanding and busy lifestyle, and they want control of their lives and acknowledgment for all they do and for being very capable. They set new standards and appreciate beauty in their environments. They do not give appliances a great deal of thought until there is a moment of need, such as a broken appliance or a home renovation. Innovation, style, and time saving are all important factors to these women.

The idea for the "Just Imagine" campaign originated in the late 90s in Europe, where Whirlpool was eager to build its brand name and capture a larger share of the appliance market, having acquired the appliance division of the Dutch firm Philips Electronics. The campaign connected well with women in Europe, so in 1999 Whirlpool and its French agency Publicis decided to adapt it to women in the U.S. market. However, before bringing the campaign to the



States, Whirlpool conducted more than 20 focus groups with women throughout the country to test their reaction to the goddesses.

According to Whirlpool's manager of brand communication, the ads with the goddesses celebrate the growing power of women in the 21st century. They are aimed at striking an emotional cord with modern-day women, showing them as strong females in control of their environments who can be made even stronger through the latest Whirlpool technology. The mythical figures in the ads include a blue-skinned ice diva who represents the Whirlpool Conquest refrigerator, a silken-

robed water nymph who appears in commercials for the Catalyst washer, a heat maiden in cascading red robes who promotes the Senson and Duet dryers, a fire-breathing goddess who helps sell the Speed Cook range, and a flying blonde clean-air angel who extols the virtues of Whirlpool's dehumidifiers and air-conditioners. The goddesses promote many of the innovative features found on Whirlpool appliances, such as a dryer that gently dries clothes in the time it takes to wash them, a washing machine that does not require pretreating because concentrated water and detergent spray through clothes before they are washed, and a refrigerator with more space inside.

The goal of the "Just Imagine" campaign is to use the stylish and dramatic commercials to get consumers to take notice of Whirlpool appliances and make them feel the brand is in tune with their changing needs and values and thus has something more to offer than competing brands. In addition to being in the television commercials, the goddesses appear in print ads, on the Whirlpool website, on company brochures, on billboards on the side of the company's trucks, and in point-of-purchase displays for local retailers. The campaign is the biggest in the appliance maker's history. To many women, using a washing machine or dryer means nothing more than cleaning clothes. However, Whirlpool hopes this campaign will help them feel they are taking control of their lives when they use its appliances.

Sources: "Whirlpool's Worship-Worthy Goddess," *Brand Marketing*, June 2000, p. 33; Kathryn Dranhold, "Whirlpool Conjures Up Appliance Divas," *The Wall Street Journal*, Apr. 27, 2000, p. B14.

The hierarchical response models were for many years the primary focus of approaches for studying the receivers' responses to marketing communications. Attention centered on identifying relationships between specific controllable variables (such as source and message factors) and outcome or response variables (such as attention, comprehension, attitudes, and purchase intentions). This approach has been criticized on a number of fronts, including its black-box nature, since it can't explain what is causing these reactions.<sup>25</sup> In response to these concerns, researchers began trying to understand the nature of cognitive reactions to persuasive messages. Several approaches have been developed to examine the nature of consumers' cognitive processing of advertising messages.

## Cognitive Processing of Communications

### The Cognitive Response Approach

One of the most widely used methods for examining consumers' cognitive processing of advertising messages is assessment of their **cognitive responses**, the thoughts that occur to them while reading, viewing, and/or hearing a communication.<sup>26</sup> These thoughts are generally measured by having consumers write down or verbally report their reactions to a message. The assumption is that these thoughts reflect the recipient's cognitive processes or reactions and help shape ultimate acceptance or rejection of the message.

The cognitive response approach has been widely used in research by both academicians and advertising practitioners. Its focus has been to determine the types of responses evoked by an advertising message and how these responses relate to attitudes toward the ad, brand attitudes, and purchase intentions. Figure 5-8 depicts the three basic categories of cognitive responses researchers have identified—product/message, source-oriented, and ad execution thoughts—and how they may relate to attitudes and intentions.

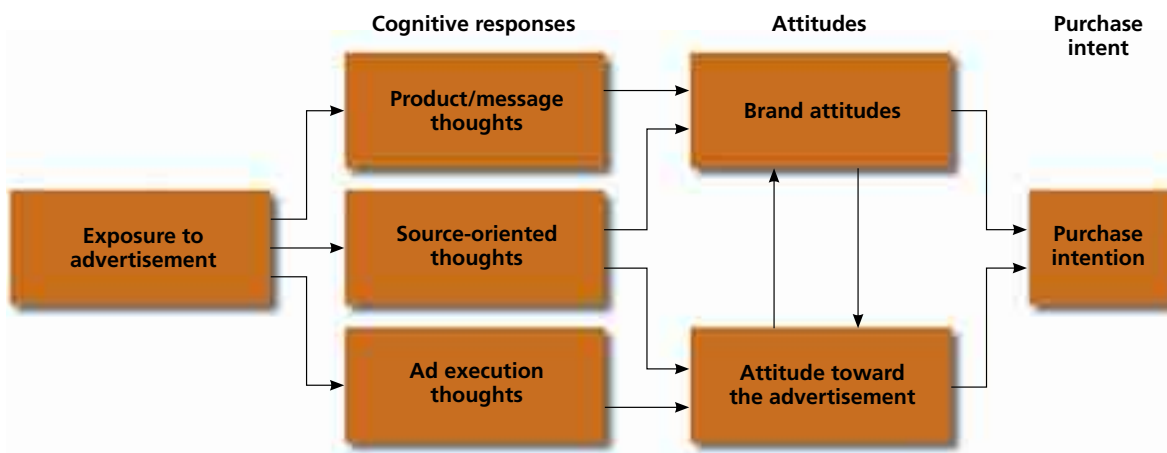
**Product/Message Thoughts** The first category of thoughts comprises those directed at the product or service and/or the claims being made in the communication. Much attention has focused on two particular types of responses, counterarguments and support arguments.

**Counterarguments** are thoughts the recipient has that are opposed to the position taken in the message. For example, consider the ad for Ultra Tide shown in Exhibit 5-9. A consumer may express disbelief or disapproval of a claim made in an ad. ("I don't believe that any detergent could get that stain out!") Other consumers who see this ad may generate **support arguments**, or thoughts that affirm the claims made in the message. ("Ultra Tide looks like a really good product—I think I'll try it.")

**Exhibit 5-9** Consumers often generate support arguments in response to ads for quality products



**Figure 5-8** A model of cognitive response





The likelihood of counterarguing is greater when the message makes claims that oppose the receiver's beliefs. For example, a consumer viewing a commercial that attacks a favorite brand is likely to engage in counterarguing. Counterarguments relate negatively to message acceptance; the more the receiver counterargues, the less likely he or she is to accept the position advocated in the message.<sup>27</sup> Support arguments, on the other hand, relate positively to message acceptance. Thus, the marketer should develop ads or other promotional messages that minimize counterarguing and encourage support arguments.

**Source-Oriented Thoughts** A second category of cognitive responses is directed at the source of the communication. One of the most important types of responses in this category is **source derogations**, or negative thoughts about the spokesperson or organization making the claims. Such thoughts generally lead to a reduction in message acceptance. If consumers find a particular spokesperson annoying or untrustworthy, they are less likely to accept what this source has to say.

Of course, source-related thoughts are not always negative. Receivers who react favorably to the source generate favorable thoughts, or **source bolsters**. As you would expect, most advertisers attempt to hire spokespeople their target audience likes so as to carry this effect over to the message. Considerations involved in choosing an appropriate source or spokesperson will be discussed in Chapter 6.

**Ad Execution Thoughts** The third category of cognitive responses shown in Figure 5-8 consists of the individual's thoughts about the ad itself. Many of the thoughts receivers have when reading or viewing an ad do not concern the product and/or message claims directly. Rather, they are affective reactions representing the consumer's feelings toward the ad. These thoughts may include reactions to ad execution factors such as the creativity of the ad, the quality of the visual effects, colors, and voice tones. **Ad execution-related thoughts** can be either favorable or unfavorable. They are important because of their effect on attitudes toward the advertisement as well as the brand.

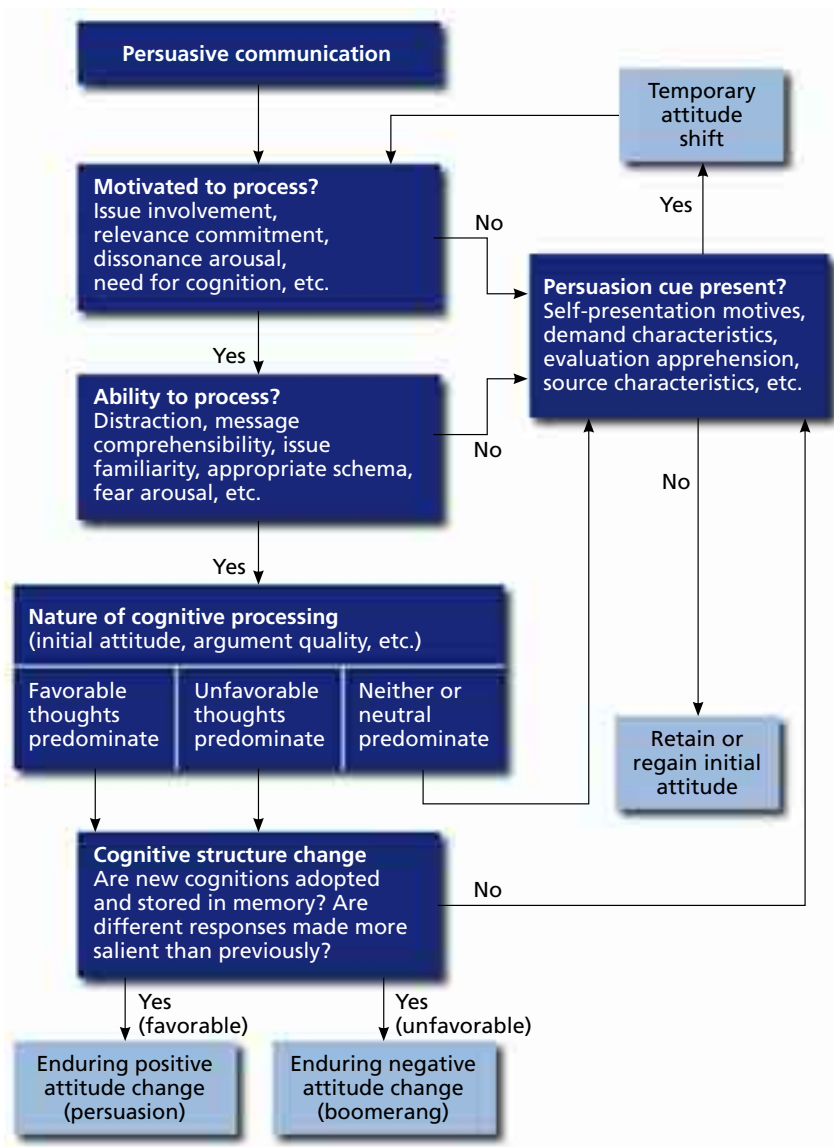
In recent years, much attention has focused on consumers' affective reactions to ads, especially TV commercials.<sup>28</sup> **Attitude toward the ad** ( $A \rightarrow ad$ ) represents the receivers' feelings of favorability or unfavorability toward the ad. Advertisers are interested in consumers' reactions to the ad because they know that affective reactions are an important determinant of advertising effectiveness, since these reactions may be transferred to the brand itself or directly influence purchase intentions. One study found that people who enjoy a commercial are twice as likely as those who are neutral toward it to be convinced that the brand is the best.<sup>29</sup>

Consumers' feelings about the ad may be just as important as their attitudes toward the brand (if not more so) in determining an ad's effectiveness.<sup>30</sup> The importance of affective reactions and feelings generated by the ad depend on several factors, among them the nature of the ad and the type of processing engaged in by the receiver.<sup>31</sup> Many advertisers now use emotional ads designed to evoke feelings and affective reactions as the basis of their creative strategy. The success of this strategy depends in part on the consumers' involvement with the brand and their likelihood of attending to and processing the message.

We end our analysis of the receiver by examining a model that integrates some of the factors that may account for different types and levels of cognitive processing of a message.

## The Elaboration Likelihood Model

Differences in the ways consumers process and respond to persuasive messages are addressed in the **elaboration likelihood model (ELM)** of persuasion, shown in Figure 5-9.<sup>32</sup> The ELM was devised by Richard Petty and John Cacioppo to explain the process by which persuasive communications (such as ads) lead to persuasion by influencing *attitudes*. According to this model, the attitude formation or change process depends on the amount and nature of *elaboration*, or processing, of relevant information that occurs in response to a persuasive message. High elaboration means the receiver engages in careful consideration, thinking, and evaluation of the informa-



**Figure 5-9** The elaboration likelihood model of persuasion

tion or arguments contained in the message. Low elaboration occurs when the receiver does not engage in active information processing or thinking but rather makes inferences about the position being advocated in the message on the basis of simple positive or negative cues.

The ELM shows that elaboration likelihood is a function of two elements, motivation and ability to process the message. *Motivation* to process the message depends on such factors as involvement, personal relevance, and individuals' needs and arousal levels. *Ability* depends on the individual's knowledge, intellectual capacity, and opportunity to process the message. For example, an individual viewing a humorous commercial or one containing an attractive model may be distracted from processing the information about the product.

According to the ELM, there are two basic routes to persuasion or attitude change. Under the **central route to persuasion**, the receiver is viewed as a very active, involved participant in the communication process whose ability and motivation to attend, comprehend, and evaluate messages are high. When central processing of an advertising message occurs, the consumer pays close attention to message content and scrutinizes the message arguments. A high level of cognitive response activity or processing occurs,

and the ad's ability to persuade the receiver depends primarily on the receiver's evaluation of the quality of the arguments presented. Predominantly favorable cognitive responses (support arguments and source bolsters) lead to favorable changes in cognitive structure, which lead to positive attitude change, or persuasion.

Conversely, if the cognitive processing is predominantly unfavorable and results in counterarguments and/or source derogations, the changes in cognitive structure are unfavorable and *boomerang*, or result in negative attitude change. Attitude change that occurs through central processing is relatively enduring and should resist subsequent efforts to change it.

Under the **peripheral route to persuasion**, shown on the right side of Figure 5-9, the receiver is viewed as lacking the motivation or ability to process information and is not likely to engage in detailed cognitive processing. Rather than evaluating the information presented in the message, the receiver relies on peripheral cues that may be incidental to the main arguments. The receiver's reaction to the message depends on how he or she evaluates these peripheral cues.

The consumer may use several types of peripheral cues or cognitive shortcuts rather than carefully evaluating the message arguments presented in an advertisement.<sup>33</sup> Favorable attitudes may be formed if the endorser in the ad is viewed as an expert or is attractive and/or likable or if the consumer likes certain executional aspects of the ad such as the way it is made, the music, or the imagery. Notice how the ad in Exhibit 5-10 for Maxfli golf balls contains several positive peripheral cues, including a popular celebrity endorser (golfer Fred Couples) and excellent visual imagery. These cues might help consumers form a positive attitude toward the brand even if they do not process the message portion of the ad.

Peripheral cues can also lead to rejection of a message. For example, ads that advocate extreme positions, use endorsers who are not well liked or have credibility problems, or are not executed well (such as low-budget ads for local retailers) may be rejected without any consideration of their information or message arguments. As shown in Figure 5-9, the ELM views attitudes resulting from peripheral processing as temporary. So favorable attitudes must be maintained by continual exposure to the peripheral cues, such as through repetitive advertising.

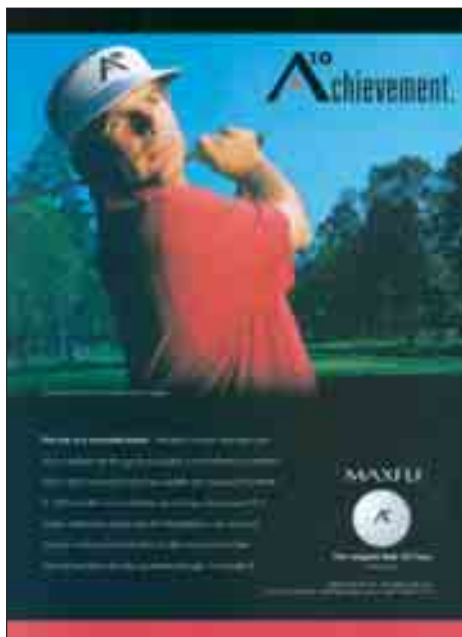
**Implications of the ELM** The elaboration likelihood model has important implications for marketing communications, particularly with respect to involvement. For example, if the involvement level of consumers in the target audience is high, an ad or sales presentation should contain strong arguments that are difficult for the message recipient to refute or counterargue. If the involvement level of the target audience is low, peripheral cues may be more important than detailed message arguments.

An interesting test of the ELM showed that the effectiveness of a celebrity endorser in an ad depends on the receiver's involvement level.<sup>34</sup> When involvement was low, a celebrity endorser had a significant effect on attitudes. When the receiver's involvement was high, however, the use of a celebrity had no effect on brand attitudes; the quality of the arguments used in the ad was more important.

The explanation given for these findings was that a celebrity may serve as a peripheral cue in the low-involvement situation, allowing the receiver to develop favorable attitudes based on feelings toward the source rather than engaging in extensive processing of the message. A highly involved consumer, however, engages in more detailed central processing of the message content. The quality of the message claims becomes more important than the identity of the endorser.

The ELM suggests that the most effective type of message depends on the route to persuasion the consumer follows. Many marketers recognize that involvement levels are low for their product categories and consumers are not motivated to process advertising messages in any detail. That's why marketers of low-involvement products often rely on creative tactics that emphasize peripheral cues

**Exhibit 5-10** This ad contains peripheral cues, most notably a celebrity endorser



and use repetitive advertising to create and maintain favorable attitudes toward their brand.

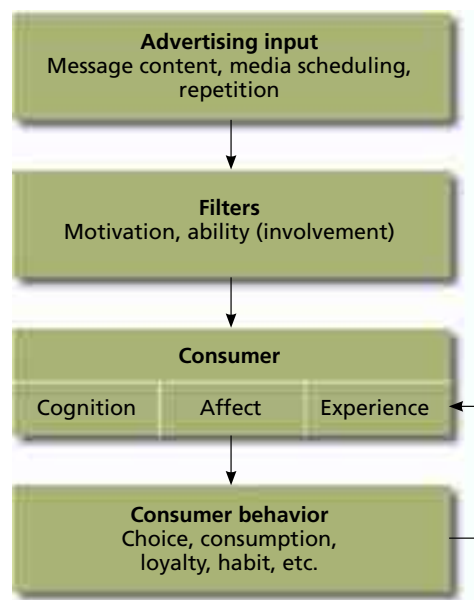
As you have seen from our analysis of the receiver, the process consumers go through in responding to marketing communications can be viewed from a number of perspectives. Vakratsas and

Ambler recently reviewed more than 250 journal articles and books in an effort to better understand how advertising works and affects the consumer.<sup>35</sup> On the basis of their review of these studies, they concluded that although effects hierarchies have been actively employed for nearly 100 years, there is little support for the concept of a hierarchy of effects in the sense of temporal sequence. They note that in trying to understand the response process and the manner in which advertising works, there are three critical intermediate effects between advertising and purchase (Figure 5-10). These include *cognition*, the “thinking” dimension of a person’s response; *affect*, the “feeling” dimension; and *experience*, which is a feedback dimension based on the outcomes of product purchasing and usage. They conclude that individual responses to advertising are mediated or filtered by factors such as motivation and ability to process information, which can radically alter or change the individual’s response to advertising. They suggest that the effects of advertising should be evaluated using these three dimensions, with some intermediate variables being more important than others, depending on factors such as the product category, stage of the product life cycle, target audience, competition, and impact of other marketing-mix components.

Other researchers have been critical of the hierarchy models as well. For example, Hall argues that advertisers need to move away from explicit and implicit reliance on hierarchical models of advertising effects and develop models that place affect and experience at the center of the advertising process.<sup>36</sup> The implication of these criticisms is that marketers should focus on cognition, affect, and experience as critical variables that advertising may affect. However, they should not assume a particular sequence of responses but, rather, engage in research and analysis to better understand how advertising and other forms of promotion may affect these intermediate variables in various product/market situations.

Those responsible for planning the IMC program need to learn as much as possible about their target audience and how it may respond to advertising, along with other forms of marketing communication. For example, William Weilbacher has noted that

## Summarizing the Response Process and the Effects of Advertising



**Figure 5-10** A framework for studying how advertising works

marketing communications programs include more than just advertising.<sup>37</sup> Consumers are continually immersed in brand-sponsored communications that include public relations, a broad range of sales promotion activities, websites, direct marketing, event sponsorships, movie and TV show product placements, and other forms of marketing communication. He argues that hierarchy models must move beyond just explaining the effects of advertising and consider how, and with what effects, consumers synthesize information from all the various integrated marketing communications activities for a brand. The various communication models presented in this chapter provide insight into how consumers may process and respond to persuasive messages and hopefully help marketers make better decisions in planning and implementing their integrated marketing communications programs.

## Summary

The function of all elements of the promotional mix is to communicate, so promotional planners must understand the communication process. This process can be very complex; successful marketing communications depend on a number of factors, including the nature of the message, the audience's interpretation of it, and the environment in which it is received. For effective communication to occur, the sender must encode a message in such a way that it will be decoded by the receiver in the intended manner. Feedback from the receiver helps the sender determine whether proper decoding has occurred or whether noise has interfered with the communication process.

Promotional planning begins with the receiver or target

audience, as marketers must understand how the audience is likely to respond to various sources of communication or types of messages. For promotional planning, the receiver can be analyzed with respect to both its composition (i.e., individual, group, or mass audiences) and the response process it goes through. Different orderings of the traditional response hierarchy include the standard learning, dissonance/attribution, and low-involvement models. The information response model integrates concepts from both the high- and low-involvement response hierarchy perspectives and recognizes the effects of direct experience with a product.

The cognitive response approach examines the thoughts

evoked by a message and how they shape the receiver's ultimate acceptance or rejection of the communication. The elaboration likelihood model of attitude formation and change recognizes two forms of message processing, the central and peripheral routes to persuasion, which are a function of the receiver's motivation and ability to process a message. There are three critical intermediate effects between advertising and purchase including cognition, affect, and experience. Those responsible for planning the IMC program should learn as much as possible about their target audience and how it may respond to advertising and other forms of marketing communications.

## Key Terms

communication, 139  
source, 141  
encoding, 141  
message, 141  
semiotics, 142  
channel, 143  
mass media, 143  
receiver, 143  
decoding, 143  
field of experience, 143

noise, 145  
response, 145  
feedback, 145  
AIDA model, 147  
hierarchy of effects model, 148  
innovation adoption model, 148  
information processing model, 148

standard learning model, 150  
dissonance/attribution model, 151  
low-involvement hierarchy, 152  
cognitive responses, 157  
counterarguments, 157  
support arguments, 157  
source derogations, 158

source bolsters, 158  
ad execution-related thoughts, 158  
attitude toward the ad, 158  
elaboration likelihood model (ELM), 158  
central route to persuasion, 159  
peripheral route to persuasion, 160



## Discussion Questions

1. The opening vignette to the chapter discusses how EDS developed a new branding and positioning campaign around the “EDS Solved” theme. Analyze the decision by EDS to use high profile commercials such as “Cat Herders,” “Running with the Squirrels,” and the “Airplane” spots as part of its efforts to remake its identity and change the image of the company.
2. Discuss the challenges marketers face as they develop advertisements and other forms of marketing communications for young Hispanics. Do you think marketers should advertise to bilingual Hispanics teens in English or Spanish?
3. What is meant by encoding and decoding? Discuss how these two processes differ for radio versus television commercials.
4. Discuss how semiotics can be of value to the field of integrated marketing communications. Select a marketing stimulus such as an advertisement, package, or other relevant marketing symbol and conduct a semiotic analysis of it such as the one shown in Exhibit 5-3.
5. The study discussed in IMC Perspective 5-2 suggests that ageism is a problem in the advertising business. Do you think young creative professionals can connect with and create ads that are effective for communicating with the mature market? What are some things that might be done to ensure that agencies do create ads that are relevant to older consumers?
6. Discuss how a company introducing an innovative new product might use the innovation adoption model in planning its integrated marketing communications program.
7. Assume that you are the marketing communications manager for a brand of paper towels. Discuss how the low-involvement hierarchy could be of value in developing an advertising and promotion strategy for this brand.
8. Evaluate the “Just Imagine” campaign for Whirlpool appliances discussed in IMC Perspective 5-3. Do you think this campaign will be effective in connecting with the working women Whirlpool is targeting? Why or why not?
9. Find an example of a print ad and evaluate it using the cognitive response model shown in Figure 5-8. Identify the specific types of cognitive responses that the ad might elicit from consumers and discuss why they might occur.
10. Explain what is meant by a central versus peripheral route to persuasion and the factors that would determine when each might be used by consumers in response to an advertisement.

# Source, Message, and Channel Factors

## 6

### Chapter Objectives

1. To study the major variables in the communication system and how they influence consumers' processing of promotional messages.
2. To examine the considerations involved in selecting a source or communicator of a promotional message.
3. To examine different types of message structures and appeals that can be used to develop a promotional message.
4. To consider how the channel or medium used to deliver a promotional message influences the communication process.

## Bad Boys Become Pitchmen for Athletic Shoes

Athletic-shoe companies have been using popular athletes to endorse their products and serve as advertising pitchmen for years. Traditionally these companies would stay away from controversial athletes and sign players with a clean-cut

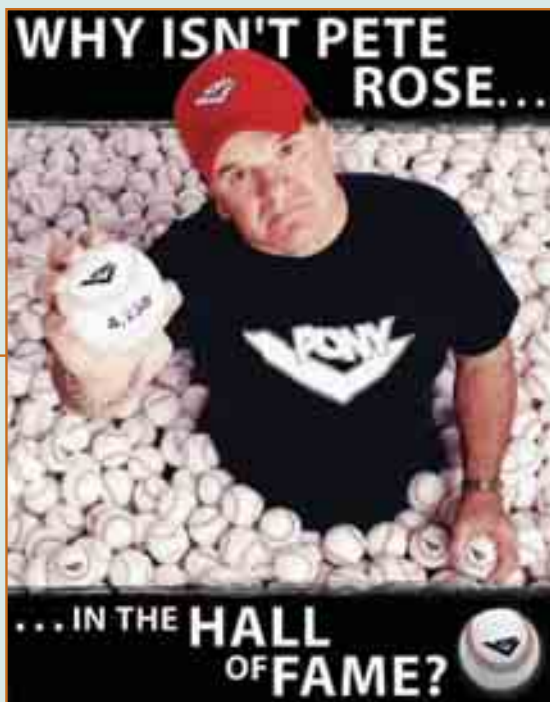


image who could create a favorable association for the product as well as the company. Superstars such as Michael Jordan, Derek Jeter, Grant Hill, and Kobe Bryant have been used by companies such as Nike, Fila, and Adidas because of their likable personalities and their image as positive role models. However, in recent years many athletic-shoe marketers have been moving away from athletes with squeaky-clean images and hiring spokespersons who are known as much for their alleged misdeeds off the court or field as for their accomplishments on it.

Among the first of the "bad-boy" pitchmen was former basketball star Charles Barkley, who appeared in a Nike commercial in the mid-90s in which he glowered at the camera and declared, "I am not a role model." Basketball star Dennis

Rodman was also able to parlay his irreverent and rebellious image into an endorsement contract with Nike, as well as a number of other companies, although his antics eventually became too much for most of these companies. The new generation of bad-boy pitchmen includes NBA stars such as Allan Iverson and Latrell Sprewell as well as retired athletes such as baseball star Pete Rose and former Oakland Raider football players Ken Stabler and Jack Tatum.

Iverson, who came into the NBA in 1996 as a first-round draft pick, is among the best known as well as the most controversial of the new generation of endorsers. The Philadelphia 76ers star is viewed by many as the poster boy for a generation of unruly young players who many feel are damaging the image of professional sports: a rap-loving, inner-city type with too many tattoos, a closet full of gang wear, and a history of run-ins with the law and the league. Coca-Cola let a one-year deal with him lapse after he was arrested in 1997 on gun and drug charges and placed on probation. However, Iverson led the 76ers to the NBA finals in 2001 and was named the league's most valuable player, and he began changing his image into a model of courage, toughness, caring, and humility. In December 2001, Reebok signed Iverson to a lifetime contract guaranteeing him he would remain a Reebok endorser throughout his pro career. The company began developing an extensive line of Iverson's signature I-3 products as well as extensively promoting his signature shoe, the Answer, by increasing his role in print and TV ads. However, just seven months later Iverson was charged with multiple felonies after he allegedly went on a gun-wielding rampage in pursuit of his wife. Most of the charges were later dropped and Reebok has expressed unwavering support for Iverson.

Upstart basketball sneaker and apparel brand And 1 also decided to go the bad-boy route by hiring New York Knicks star Latrell Sprewell to

endorse its shoes. Sprewell became one of the most vilified athletes in sports a few years ago when he choked and assaulted his Golden State Warrior's coach after becoming upset with his sarcasm during a practice. And 1 featured Sprewell in a controversial TV commercial showing a tight spot of him getting his hair braided. In the spot, Sprewell says, "People say I'm what's wrong with the sport. I say I'm a three-time NBA All-Star. I say I'm the American dream." Jay Gilbert, And 1's vice president of marketing, defended the spot by stating that it brings the company's target market closer to Latrell and the And 1 brand. He noted, "It will make a lot of people uncomfortable, but he represents the dream to the ballplayers that are our core consumers."

Urban sports brand Pony decided to go a slightly different route in using bad-boy athletes as endorsers with its "Why Not?" campaign, which addresses why three athletes have not been named to the Hall of Fame in their respective sports. The ads feature baseball legend Pete Rose, who was banned from the sport for gambling; former NFL quarterback Kenny "the Snake" Stabler; and Jack "the Assassin" Tatum, the former Oakland Raider who was known for his crushing hits while playing on the team in the 1970s, including one that paralyzed an opposing player. Rose appears in three ads featuring the question "Why isn't Pete Rose in the

Hall of Fame?" while the ad featuring Tatum in Pony attire asks, "Why is the Assassin not in the Hall of Fame?"

So what's behind the decisions by these companies to use bad-boy pitchmen? One explanation is that athletic-shoe companies are trying to reach young, trendsetting urban males who identify with the rebellious and scandalous image these athletes represent. One sports marketing expert notes that when a company attaches its brand to these anti-heroes. "it's a way of saying we're in touch with someone who is street real." Gilbert of And 1 argues that personalities like Iverson and Sprewell can slowly change society and notes that "they really force people to look at them without blinking and say, 'Can you accept this?'" Perhaps the ultimate reason companies use such spokespersons is that they help the firms sell their shoes and apparel. Iverson's shoe line has consistently been among the top two or three basketball sneakers and his 76ers jersey is the NBA's top seller. Even after his most recent arrest, sales of Reebok products continued to increase. In the current market for athletic shoes, it appears that the nice guys do finish last and it is the bad boys who are winning the endorsement game.

Sources: Rebecca Winters, "Bad-Boy Pitchmen," *Time*, Aug. 19, 2002, p. 18; Hilary Cassidy, "Pete Rose, Ken 'Snake' Stabler Star in Pony Ads," *Adweek*, May 14, 2002; Stefan Fatsis, "Can Iverson Pitch to the Mainstream?" *The Wall Street Journal*, June 8, 2001, pp. B1, 4.

In this chapter, we analyze the major variables in the communication system: the source, the message, and the channel. We examine the characteristics of sources, how they influence reactions to promotional messages, and why one type of communicator is more effective than another. We then focus on the message itself and how structure and type of appeal influence its effectiveness. Finally, we consider how factors related to the channel or medium affect the communication process.

## Promotional Planning through the Persuasion Matrix

To develop an effective advertising and promotional campaign, a firm must select the right spokesperson to deliver a compelling message through appropriate channels or media. Source, message, and channel factors are controllable elements in the communications model. The **persuasion matrix** (Figure 6-1) helps marketers see how each controllable element interacts with the consumer's response process.<sup>1</sup> The matrix has two sets of variables. *Independent variables* are the controllable components of the communication process, outlined in Chapter 5; *dependent*

*variables* are the steps a receiver goes through in being persuaded. Marketers can choose the person or source who delivers the message, the type of message appeal used, and the channel or medium. And although they can't control the receiver, they can select their target audience. The destination variable is included because the initial message recipient may pass on information to others, such as friends or associates, through word of mouth.

Promotional planners need to know how decisions about each independent variable influence the stages of the response hierarchy so that they don't enhance one stage at the expense of another. A humorous message may gain attention but result in decreased comprehension if consumers fail to process its content. Many ads that use humor, sexual appeals, or celebrities capture consumers' attention but result in poor recall of the brand name or message. The following examples, which correspond to the numbers in Figure 6-1, illustrate decisions that can be evaluated with the persuasion matrix.

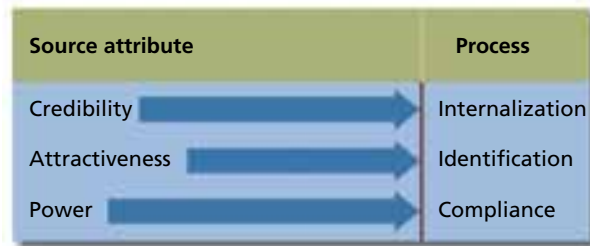
1. *Receiver/comprehension: Can the receiver comprehend the ad?* Marketers must know their target market to make their messages clear and understandable. A less educated person may have more difficulty interpreting a complicated message. Jargon may be unfamiliar to some receivers. The more marketers know about the target market, the more they see which words, symbols, and expressions their customers understand.
2. *Channel/presentation: Which media will increase presentation?* A top-rated, prime-time TV program is seen by nearly 12 million households each week. *TV Guide* and *Reader's Digest* reach nearly 12 million homes with each issue. But the important point is how well they reach the marketer's target audience. CNN's financial show *Lou Dobbs Moneyline* reaches only around a million viewers each weekday evening, but its audience consists mostly of upscale businesspeople who are prime prospects for expensive cars, financial services, and business-related products.
3. *Message/yielding: What type of message will create favorable attitudes or feelings?* Marketers generally try to create agreeable messages that lead to positive feelings toward the product or service. Humorous messages often put consumers in a good mood and evoke positive feelings that may become associated with the brand being advertised. Music adds emotion that makes consumers more receptive to the message. Many advertisers use explicit sexual appeals designed to arouse consumers

**Figure 6-1** The persuasion matrix

Dependent variables: Steps in being persuaded	Independent variables: The communication components				
	Source	Message	Channel	Receiver	Destination
Message presentation			(2)		
Attention	(4)				
Comprehension				(1)	
Yielding		(3)			
Retention					
Behavior					



**Figure 6-2** Source attributes and receiver processing modes



or suggest they can enhance their attractiveness to the opposite sex. Some marketers compare their brands to the competition.

4. *Source/attention: Who will be effective in getting consumers' attention?* The large number of ads we are bombarded with every day makes it difficult for advertisers to break through the clutter. Marketers deal with this problem by using sources who will attract the target audience's attention—actors, athletes, rock stars, or attractive models.

## Source Factors

The source component is a multifaceted concept. When Tiger Woods appears in a commercial for Nike, is the source Woods himself, the company, or some combination of the two? And, of course, consumers get information from friends, relatives, and neighbors; in fact, personal sources may be the most influential factor in a purchase decision. Word-of-mouth information transmitted from one individual to another is often perceived as more reliable and trustworthy than that received through more formal marketing channels such as advertising. As was discussed in Chapter 1, marketers are using buzz and stealth marketing methods to generate favorable word-of-mouth discussion and recommendations for their products and services.<sup>2</sup>

We use the term **source** to mean the person involved in communicating a marketing message, either directly or indirectly. A *direct source* is a spokesperson who delivers a message and/or demonstrates a product or service, like tennis star Andre Agassi who endorses Head tennis rackets in Exhibit 6-1. An *indirect source*, say, a model, doesn't actually deliver a message but draws attention to and/or enhances the appearance of the ad. Some ads use neither a direct nor an indirect source; the source is the organization with the message to communicate. Since most research focuses on individuals as a message source, our examination of source factors follows this approach.

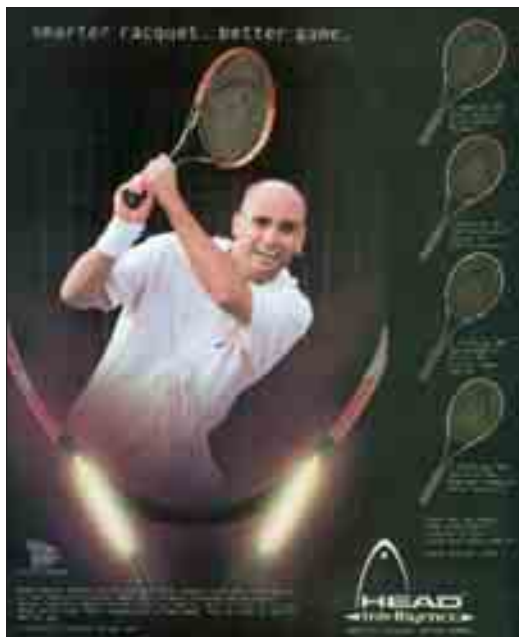
Companies are very careful when selecting individuals to deliver their selling messages. Many firms spend huge sums of money for a specific person to endorse their product or company. They also spend millions recruiting, selecting, and training salespeople to represent the company and deliver sales presentations. They recognize that the characteristics of the source affect the sales and advertising message.

Marketers try to select individuals whose traits will maximize message influence. The source may be knowledgeable, popular, and/or physically attractive; typify the target audience; or have the power to reward or punish the receiver in some manner. Herbert Kelman developed three basic categories of source attributes: credibility, attractiveness, and power.<sup>3</sup> Each influences the recipient's attitude or behavior through a different process (see Figure 6-2).

### Source Credibility

**Credibility** is the extent to which the recipient sees the source as having relevant knowledge, skill, or experience and trusts the source to give unbiased, objective information. There are two important dimensions to credibility, expertise and trustworthiness.

**Exhibit 6-1** Tennis star Andre Agassi serves as a spokesperson for Head



A communicator seen as knowledgeable—someone with expertise—is more persuasive than one with less expertise. But the source also has to be trustworthy—honest, ethical, and believable. The influence of a knowledgeable source will be lessened if audience members think he or she is biased or has underlying personal motives for advocating a position (such as being paid to endorse a product).

One of the most reliable effects found in communications research is that expert and/or trustworthy sources are more persuasive than sources who are less expert or trustworthy.<sup>4</sup> Information from a credible source influences beliefs, opinions, attitudes, and/or behavior through a process known as **internalization**, which occurs when the receiver adopts the opinion of the credible communicator since he or she believes information from this source is accurate. Once the receiver internalizes an opinion or attitude, it becomes integrated into his or her belief system and may be maintained even after the source of the message is forgotten.

A highly credible communicator is particularly important when message recipients have a negative position toward the product, service, company, or issue being promoted, because the credible source is likely to inhibit counterarguments. As discussed in Chapter 5, reduced counterarguing should result in greater message acceptance and persuasion.

**Applying Expertise** Because attitudes and opinions developed through an internalization process become part of the individual's belief system, marketers want to use communicators with high credibility. Companies use a variety of techniques to convey source expertise. Sales personnel are trained in the product line, which increases customers' perceptions of their expertise. Marketers of highly technical products recruit sales reps with specialized technical backgrounds in engineering, computer science, and other areas to ensure their expertise.

Spokespeople are often chosen because of their knowledge, experience, and expertise in a particular product or service area. Endorsements from individuals or groups recognized as experts, such as doctors or dentists, are also common in advertising (Exhibit 6-2). The importance of using expert sources was shown in a study by Roobina Ohanian, who found that the perceived expertise of celebrity endorsers was more important in explaining purchase intentions than their attractiveness or trustworthiness. She suggests that celebrity spokespeople are most effective when they are knowledgeable, experienced, and qualified to talk about the product they are endorsing.<sup>5</sup>

**Applying Trustworthiness** While expertise is important, the target audience must also find the source believable. Finding celebrities or other figures with a trustworthy image is often difficult. Many trustworthy public figures hesitate to endorse products because of the potential impact on their reputation and image. It has been suggested that former CBS news anchor Walter Cronkite, who has repeatedly been rated one of the most trusted people in America, could command millions of dollars as a product spokesperson. Global Perspective 6-1 discusses how some American celebrities protect their image by endorsing products in Japan rather than in the United States.

Advertisers use various techniques to increase the perception that their sources are trustworthy. Hidden cameras are used to show that the consumer is not a paid spokesperson and is making an objective evaluation of the product. Disguised brands are compared. (Of course, the sponsor's brand always performs better than the consumer's regular brand, and he or she is always surprised.) Advertisers also use the overheard-conversation technique to enhance trustworthiness. This involves creating a situation in a commercial where a person is shown overhearing a conversation in which favorable claims are made about a product or service. Most consumers are skeptical of these techniques, so they may have limited value in enhancing perceptions of an advertiser's credibility.

Marketers can also deal with the source-trustworthiness issue by using other IMC tools such as publicity. Information received from sources such as newscasters is often very influential because these individuals are perceived as unbiased and thus more



**Exhibit 6-2** Dove promotes the fact that it is recommended by experts in skin care

## GLOBAL PERSPECTIVE 6-1

## Celebrities Sell Out—But Only in Japan

Many American celebrities make huge sums of money endorsing products and serving as advertising spokespeople. Other big stars won't appear in ads because they don't want fans to think they've sold out. But many celebrities who resist the temptation to cash in on their fame in the United States are only too happy to appear in ads in foreign countries. And nowhere are ads starring American celebrities more prevalent than in Japan. Even the rich and famous have trouble saying no to Japanese advertisers who will pay them between \$1 million and \$3 million for a few hours' work to make 15- to 30-second spots that their Western fans across the Pacific will never see.

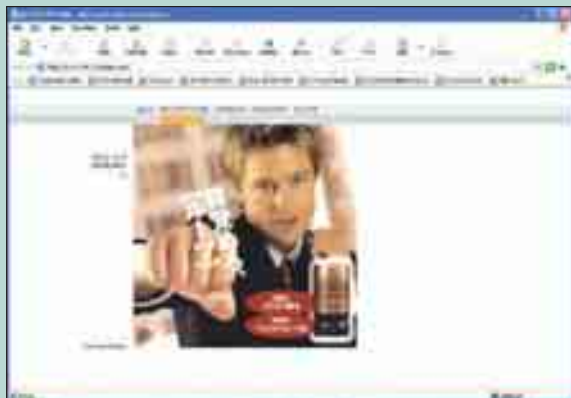
Megastars like Meg Ryan, Brad Pitt, Demi Moore, and Harrison Ford are paid millions for appearing in Japanese commercials. Ryan endorses cosmetics and tea, Pitt appears in ads for canned coffee and blue jeans, while Demi Moore hawks protein drinks. Ford received several million dollars for appearing sweaty and bare-chested in Kirin beer commercials and print ads. Sometimes celebrities are forced to change their images or personalities to suit the advertising style of Japanese companies and the tastes of audiences in Japan. Japanese commercials have a totally different feel than those in the United States and Europe and have often been described as "tacky" or "cheesy" by Western standards. For example, one ad showed actor Dennis Hopper sitting in a tub with a rubber ducky to promote a brand of shampoo and body wash.

There are several reasons why Japanese companies are willing to shell out huge sums of money for these

stars. Many Japanese are fascinated by American culture and its celebrities, and endorsement of a brand by a star gives it a certain international cachet. Also, Japanese advertising emphasizes style and mood rather than substance; consumers expect to be entertained, rather than bored by product information or testimonials. Because most Japanese commercials last only 15 seconds, advertisers feel that an instantly recognizable Western celebrity who can capture viewers' attention is well worth the money. Some movie studios encourage celebrities to do ads in Japan because it boosts their visibility and helps the marketing of their films in Japan and other Asian countries. Advertising campaigns featuring U.S. celebrities often coincide with the release of their films in Asia.

While many celebrities are cashing in on endorsement deals in Japan, they still try to protect their image at home. The stars commonly have nondisclosure clauses in their contracts, specifying that the ads cannot be shown—or sometimes even discussed (oops!)—outside Japan. However, with the growth of the Internet, stars like Arnold Schwarzenegger may have to say *hasta la vista* to keeping their endorsements secret and preventing people back home from seeing the Japanese ads. A small Canadian web company, Zero One Design, is dedicated to showing U.S. celebrities pitching products in Japan at [www.gaijinagogo.com](http://www.gaijinagogo.com). Recently, several celebrities, including Schwarzenegger and Leonardo DiCaprio, threatened legal action against the site for showing their commercials, arguing that it infringed on the star's intellectual-property rights. Ironically, the site went from about 500 hits a month to nearly 4 million in the two weeks following the publicity surrounding the controversy over the posting of the commercial Schwarzenegger made for DirecTV in Japan. Other websites, such as [www.klein-dytham.com](http://www.klein-dytham.com), also provide examples of U.S. celebrities who appear in commercials in Japan but would not be caught dead endorsing products back home. Celebrities are used to getting their way, and most want knowledge of their Japanese endorsements to stay across the Pacific. Sorry about that.

Sources: Debra Lau, "Movie Stars Moonlight in Japan," *Forbes.com*, Mar. 14, 2001; Kim Lunman, "Arnold Terminates Site Leaking Foreign TV Ad," *Globetechnology.com*, Aug. 11, 2000; Stephen Rae, "How Celebrities Make Killings on Commercials," *Cosmopolitan*, January 1997, pp. 14, 67.



credible, even though they are often presenting stories that stem from press releases. In some situations celebrities may appear on news programs or talk shows and promote an upcoming cause or event such as the release of a new movie or music CD. With the increase in stealth marketing techniques, many consumers are becoming wary of endorsements made by celebrities on news programs and talk shows. For example, a *New York Times* article revealed that drug companies were making payments to celebrities or their favorite charities in return for the celebrities' touting the companies' pharmaceutical products on news and talk shows. As a result of the controversy from the article, CNN and the major broadcast networks announced that they would disclose any such financial deals during an interview.<sup>6</sup>

**Using Corporate Leaders as Spokespeople** Another way of enhancing source credibility is to use the company president or chief executive officer as a spokesperson in the firm's advertising. Many companies believe the use of their president or CEO is the ultimate expression of the company's commitment to quality and customer service. In some cases, these ads have not only increased sales but also helped turn the company leaders into celebrities.<sup>7</sup> Lee Iacocca appeared in more than 60 commercials for Chrysler Corp. and became a national business hero for guiding the successful turnaround of the company. One of the most popular corporate spokespersons ever was Dave Thomas, the founder of Wendy's fast-food restaurants. Thomas appeared in more than 800 ads for Wendy's, which is a Guinness record for the longest-running campaign by a company founder, between 1989 and early 2002 when he passed away<sup>8</sup> (Exhibit 6-3). Other well-known corporate leaders who sometimes appear in ads for their companies include Dell computer founder and CEO Michael Dell, Gateway founder Ted Wait, and Charles Schwab, who founded the investment company that bears his name. The practice of using company founders, owners, and presidents as advertising spokespersons is particularly prevalent among small and mid-size companies such as retailers and auto dealers serving local markets. For these companies, the decision to have the owner or president become a quasi actor has to do with advertising budgets too small to accommodate professional actors or announcers, who may charge thousands of dollars to tape a few commercials.

Many marketing and advertising experts question the strategy of using company presidents or owners in ads and note that it is often ego rather than logic that results in their use.<sup>9</sup> The experts suggest that businesspeople should get in front of the camera only if they exude credibility and possess the intangible quality of provoking a warm, fuzzy feeling in viewers. They also note that CEO spokespersons who become very popular may get more attention than their company's product/service or advertising message. And if a firm's image becomes too closely tied to a popular leader, there can be problems if that person leaves the company.

Major corporations are likely to continue to use their top executives in their advertising, particularly when they have celebrity value that helps enhance the firm's image. Some research suggests the use of a company president or CEO can improve attitudes and increase the likelihood that consumers will inquire about a company's product or service.<sup>10</sup> Defenders of the practice argue that the use of top executives or business owners in ads is an effective way of projecting an image of trust and honesty and, more importantly, the idea that the company isn't run by some faceless corporate monolith. As one expert notes: "These guys come into people's living rooms every night and, over the course of weeks and years, become like members of the family. It gets to the point that when you think of a certain product category, you think of the guy you see all the time on TV."<sup>11</sup>

**Limitations of Credible Sources** Several studies have shown that a high-credibility source is not always an asset, nor is a low-credibility source always a liability. High- and low-credibility sources are equally effective when they are arguing for a position

**Exhibit 6-3** Dave Thomas was a very effective spokesperson for Wendy's for many years





opposing their own best interest.<sup>12</sup> A very credible source is more effective when message recipients are not in favor of the position advocated in the message.<sup>13</sup> However, a very credible source is less important when the audience has a neutral position, and such a source may even be less effective than a moderately credible source when the receiver's initial attitude is favorable.<sup>14</sup>

Another reason a low-credibility source may be as effective as a high-credibility source is the **sleeper effect**, whereby the persuasiveness of a message increases with the passage of time. The immediate impact of a persuasive message may be inhibited because of its association with a low-credibility source. But with time, the association of the message with the source diminishes and the receiver's attention focuses more on favorable information in the message, resulting in more support arguing. However, many studies have failed to demonstrate the presence of a sleeper effect.<sup>15</sup> Many advertisers hesitate to count on the sleeper effect, since exposure to a credible source is a more reliable strategy.<sup>16</sup>

### Source Attractiveness

A source characteristic frequently used by advertisers is **attractiveness**, which encompasses similarity, familiarity, and likability.<sup>17</sup> *Similarity* is a supposed resemblance between the source and the receiver of the message, while *familiarity* refers to knowledge of the source through exposure. *Likability* is an affection for the source as a result of physical appearance, behavior, or other personal traits. Even when the sources are not athletes or movie stars, consumers often admire their physical appearance, talent, and/or personality.

Source attractiveness leads to persuasion through a process of **identification**, whereby the receiver is motivated to seek some type of relationship with the source and thus adopts similar beliefs, attitudes, preferences, or behavior. Maintaining this position depends on the source's continued support for the position as well as the receiver's continued identification with the source. If the source changes position, the receiver may also change. Unlike internalization, identification does not usually integrate information from an attractive source into the receiver's belief system. The receiver may maintain the attitudinal position or behavior only as long as it is supported by the source or the source remains attractive.

Marketers recognize that receivers of persuasive communications are more likely to attend to and identify with people they find likable or similar to themselves. Similarity and likability are the two source characteristics marketers seek when choosing a communicator.

**Applying Similarity** Marketers recognize that people are more likely to be influenced by a message coming from someone with whom they feel a sense of similarity.<sup>18</sup> If the communicator and receiver have similar needs, goals, interests, and lifestyles, the position advocated by the source is better understood and received. Similarity is used in various ways in marketing communications. Companies select salespeople whose characteristics match well with their customers'. A sales position for a particular region may be staffed by someone local who has background and interests in common with the customers. Global marketers often hire foreign nationals as salespeople so customers can relate more easily to them.

Companies may also try to recruit former athletes to sell sporting goods or beer, since their customers usually have a strong interest in sports. Several studies have shown that customers who perceive a salesperson as similar to themselves are more likely to be influenced by his or her message.<sup>19</sup>

Similarity is also used to create a situation where the consumer feels empathy for the person shown in the commercial. In a slice-of-life commercial, the advertiser usually starts by presenting a predicament with the hope of getting the consumer to think, "I can see myself in that situation." This can help establish a bond of similarity between the communicator and the receiver, increasing the source's level of persuasiveness. Many companies feel that the best way to connect with consumers is by using regular-looking, everyday people with whom the average person can easily identify. For example, some of the most popular commercials in recent years have been those from the "Whassup?" campaign for Budweiser beer. In these ads the



agency cast a group of real-life friends from Philadelphia, rather than actors, who greet each other with an exaggerated “Whassup?” when they speak with one another or get together to watch a game and enjoy a Bud. IMC Perspective 6-2 discusses how an unknown, aspiring actor with an easygoing manner that appeals to consumers became a very popular spokesperson for Dell Computer.

**Applying Likability: Using Celebrities** Advertisers recognize the value of using spokespeople who are admired: TV and movie stars, athletes, musicians, and other popular public figures. It is estimated that nearly 20 percent of all TV commercials feature celebrities, and advertisers pay hundreds of millions of dollars for their services. The top celebrity endorser is golfer Tiger Woods, who makes more than \$60 million a year from endorsement contracts with Nike, Disney, American Express, General Mills, and Buick (Exhibit 6-4). Michael Jordan is also among the highest-paid and most sought-after celebrity endorsers, along with singer Brittany Spears and cyclist Lance Armstrong.

Why do companies spend huge sums to have celebrities appear in their ads and endorse their products? They think celebrities have *stopping power*. That is, they draw attention to advertising messages in a very cluttered media environment. Marketers think a popular celebrity will favorably influence consumers’ feelings, attitudes, and purchase behavior. And they believe celebrities can enhance the target audience’s perceptions of the product in terms of image and/or performance. For example, a well-known athlete may convince potential buyers that the product will enhance their own performance.

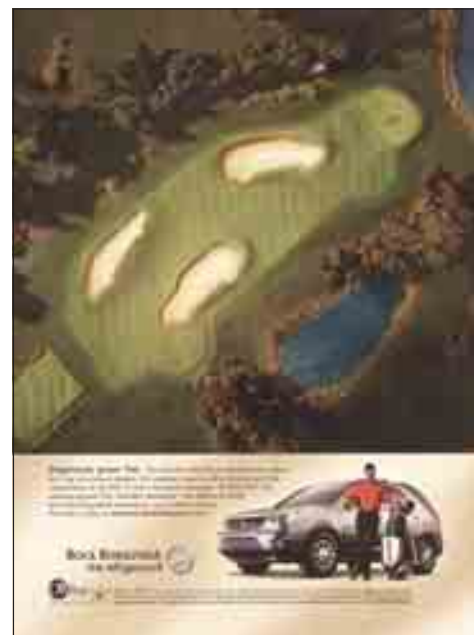
A number of factors must be considered when a company decides to use a celebrity spokesperson, including the dangers of overshadowing the product and being overexposed, the target audience’s receptivity, and risks to the advertiser.

**Overshadowing the Product** How will the celebrity affect the target audience’s processing of the advertising message? Consumers may focus their attention on the celebrity and fail to notice the brand. Advertisers should select a celebrity spokesperson who will attract attention and enhance the sales message, yet not overshadow the brand. For example, actress Lindsay Wagner served as the spokesperson for Ford Motor Co. dealers in Southern California for a number of years and was very popular and effective. She brought a star power and presence to the advertising that attracted attention and made it memorable, yet she never overshadowed the Ford vehicles she was promoting.<sup>20</sup>

**Overexposure** Consumers are often skeptical of endorsements because they know the celebrities are being paid.<sup>21</sup> This problem is particularly pronounced when a celebrity endorses too many products or companies and becomes overexposed. For example, cyclist Lance Armstrong has endorsement contracts with nearly 20 different companies, including the U.S. Postal Service, Nike, PowerBar, General Mills, Oakley, and many others, and has recently limited his endorsements so he does not become overexposed.<sup>22</sup> Advertisers can protect themselves against overexposure with an exclusivity clause limiting the number of products a celebrity can endorse. However, such clauses are usually expensive, and most celebrities agree not to endorse similar products anyway. Many celebrities, knowing their fame is fleeting, try to earn as much endorsement money as possible, yet they must be careful not to damage their credibility by endorsing too many products. For example, singer/actress Cher damaged her credibility as an advertising spokesperson by appearing in too many infomercials. When she realized that appearing in so many infomercials was devastating to her acting career as well, she ceased doing them.<sup>23</sup>

**Target Audiences’ Receptivity** One of the most important considerations in choosing a celebrity endorser is how well the individual matches with and is received by the advertiser’s target audience.

**Exhibit 6-4** Tiger Woods has endorsement contracts with a number of companies, including Buick



## IMC PERSPECTIVE 6-2

## The Dell Dude Connects With PC Buyers

Every so often an advertising character jumps out of the television screen and into the hearts of consumers. A few years ago it was “Stuart”—the geeky, red-headed know-it-all who appeared in commercials for online stock trading company Ameritrade—who struck a chord with viewers. The latest ad spokesperson generating the buzz is “Steven,” the lovable blond surfer dude who gives expert advice to people shopping for a home computer. The “Dell Dude” is played by Ben Curtis, a 21-year-old student who studies acting at New York University and hails from Chattanooga, Tennessee. Curtis got the role after an audition, and his first appearances in a Dell commercial came in late 2000 in a spot in which he makes a video for his parents explaining why they should buy him a Dell personal computer. Although Dell switched ad agencies a few months after Curtis was hired, the company and its new agency, DDB Chicago, knew they had a star in the making and retained the Steven character as its “spokesdude.”

Over the past two years “Steven” has appeared in more than 10 commercials for Dell including a popular spot where he hawks Dells while driving his dad’s convertible with a hot brunette seated next to him. The commercials use a clever blend of humor and salesmanship by portraying Steven as a hip teenager who convinces his parents, his friends’ parents, and even random people he meets to buy computers from Dell. Shortly after taking over the account, DDB’s creative group added the quip: “Dude, you’re gettin’ a Dell” to Steven’s pitch and the phrase has slowly been seeping into pop-culture vernacular. The ad campaign has

helped Dell put a friendly face on its personal computers—a product category that is often intimidating to consumers. Dell’s senior manager of consumer advertising says that Steven “has changed our image into that of an approachable company, a company that makes technology easy and fun.” The ads have also helped sales, as Dell’s share of the home segment of the personal computer market has increased significantly since the campaign was launched.

Curtis’s success as the Dell Dude demonstrates the importance of casting in creating effective advertising. The creative director at DDB notes that the right casting is as important as the right message since you need somebody to bring it to life. Curtis clearly brings the Dell Dude to life as “Steven” is described as a modern-day Tom Sawyer who appeals to a broad range of consumers. He receives fan mail from teenybopper girls who want to date him as well as from seniors who like his Eddie Haskell-like charm. The “Dell Guy,” as he is often referred to, boasts one of the largest advertising fan-club message boards on Yahoo, with over 500 members as well as numerous fan websites. Curtis has been interviewed on the *Today Show*, *CNN*, and ABC’s *20/20 Downtown* and been featured in articles in *The Wall Street Journal*, *USA Today*, and many other publications. Curtis also makes appearances at Dell events to rally employees as well as at industry trade shows such as Comdex. In recognition of his celebrity status, Dell created a new web “sitelet” that fans can visit to find out more about Curtis and his latest ads.

In late 2002 Dell announced that “Steven” would be playing a smaller role in its advertising, although the company still plans to use him in the future. However, some analysts note that the company may not want to use “the Dell Dude” as it focuses more on selling its computers to businesses. Curtis knows that the fame he is currently enjoying may be short-lived but hopes he can use it as a launchpad for his ultimate goal of becoming an actor. He worries somewhat about being typecast as a surfer dude but says that the pay helps with school and the expense of living in New York. So goes the life of Madison Avenue’s newest mini-celebrity.



Sources: Michael McCarthy, “Goofy Dell Guy Exudes Star Power; ‘Steven’ Wins Over Bunches of Computer Buyers,” *USA Today*, Jan. 14, 2002, p. B5; Suzanne Vranica, “Dell, Starting New Campaign, Plans for Life Without Steven,” *The Wall Street Journal*, October 16, 2002, p. B3.

Many former athletes such as Arnold Palmer and Nolan Ryan are effective endorsers because they have very favorable images among aging baby boomers and seniors. Pop star Brittany Spears is a very effective spokesperson for Pepsi as she is very popular among young teens, who are the heavy users of soft drinks.

Consumers who are particularly knowledgeable about a product or service or have strongly established attitudes may be less influenced by a celebrity than those with little knowledge or neutral attitudes. One study found that college-age students were more likely to have a positive attitude toward a product endorsed by a celebrity than were older consumers.<sup>24</sup> The teenage market has generally been very receptive to celebrity endorsers, as evidenced by the frequent use of entertainers and athletes in ads targeted to this group for products such as apparel, cosmetics, and beverages. However, many marketers are finding that teenage consumers are more skeptical and cynical toward the use of celebrity endorsers and respond better to ads using humor, irony, and unvarnished truth.<sup>25</sup> Some marketers targeting teenagers have responded to this by no longer using celebrities in their campaigns or by poking fun at their use. For example, Sprite has developed a very effective campaign using ads that parody celebrity endorsers and carry the tagline “Image is nothing. Obey your thirst” (Exhibit 6-5).



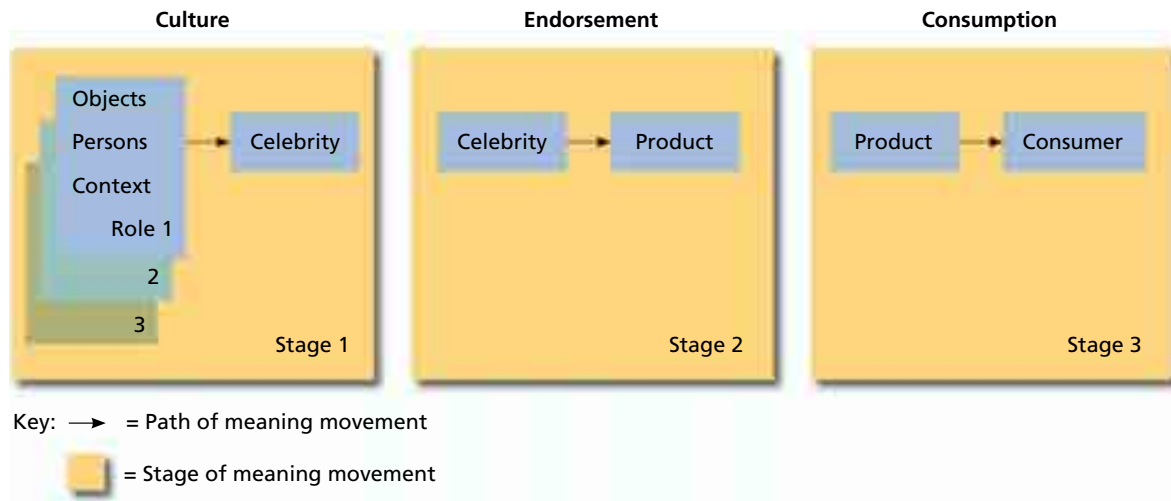
**Exhibit 6-5** Sprite parodies the use of celebrity endorsers in this ad

**Risk to the Advertiser** A celebrity’s behavior may pose a risk to a company.<sup>26</sup> A number of entertainers and athletes have been involved in activities that could embarrass the companies whose products they endorsed. For example, Hertz used O. J. Simpson as its spokesperson for 20 years and lost all that equity when he was accused of murdering his ex-wife and her friend. Pepsi had a string of problems with celebrity endorsers; it severed ties with Mike Tyson, after his wife accused him of beating her, and with singer Michael Jackson, after he was accused of having sex with a 12-year-old boy. Pepsi dropped a TV commercial featuring Madonna when some religious groups and consumers objected to her “Like a Prayer” video and threatened to boycott Pepsi products. More recently, several companies including Pizza Hut and the Carl’s Jr. fast-food chain terminated the endorsement contract with controversial basketball star Dennis Rodman because of his unpredictable behavior both on and off the court.<sup>27</sup>

To avoid these problems, companies often research a celebrity’s personal life and background. Many endorsement contracts include a morals clause allowing the company to terminate the contract if a controversy arises. Callaway Golf terminated its endorsement deal with well-known and popular golfer John Daly a few years ago on the grounds that he violated a clause in his contract prohibiting him from drinking or gambling.<sup>28</sup> As discussed in the opening vignette to this chapter, basketball star Allan Iverson has been involved in several controversies that have resulted in some companies’ refraining from using him as an endorser and led to criticism of those that continue to do so, such as Reebok.<sup>29</sup> However, marketers should remember that adding morals clauses to their endorsement contracts only gets them out of a problem; it does not prevent it.

**Understanding the Meaning of Celebrity Endorsers** Advertisers must try to match the product or company’s image, the characteristics of the target market, and the personality of the celebrity.<sup>30</sup> The image celebrities project to consumers can be just as important as their ability to attract attention. An interesting perspective on celebrity endorsement was developed by Grant McCracken.<sup>31</sup> He argues that credibility and attractiveness don’t sufficiently explain how and why celebrity endorsements work and offers a model based on meaning transfer (Figure 6-3).

According to this model, a celebrity’s effectiveness as an endorser depends on the culturally acquired meanings he or she brings to the endorsement process. Each celebrity contains many meanings, including status, class, gender, and age as well as

**Figure 6-3** Meaning movement and the endorsement process

personality and lifestyle. In explaining stage 1 of the meaning transfer process, McCracken notes:

Celebrities draw these powerful meanings from the roles they assume in their television, movie, military, athletic, and other careers. Each new dramatic role brings the celebrity into contact with a range of objects, persons, and contexts. Out of these objects, persons, and contexts are transferred meanings that then reside in the celebrity.<sup>32</sup>

Examples of celebrities who have acquired meanings include actor Bill Cosby as the perfect father (from his role on *The Cosby Show*) and actor Jerry Seinfeld as the quirky comedian (from his role on the sitcom *Seinfeld*). Cyclist Lance Armstrong has developed a very favorable image as a fierce competitor and an All-American superhero by winning the grueling Tour de France cycling race four times after overcoming a life-threatening form of testicular cancer.

McCracken suggests celebrity endorsers bring their meanings and image into the ad and transfer them to the product they are endorsing (stage 2 of the model in Figure 6-3). For example, PowerBar, the leading brand of energy performance bars, takes advantage of Armstrong's image as a competitor and champion with great determination in ads such as the one shown in Exhibit 6-6. He is also an effective endorser for the product since he competes in a very grueling and demanding sport where the benefits of sustained energy are very important.

In the final stage of McCracken's model, the meanings the celebrity has given to the product are transferred to the consumer. By using Armstrong in its ads, PowerBar hopes to enhance its image as a product that can provide extra energy to athletes and enhance their performance. McCracken notes that this final stage is complicated and difficult to achieve. The way consumers take possession of the meaning the celebrity has transferred to a product is probably the least understood part of the process.

The meaning transfer model has some important implications for companies using celebrity endorsers. Marketers must first decide on the image or symbolic meanings important to the target audience for the particular product, service, or company. They must then determine which celebrity best represents the meaning or image to be projected. An advertising campaign must be designed that captures that meaning in the product and moves it to the consumer. Marketing and advertising personnel often rely on intuition in choosing celebrity endorsers for their companies or products, but some companies conduct research studies to determine consumers' perceptions of celebrities' meaning.

**Exhibit 6-6** Cyclist Lance Armstrong helps position PowerBar as a product that provides energy to athletes



Marketers may also pretest ads to determine whether they transfer the proper meaning to the product. When celebrity endorsers are used, the marketer should track the campaign's effectiveness. Does the celebrity continue to be effective in communicating the proper meaning to the target audience? Celebrities who are no longer in the limelight may lose their ability to transfer any significant meanings to the product.

As we have seen, marketers must consider many factors when choosing a celebrity to serve as an advertising spokesperson for the company or a particular brand. Studies have shown that advertising and marketing managers take these various factors into account when choosing a celebrity endorser.<sup>33</sup> Among the most important factors are the celebrity's match with the target audience and the product/service or brand, the overall image of the celebrity, the cost of acquiring the celebrity, trustworthiness, the risk of controversy, and the celebrity's familiarity and likability among the target audience. IMC Perspective 6-3 discusses how marketers and advertising agencies use research data and other types of information in choosing celebrity endorsers.

**Applying Likability: Decorative Models** Advertisers often draw attention to their ads by featuring a physically attractive person who serves as a passive or decorative model rather than as an active communicator. Research suggests that physically attractive communicators generally have a positive impact and generate more favorable evaluations of both ads and products than less attractive models.<sup>34</sup> The gender appropriateness of the model for the product being advertised and his or her relevance to the product are also important considerations.<sup>35</sup> Products such as cosmetics or fashionable clothing are likely to benefit from the use of an attractive model, since physical appearance is very relevant in marketing these items. For example, Revlon has used supermodel Cindy Crawford in advertising for various cosmetics products such as its Fire & Ice fragrance (Exhibit 6-7).

Some models draw attention to the ad but not to the product or message. Studies show that an attractive model facilitates recognition of the ad but does not enhance copy readership or message recall. Thus, advertisers must ensure that the consumer's attention will go beyond the model to the product and advertising message.<sup>36</sup> Marketers must also consider whether the use of highly attractive models might negatively impact advertising effectiveness. Several recent studies have shown that some women experience negative feelings when comparing themselves with beautiful models used in ads and the images of physical perfection they represent.<sup>37</sup>

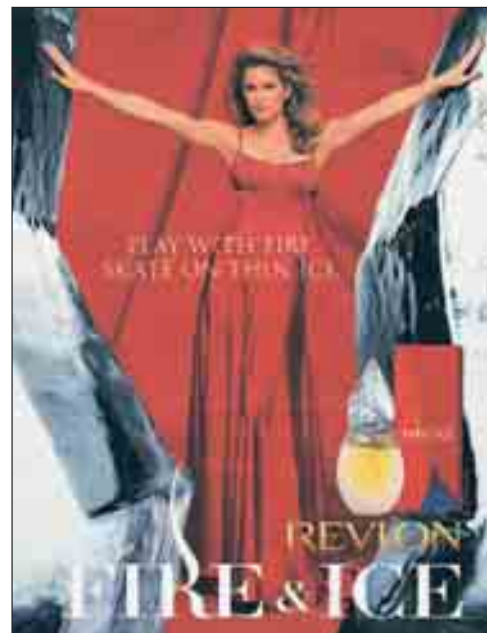
## Source Power

The final characteristic in Kelman's classification scheme is **source power**. A source has power when he or she can actually administer rewards and punishments to the receiver. As a result of this power, the source may be able to induce another person(s) to respond to the request or position he or she is advocating. The power of the source depends on several factors. The source must be perceived as being able to administer positive or negative sanctions to the receiver (*perceived control*) and the receiver must think the source cares about whether or not the receiver conforms (*perceived concern*). The receiver's estimate of the source's ability to observe conformity is also important (*perceived scrutiny*).

When a receiver perceives a source as having power, the influence process occurs through a process known as **compliance**. The receiver accepts the persuasive influence of the source and acquiesces to his or her position in hopes of obtaining a favorable reaction or avoiding punishment. The receiver may show public agreement with the source's position but not have an internal or private commitment to this position. Persuasion induced through compliance may be superficial and last only as long as the receiver perceives that the source can administer some reward or punishment.

Power as a source characteristic is very difficult to apply in a nonpersonal influence situation such as advertising. A communicator in an ad generally cannot apply any sanctions to the receiver or

**Exhibit 6-7** Revlon makes effective use of supermodel Cindy Crawford in this ad





## IMC PERSPECTIVE 6-3

## Using Q Scores and the Fame Index to Help Choose a Celebrity Endorser

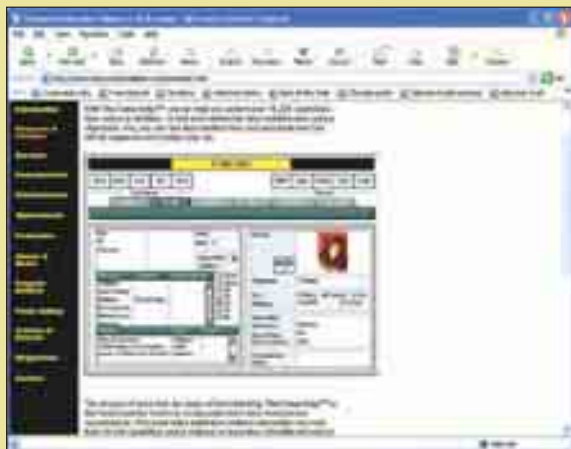
Obviously many marketers believe strongly in the value of celebrity spokespeople, as the amount of money paid to them continues to soar to record levels. Companies look for a celebrity who will attract viewers' attention and enhance the image of the company or brand. But how do they choose the right one? While some executives rely on their own intuition and gut feeling, many turn to research that measures a celebrity's appeal as well as other factors that will provide insight into his or her warmth, trust, and credibility among the target audience.

To help select a celebrity endorser, many companies and their advertising agencies rely on *Q ratings* that are commercially available from the New York-based firm known as Marketing Evaluations/TVQ, Inc. To determine its Performer Q ratings for TV and movie personalities, the company surveys a representative national panel of 1,800 people twice a year and asks them to evaluate over 1,500 performers. For its Sports Q rating, which is conducted once a year, the company surveys 2,000 teens and adults and asks them about approximately 500 active and retired players, coaches, managers, and sportscasters. In both studies respondents are asked to indicate whether they have ever seen or heard of the performer or sports personality and, if they have, to rate him or her on a scale that includes "one of my favorites," "very good," "good," "fair," or "poor." The *familiarity* score indicates the percentage of people who have heard of the person, while the *one-of-my-favorite* score is an absolute measure of the appeal or popularity of the celebrity. The well-known Q rating is calculated by taking the percentage of respondents who indicate that a person is

"one of my favorites" and dividing that number by the percentage of respondents who indicate that they have heard of that person. The Q score thus answers the question "How appealing is the person among those who do know him or her?"

Results from a 2002 Performer Q study found that Tom Hanks was familiar to 92 percent of those surveyed and was considered "one of my favorites" by 48 percent. Thus, his Q rating was 52 (48/92) which was the highest score among all performers measured. Other performers in the top 10 along with their Q ratings included Bill Cosby (50), Mel Gibson (47), Harrison Ford (45), Sean Connery (45), Denzel Washington (42), Robert DeNiro (41), Michael J. Fox (40), and Will Peterson (30). The 2002 Sports Q survey for active and retired athletes, coaches, managers, and sportscasters showed that Michael Jordan was familiar to 90 percent of those surveyed and considered "one of my favorites" by 47 percent, for a leading Q rating of 52. Other sports personalities in the top 10 included Tiger Woods (43), Nolan Ryan (40), Cal Ripken Jr. (39), Joe Montana (39), Wayne Gretzky (37), Jerry Rice (36), Sarah Hughes (36), Jackie Joyner-Kersey (36), and John Madden (35). The average Q score is generally around 18 for performers and 17 for sports personalities. Marketing Evaluation's Q ratings are also broken down on the basis of various demographic criteria such as a respondent's age, income, occupation, education, and race so that marketers have some idea of how a celebrity's popularity varies among different groups of consumers.

In addition to using Q ratings, marketers are using information provided by other firms to match celebrities with their products. Hollywood-Madison Avenue Group, a firm that arranges celebrity endorsements, has poured over 10 years of research into its Fame Index, which is a database listing more than 10,000 celebrities by 250 criteria such as age, sex, residence, career highlights, charity affiliations, fears, interests, and addictions. The database is updated daily with information from the Internet, magazines, and newspaper articles as well as television. Information in the Fame Index reveals that actors Tom Cruise, Jim Belushi, and Jason Alexander are big hockey fans, while Carol Burnett and Rosie O'Donnell collect dolls. Kirstie Alley's interests include Scientology, the environment, and motorcycles, and she supports charities concerned with AIDS, children's welfare, and animal rights. Hollywood-Madison has helped a number of companies choose celebrities to serve as their advertising spokespersons. For example, Philips Consumer Elec-



tronics used the company to help with the selection of a celebrity to promote high-definition, wide-screen televisions. The Fame Index identified director Martin Scorsese as a film preservationist who supports the wide-screen format, and Hollywood-Madison helped broker a deal with him to participate in a public education campaign supporting the introduction of Philips new line of wide-screen HDTV.

As more and more companies court celebrities to endorse their products or businesses, appear at

events, or support causes, they no longer are relying solely on intuition or brainstorming sessions to select such spokespersons. Companies such as Marketing Evaluations/TVQ and Hollywood-Madison are providing information that helps them find the ideal candidate.

Sources: Marketing Evaluations/TVQ, Inc., [www.qscores.com](http://www.qscores.com); Kristina Saurwein, "Finding the Right Pitch," *Los Angeles Times*, July 30, 2001, p. B3; [www.hollywood-madison.com](http://www.hollywood-madison.com).

determine whether compliance actually occurs. An indirect way of using power is by using an individual with an authoritative personality as a spokesperson. Actor Charles Bronson, who typifies this image, has appeared in public service campaigns commanding people not to pollute or damage our natural parks (Exhibit 6-8).

The use of source power applies more in situations involving personal communication and influence. For example, in a personal selling situation, the sales rep may have some power over a buyer if the latter anticipates receiving special rewards or favors for complying with the salesperson. Some companies provide their sales reps with large expense accounts to spend on customers for this very purpose. Representatives of companies whose product demand exceeds supply are often in a position of power; buyers may comply with their requests to ensure an adequate supply of the product. Sales reps must be very careful in their use of a power position, since abusing a power base to maximize short-term gains can damage long-term relationships with customers.

The way marketing communications are presented is very important in determining their effectiveness. Promotional managers must consider not only the content of their persuasive messages but also how this information will be structured for presentation and what type of message appeal will be used. Advertising, in all media except radio, relies heavily on visual as well as verbal information. Many options are available with respect to the design and presentation of a message. This section examines the structure of messages and considers the effects of different types of appeals used in advertising.

## Message Factors

### Message Structure

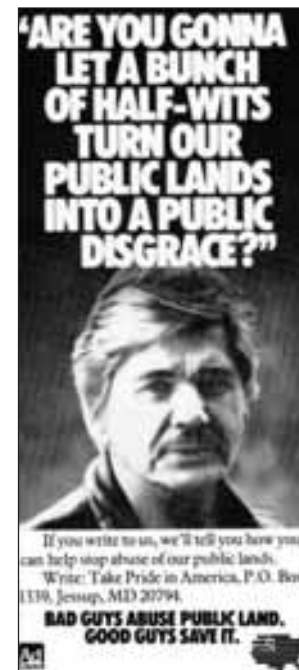
Marketing communications usually consist of a number of message points that the communicator wants to get across. An important aspect of message strategy is knowing the best way to communicate these points and overcome any opposing viewpoints audience members may hold. Extensive research has been conducted on how the structure of a persuasive message can influence its effectiveness, including order of presentation, conclusion drawing, message sidedness, refutation, and verbal versus visual message characteristics.

**Order of Presentation** A basic consideration in the design of a persuasive message is the arguments' order of presentation. Should the most important message points be placed at the beginning of the message, in the middle, or at the end? Research on learning and memory generally indicates that items presented first and last are remembered better than those presented in the middle (see Figure 6-4).<sup>38</sup> This suggests that a communicator's strongest arguments should be presented early or late in the message but never in the middle.

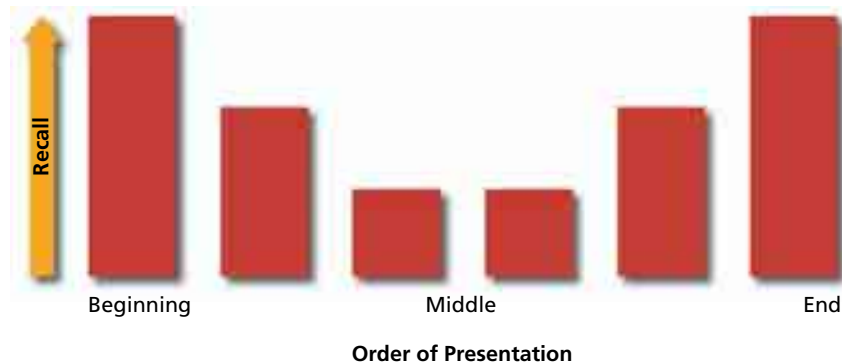
Presenting the strongest arguments at the beginning of the message assumes a **primacy effect** is operating, whereby information presented first is most effective. Putting the strong points at the end assumes a **recency effect**, whereby the last arguments presented are most persuasive.

Whether to place the strongest selling points at the beginning or the end of the message depends on several factors. If the target audience is opposed to the communicator's

**Exhibit 6-8** Actor Charles Bronson's authoritative image makes him an effective source



**Figure 6-4** Ad message recall as a function of order of presentation



position, presenting strong points first can reduce the level of counterarguing. Putting weak arguments first might lead to such a high level of counterarguing that strong arguments that followed would not be believed. Strong arguments work best at the beginning of the message if the audience is not interested in the topic, so they can arouse interest in the message. When the target audience is predisposed toward the communicator's position or is highly interested in the issue or product, strong arguments can be saved for the end of the message. This may result in a more favorable opinion as well as better retention of the information.

The order of presentation can be critical when a long, detailed message with many arguments is being presented. Most effective sales presentations open and close with strong selling points and bury weaker arguments in the middle. For short communications, such as a 15- or 30-second TV or radio commercial, the order may be less critical. However, many product and service messages are received by consumers with low involvement and minimal interest. Thus, an advertiser may want to present the brand name and key selling points early in the message and repeat them at the end to enhance recall and retention. Order of presentation is also an important consideration in other forms of marketing communication. For example, many press releases use the "pyramid style" of writing, whereby most of the important information is presented up front to ensure that it is read since editors often cut from the end of articles.

**Conclusion Drawing** Marketing communicators must decide whether their messages should explicitly draw a firm conclusion or allow receivers to draw their own conclusions. Research suggests that, in general, messages with explicit conclusions are more easily understood and effective in influencing attitudes. However, other studies have shown that the effectiveness of conclusion drawing may depend on the target audience, the type of issue or topic, and the nature of the situation.<sup>39</sup>

More highly educated people prefer to draw their own conclusions and may be annoyed at an attempt to explain the obvious or to draw an inference for them. But stating the conclusion may be necessary for a less educated audience, who may not draw any conclusion or may make an incorrect inference from the message. Marketers must also consider the audience's level of involvement in the topic. For highly personal or ego-involving issues, message recipients may want to make up their own minds and resent any attempts by the communicator to draw a conclusion. One study found that open-ended ads (without explicit conclusions) were more effective than closed-ended arguments that did include a specific conclusion—but only for involved audiences.<sup>40</sup>

Whether to draw a conclusion for the audience also depends on the complexity of the topic. Even a highly educated audience may need assistance if its knowledge level in a particular area is low. Does the marketer want the message to trigger immediate action or a more long-term effect? If immediate action is an objective, the message should draw a definite conclusion. This is a common strategy in political advertising, particularly for ads run close to election day. When immediate impact is not the objective and repeated exposure will give the audience members opportunities to draw their own conclusions, an open-ended message may be used.

Drawing a conclusion in a message may make sure the target audience gets the point the marketer intended. But many advertisers believe that letting customers draw their own conclusions reinforces the points being made in the message. For example, a health services agency in Kentucky found that open-ended ads were more memorable and more effective in getting consumers to use health services than were ads stating a conclusion. Ads that posed questions about alcohol and drug abuse and left them unanswered resulted in more calls by teenagers to a help line for information than did a message offering a resolution to the problem.<sup>41</sup> The ad for Silk Soymilk in Exhibit 6-9 is a very good example of an open-ended message. The question in the headline encourages consumers to be open to the idea of drinking soymilk.

**Message Sidedness** Another message structure decision facing the marketer involves message sidedness. A **one-sided message** mentions only positive attributes or benefits. A **two-sided message** presents both good and bad points. One-sided messages are most effective when the target audience already holds a favorable opinion about the topic. They also work better with a less educated audience.<sup>42</sup>

Two-sided messages are more effective when the target audience holds an opposing opinion or is highly educated. Two-sided messages may enhance the credibility of the source.<sup>43</sup> A better-educated audience usually knows there are opposing arguments, so a communicator who presents both sides of an issue is likely to be seen as less biased and more objective.

Most advertisers use one-sided messages. They are concerned about the negative effects of acknowledging a weakness in their brand or don't want to say anything positive about their competitors. There are exceptions, however. Sometimes advertisers compare brands on several attributes and do not show their product as being the best on every one.

In some situations marketers may focus on a negative attribute as a way of enhancing overall perceptions of the product. For example, W. K. Buckley Limited has become one of the leading brands of cough syrup in Canada by using a blunt two-sided slogan, "Buckley's Mixture. It tastes awful. And it works." Ads for the brand poke fun at the cough syrup's terrible taste but also suggest that the taste is a reason why the product is effective (Exhibit 6-10). Buckley's is using the humorous two-sided message strategy in its entry into the U.S. market.<sup>44</sup>

**Refutation** In a special type of two-sided message known as a **refutational appeal**, the communicator presents both sides of an issue and then refutes the opposing viewpoint. Since refutational appeals tend to "inoculate" the target audience against a competitor's counterclaims, they are more effective than one-sided messages in making consumers resistant to an opposing message.<sup>45</sup>

Refutational messages may be useful when marketers wish to build attitudes that resist change and must defend against attacks or criticism of their products or the company. For example, Exhibit 6-11 shows an ad used by the Almond Board of California to refute nutritional concerns about almonds regarding their fat content. Market leaders, who are often the target of comparative messages, may find that acknowledging competitors' claims and then refuting them can help build resistant attitudes and customer loyalty.

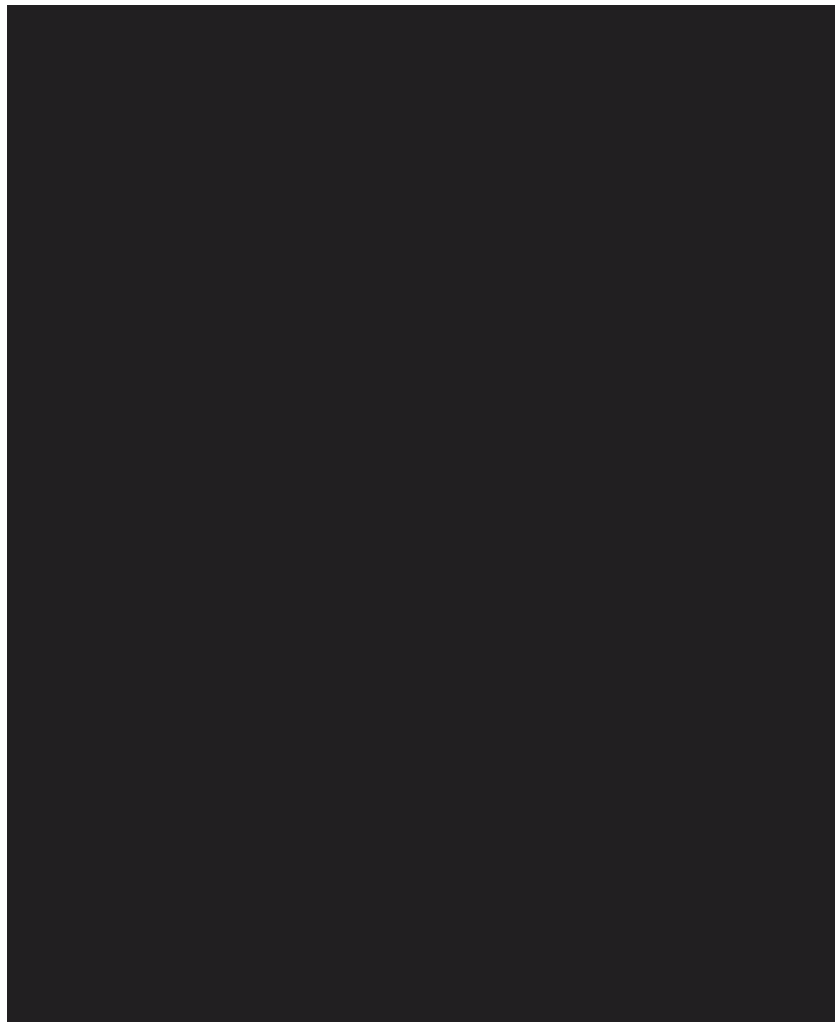
**Verbal versus Visual Messages** Thus far our discussion has focused on the information, or verbal, portion of the message. However, the nonverbal, visual elements of an ad are also very important. Many ads provide minimal amounts of information and rely on visual elements to communicate. Pictures are commonly used in advertising to convey information or reinforce copy or message claims.

Both the verbal and visual portions of an ad influence the way the advertising message is processed.<sup>46</sup> Consumers may develop images or impressions based on visual elements such as an illustration in an ad or the scenes in a TV commercial. In some



**Exhibit 6-9** This ad makes effective use of an open-ended approach

**Exhibit 6-10** Buckley's Cough Syrup uses a two-sided message to promote the product's effectiveness



**Exhibit 6-11** A refutational appeal is used to address nutritional concerns about almonds





cases, the visual portion of an ad may reduce its persuasiveness, since the processing stimulated by the picture may be less controlled and consequently less favorable than that stimulated by words.<sup>47</sup>

Pictures affect the way consumers process accompanying copy. A recent study showed that when verbal information was low in imagery value, the use of pictures providing examples increased both immediate and delayed recall of product attributes.<sup>48</sup> However, when the verbal information was already high in imagery value, the addition of pictures did not increase recall. Advertisers often design ads where the visual image supports the verbal appeal to create a compelling impression in the consumer's mind. Notice how the ad for the CamelBak SnoBowl uses visual elements to support the claims made in the copy regarding the importance of being hydrated when skiing (Exhibit 6-12).

Sometimes advertisers use a different strategy; they design ads in which the visual portion is incongruent with or contradicts the verbal information presented. The logic behind this strategy is that the use of an unexpected picture or visual image will grab consumers' attention and get them to engage in more effortful or elaborative processing.<sup>49</sup> A number of studies have shown that the use of a visual that is inconsistent with the verbal content leads to more recall and greater processing of the information presented.<sup>50</sup>



**Exhibit 6-12** Visual images are often designed to support verbal appeals

## Message Appeals

One of the advertiser's most important creative strategy decisions involves the choice of an appropriate appeal. Some ads are designed to appeal to the rational, logical aspect of the consumer's decision-making process; others appeal to feelings in an attempt to evoke some emotional reaction. Many believe that effective advertising combines the practical reasons for purchasing a product with emotional values. In this section we will examine several common types of message appeals, including comparative advertising, fear, and humor.

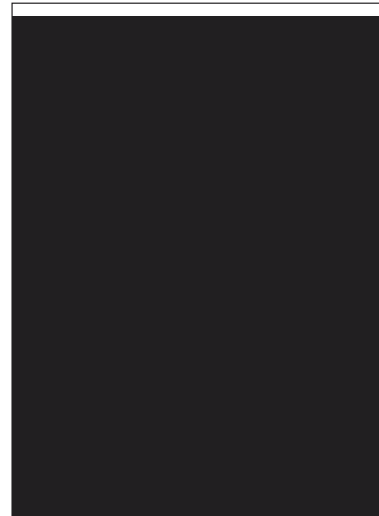
**Comparative Advertising** **Comparative advertising** is the practice of either directly or indirectly naming competitors in an ad and comparing one or more specific attributes.<sup>51</sup> This form of advertising became popular after the Federal Trade Commission (FTC) began advocating its use in 1972. The FTC reasoned that direct comparison of brands would provide better product information, giving consumers a more rational basis for making purchase decisions. Television networks cooperated with the FTC by lifting their ban on comparative ads, and the result was a flurry of comparative commercials.

Initially, the novelty of comparative ads resulted in greater attention. But since they have become so common, their attention-getting value has probably declined. Some studies show that recall is higher for comparative than noncomparative messages, but comparative ads are generally not more effective for other response variables, such as brand attitudes or purchase intentions.<sup>52</sup> Advertisers must also consider how comparative messages affect credibility. Users of the brand being attacked in a comparative message may be especially skeptical about the advertiser's claims.

Comparative advertising may be particularly useful for new brands, since it allows a new market entrant to position itself directly against the more established brands and to promote its distinctive advantages. Direct comparisons can help position a new brand in the evoked, or choice, set of brands the customer may be considering.

Comparative advertising is often used for brands with a small market share. They compare themselves to an established market leader in hopes of creating an association and tapping into the leader's market. For example, Savin Corp. used comparative ads for a number of years that were aimed directly at Xerox, the market leader in the copier industry. The campaign was very effective in convincing decision makers at small and mid-size companies that Savin should be considered as an alternative to Xerox as well as other copier companies such as Canon, Konica, and Mita (Exhibit 6-13). Market leaders, on the

**Exhibit 6-13** Savin used a comparative ad to position itself against Xerox



other hand, often hesitate to use comparison ads, as most believe they have little to gain by featuring competitors' products in their ads. There are exceptions, of course; Coca-Cola resorted to comparative advertising in response to challenges made by Pepsi that were reducing Coke's market share.

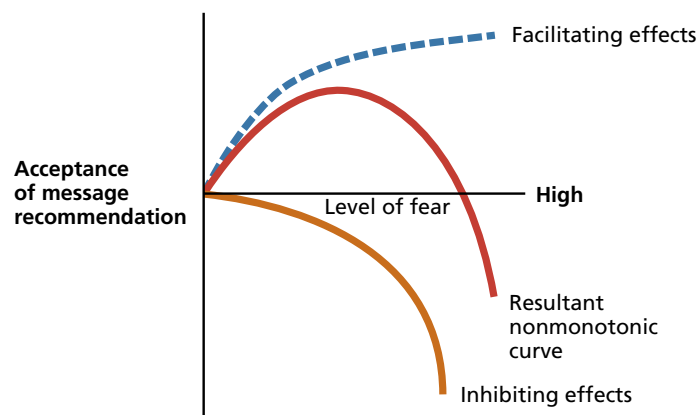
Another area where comparative messages are quite commonly used is political advertising. Political advertising is viewed as an important component of political speech and thus enjoys more First Amendment protection than commercial speech and less regulation by either government or self-policing agencies. Thus, it has become quite common for political ads to contain negative, one-sided attacks on an opposing candidate's weaknesses such as character flaws, voting record, public misstatements, broken promises, and the like.<sup>53</sup> The goal of these ads is to discredit the character, record, or position of an opponent and create doubt in voters' minds about his or her ability to govern effectively. A major reason why negative political ads are used successfully is that voters often tend to weight negative information more heavily than positive information when forming impressions of political candidates.<sup>54</sup> However, studies have shown that the use of "attack advertising" by politicians can result in negative perceptions of both candidates.<sup>55</sup>

**Fear Appeals** Fear is an emotional response to a threat that expresses, or at least implies, some sort of danger. Ads sometimes use **fear appeals** to evoke this emotional response and arouse individuals to take steps to remove the threat. Some, like the antidrug ads used by the Partnership for a Drug-Free America, stress physical danger that can occur if behaviors are not altered. Others—like those for deodorant, mouthwash, or dandruff shampoos—threaten disapproval or social rejection.

**How Fear Operates** Before deciding to use a fear appeal-based message strategy, the advertiser should consider how fear operates, what level to use, and how different target audiences may respond. One theory suggests that the relationship between the level of fear in a message and acceptance or persuasion is curvilinear, as shown in Figure 6-5.<sup>56</sup> This means that message acceptance increases as the amount of fear used rises—to a point. Beyond that point, acceptance decreases as the level of fear rises.

This relationship between fear and persuasion can be explained by the fact that fear appeals have both facilitating and inhibiting effects.<sup>57</sup> A low level of fear can have facilitating effects; it attracts attention and interest in the message and may motivate the receiver to act to resolve the threat. Thus, increasing the level of fear in a message from low to moderate can result in increased persuasion. High levels of fear, however, can produce inhibiting effects; the receiver may emotionally block the message by tuning it out, perceiving it selectively, or denying its arguments outright. Figure 6-5 illustrates how these two countereffects operate to produce the curvilinear relationship between fear and persuasion.

**Figure 6-5** Relationship between fear levels and message acceptance



A study by Anand-Keller and Block provides support for this perspective on how fear operates.<sup>58</sup> They examined the conditions under which low- and high-fear appeals urging people to stop smoking are likely to be effective. Their study indicated that a communication using a low level of fear may be ineffective because it results in insufficient motivation to elaborate on the harmful consequences of engaging in the destructive behavior (smoking). However, an appeal arousing high levels of fear was ineffective because it resulted in too much elaboration on the harmful consequences. This led to defensive tendencies such as message avoidance and interfered with processing of recommended solutions to the problem.

Another approach to the curvilinear explanation of fear is the protection motivation model.<sup>59</sup> According to this theory, four cognitive appraisal processes mediate the individual's response to the threat: appraising (1) the information available regarding the severity of the perceived threat, (2) the perceived probability that the threat will occur, (3) the perceived ability of a coping behavior to remove the threat, and (4) the individual's perceived ability to carry out the coping behavior.

This model suggests that both the cognitive appraisal of the information in a fear appeal message and the emotional response mediate persuasion. An audience is more likely to continue processing threat-related information, thereby increasing the likelihood that a coping behavior will occur.

The protection motivation model suggests that ads using fear appeals should give the target audience information about the severity of the threat, the probability of its occurrence, the effectiveness of a coping response, and the ease with which the response can be implemented.<sup>60</sup> For example, the Havrix ad in Exhibit 6-14 discusses how tourists can pick up hepatitis A when traveling to high-risk areas outside the United States and describes the severity of the problem. However, the ad reduces anxiety by offering a solution to the problem—a vaccination with Havrix.

It is also important to consider how the target audience may respond. Fear appeals are more effective when the message recipient is self-confident and prefers to cope with dangers rather than avoid them.<sup>61</sup> They are also more effective among nonusers of a product than among users. Thus, a fear appeal may be better at keeping nonsmokers from starting than persuading smokers to stop.

In reviewing research on fear appeals, Herbert Rotfeld has argued that some of the studies may be confusing different types of threats and the level of potential harm portrayed in the message with fear, which is an emotional response.<sup>62</sup> He concludes that the relationship between the emotional responses of fear or arousal and persuasion is not curvilinear but rather is monotonic and positive, meaning that higher levels of fear do result in greater persuasion. However, Rotfeld notes that not all fear messages are equally effective, because different people fear different things. Thus they will respond differently to the same threat, so the strongest threats are not always the most persuasive. This suggests that marketers using fear appeals must consider the emotional responses generated by the message and how they will affect reactions to the message.

**Humor Appeals** Humorous ads are often the best known and best remembered of all advertising messages. Many advertisers, including FedEx, Little Caesar's pizza, Pepsi, and Budweiser, have used humor appeals effectively. Humor is usually presented through radio and TV commercials as these media lend themselves to the execution of humorous messages. However, humor is occasionally used in print ads as well. The clever PayDay ad shown in Exhibit 6-15 is an excellent example of how humor can be used to attract attention and convey a key selling point in a magazine ad.

Advertisers use humor for many reasons. Humorous messages attract and hold consumers' attention. They enhance effectiveness by putting consumers in a positive mood, increasing their liking of the ad itself and



**Exhibit 6-14** This ad uses a mild fear appeal but reduces anxiety by offering a solution to the problem

**Exhibit 6-15** This clever ad is an example of how humor can be executed in print media



## IMC PERSPECTIVE 6-4

## Do Humorous Ads Wear Out Too Fast?

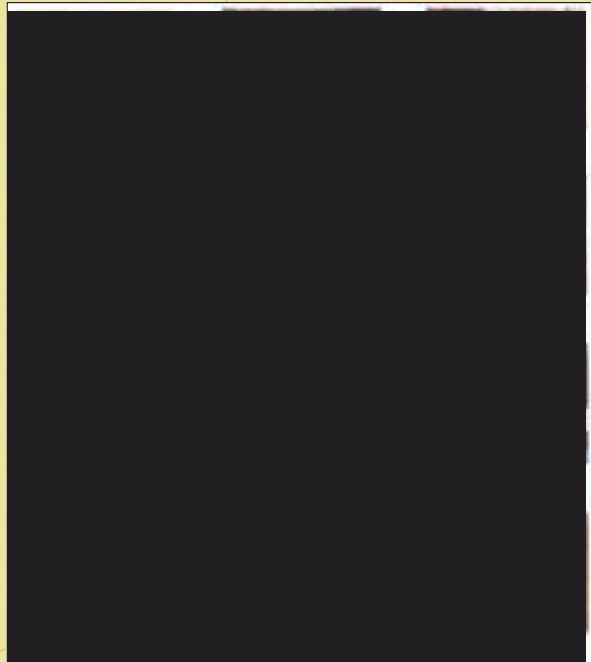
An issue of much concern to advertisers is the problem of commercial wearout, or the tendency of a message to lose its effectiveness when it is seen repeatedly. Wearout may occur for several reasons. One is inattention; consumers may no longer attend to an ad after several exposures, so the message loses its effectiveness. Another reason is that consumers may become annoyed at seeing an ad many times.

While wearout is a problem for any type of commercial, some advertising experts argue that humorous ads wear out much sooner than other formats because once the viewer gets the joke, the ad becomes boring. However, advocates of humor argue that ads filled with yuks are effective longer because consumers can tolerate a well-executed humorous commercial again and again.

So who is right? Well, a study conducted by Research Systems Corp. concludes that neither view is correct. Humorous ads wear out at the same rate as other types of ads, whether the commercials include comparative messages, celebrity spokespeople, or other approaches. According to the study, the average ad's effectiveness wears out within eight weeks.

Not everyone agrees with this study. Another research firm, Video Storyboard Tests, claims that humorous ads lose their effectiveness faster than other ads. Says the company's president, "The first time the ad is funny, the second time the ad is acceptable, and the third time it is a bore."

While individual humorous ads may get old fast, advertisers often get around this problem by using humorous campaigns consisting of many different commercials. For example, the Little Caesar's pizza chain, FedEx, Energizer batteries, Pepsi, and Anheuser-Busch (Budweiser and Bud Light beer) have made



effective use of humor by constantly developing new commercials and working them into the ad rotation.

One media consultant argues that it's quite simple to determine if a humorous spot or campaign is wearing out. "If the viewers laugh with you, you can be in it for the long haul. It's when they laugh at you that you're in trouble."

Sources: Dottie Enrico, "Humorous Touch Resonates with Consumers," *USA Today*, May 13, 1996, p. 3B; Kevin Goldman, "Ever Hear the One about the Funny Ad?" *The Wall Street Journal*, Nov. 2, 1993, p. B11.

their feeling toward the product or service. And humor can distract the receiver from counterarguing against the message.<sup>63</sup>

Critics argue that funny ads draw people to the humorous situation but distract them from the brand and its attributes. Also, effective humor can be difficult to produce and some attempts are too subtle for mass audiences. And, as discussed in IMC Perspective 6-4, there is concern that humorous ads may wear out faster than serious appeals.

Clearly, there are valid reasons both for and against the use of humor in advertising. Not every product or service lends itself to a humorous approach. A number of studies have found that the effectiveness of humor depends on several factors, including the type of product and audience characteristics.<sup>64</sup> For example, humor has been more prevalent and more effective with low-involvement, feeling products than high-involvement, thinking products.<sup>65</sup> An interesting study surveyed the research and creative directors of the top 150 advertising agencies.<sup>66</sup> They were asked to name which communications objectives are facilitated through the appropriate situational use of

- Humor does aid awareness and attention, which are the objectives best achieved by its use.
  - Humor may harm recall and comprehension in general.
  - Humor may aid name and simple copy registration.
  - Humor may harm complex copy registration.
  - Humor may aid retention.
- Humor does not aid persuasion in general.
  - Humor may aid persuasion to switch brands.
  - Humor creates a positive mood that enhances persuasion.
- Humor does not aid source credibility.
- Humor is generally not very effective in bringing about action/sales.
- Creatives are more positive on the use of humor to fulfill all the above objectives than research directors are.
- Radio and TV are the best media in which to use humor; direct mail and newspapers are least suited.
- Consumer nondurables and business services are best suited to humor; corporate advertising and industrial products are least suited.
- Humor should be related to the product.
- Humor should not be used with sensitive goods or services.
- Audiences that are younger, better educated, upscale, male, and professional are best suited to humor; older, less educated, and downscale groups are least suited to humor appeals.

**Figure 6-6** Summary of top ad agency research and creative directors' opinions regarding humor

humor in terms of media, product, and audience factors. The general conclusions of this study are shown in Figure 6-6.

The final controllable variable of the communication process is the channel, or medium, used to deliver the message to the target audience. While a variety of methods are available to transmit marketing communications, as noted in Chapter 5 they can be classified into two broad categories, personal and nonpersonal media.

## Channel Factors

### Personal versus Nonpersonal Channels

There are a number of basic differences between personal and nonpersonal communications channels. Information received from personal influence channels is generally more persuasive than information received via the mass media. Reasons for the differences are summarized in the following comparison of advertising and personal selling:

From the standpoint of persuasion, a sales message is far more flexible, personal, and powerful than an advertisement. An advertisement is normally prepared by persons having minimal personal contact with customers. The message is designed to appeal to a large number of persons. By contrast, the message in a good sales presentation is not determined in advance. The salesman has a tremendous store of knowledge about his product or service and selects appropriate items as the interview progresses. Thus, the salesman can adapt this to the thinking and needs of the customer or prospect at the time of the sales call. Furthermore, as objections arise and are voiced by the buyer, the salesman can treat the objections in an appropriate manner. This is not possible in advertising.<sup>67</sup>

### Effects of Alternative Mass Media

The various mass media that advertisers use to transmit their messages differ in many ways, including the number and type of people they reach, costs, information processing requirements, and qualitative factors. The mass media's costs and efficiency in exposing a target audience to a communication will be evaluated in Chapters 10 through 12. However, we should recognize differences in how information is processed and how communications are influenced by context or environment.



**Differences in Information Processing** There are basic differences in the manner and rate at which information from various forms of media is transmitted and can be processed. Information from ads in print media, such as newspapers, magazines, or direct mail, is *self-paced*; readers process the ad at their own rate and can study it as long as they desire. In contrast, information from the broadcast media of radio and television is *externally paced*; the transmission rate is controlled by the medium.

The difference in the processing rate for print and broadcast media has some obvious implications for advertisers. Self-paced print media make it easier for the message recipient to process a long, complex message. Advertisers often use print ads when they want to present a detailed message with a lot of information. Broadcast media are more effective for transmitting shorter messages or, in the case of TV, presenting pictorial information along with words.

While there are limits to the length and complexity of broadcast messages, advertisers can deal with this problem. One strategy is to use a radio or TV ad to get consumers' attention and direct them to specific print media for a more detailed message. For example, home builders use radio ads to draw attention to new developments and direct listeners to the real estate section of the newspaper for more details. Some advertisers develop broadcast and print versions of the same message. The copy portion is similar in both media, but the print ad can be processed at a rate comfortable to the receiver.

## Effects of Context and Environment

Interpretation of an advertising message can be influenced by the context or environment in which the ad appears. Communication theorist Marshall McLuhan's thesis, "The medium is the message," implies that the medium communicates an image that is independent of any message it contains.<sup>68</sup> A **qualitative media effect** is the influence the medium has on a message. The image of the media vehicle can affect reactions to the message. For example, an ad for a high-quality men's clothing line might have more of an impact in a fashion magazine like *GQ* than in *Sports Afield*. Airlines, destination resorts, and travel-related services advertise in publications such as *Travel & Leisure* partly because the articles, pictures, and other ads help to excite readers about travel (Exhibit 6-16).

A media environment can also be created by the nature of the program in which a commercial appears. One study found that consumers reacted more positively to commercials seen during a happy TV program than a sad one.<sup>69</sup> Advertisers pay premium dollars to advertise on popular programs that create positive moods, like the Olympic Games and Christmas specials. Conversely, advertisers tend to avoid programs that create a negative mood among viewers or may be detrimental to the company or its products. Many companies won't advertise on programs with excessive violence or sexual content. As a corporate policy, Coca-Cola never advertises on TV news programs because it thinks bad news is inconsistent with Coke's image as an upbeat, fun product. A study by Andrew Aylesworth and Scott MacKenzie found that commercials placed in programs that induce negative moods are processed less systematically than ads placed in programs that put viewers in positive moods.<sup>70</sup> They suggest that media buyers might be well advised to follow the conventional wisdom of placing their ads during "feel-good" programming, especially if the message is intended to work through a central route to persuasion. However, messages intended to operate through a peripheral route to persuasion might be more effective if they are shown during more negative programs, where presumably viewers will not analyze the ad in detail because of their negative mood state.

## Clutter

Another aspect of the media environment, which is important to advertisers, is the problem of **clutter**, which has been defined as the amount of advertising in a medium.<sup>71</sup> However, for television, clutter is often viewed as including all the nonprogram material that appears in the broadcast environment—commercials, promotional



**Exhibit 6-16** *Travel & Leisure* magazine creates an excellent reception environment for travel-related ads

messages for shows, public service announcements (PSAs), and the like. Clutter is of increasing concern to advertisers since there are so many messages in various media competing for the consumer's attention. Half of the average magazine's pages contain ads and in some publications the ratio of ads to editorial content is even higher. On average, around a quarter of a broadcast hour on TV is devoted to commercials, while most radio stations carry an average of 10 to 12 minutes of commercial time per hour. The high level of advertising often annoys consumers and makes it difficult for ads to communicate effectively.

Clutter has become a major concern among television advertisers as a result of increases in nonprogram time and the trend toward shorter commercials. While the 30-second commercial replaced 60-second spots as the industry standard in the 1970s, many advertisers are now using 15-second spots. The advertising industry continues to express concern over the highly cluttered viewing environment on TV, as the amount of clutter increased as much as 30 percent during the 1990s. An industry-sponsored study found that commercial clutter on the television broadcast networks reached record levels during the 2001 season in some day parts such as early morning, daytime, and local news.<sup>72</sup> The amount of nonprogramming time ranged from just over 16 minutes per hour during prime time to nearly 21 minutes per hour in daytime. The study also found that clutter levels are even higher on many cable networks and during syndicated programs. The problem is even greater during popular shows, to which the networks add more commercials because they can charge more. And, of course, advertisers and their agencies perpetuate the problem by pressuring the networks to squeeze their ads into top-rated shows with the largest audiences.

Advertisers and agencies want the networks to commit to a minimum amount of program time and then manage the nonprogram portion however they see fit. If the networks wanted to add more commercials, it would come out of their promos, PSAs, or program credit time. The problem is not likely to go away, however, and advertisers will continue to search for ways to break through the clutter, such as using humor, celebrity spokespeople, or novel, creative approaches.<sup>73</sup>

## Summary

This chapter focused on the controllable variables that are part of the communication process—source, message, and channel factors. Decisions regarding each of these variables should consider their impact on the various steps of the response hierarchy the message receiver passes through. The persuasion matrix helps assess the effect of controllable communication decisions on the consumer's response process.

Selection of the appropriate source or communicator to deliver a message is an important aspect of communications strategy. Three important attributes are source credibility, attractiveness, and power. Marketers enhance message effectiveness by hiring communicators who are experts in a particular area and/or have a

trustworthy image. The use of celebrities to deliver advertising messages has become very popular; advertisers hope they will catch the receivers' attention and influence their attitudes or behavior through an identification process. The chapter discusses the meaning a celebrity brings to the endorsement process and the importance of matching the image of the celebrity with that of the company or brand.

The design of the advertising message is a critical part of the communication process. There are various options regarding message structure, including order of presentation of message arguments, conclusion drawing, message sidedness, refutation, and verbal versus visual traits. The advantages and disadvantages of

different message appeal strategies were considered, including comparative messages and emotional appeals such as fear and humor.

Finally, the channel or medium used to deliver the message was considered. Differences between personal and nonpersonal channels of communication were discussed. Alternative mass media can have an effect on the communication process as a result of information processing and qualitative factors. The context in which an ad appears and the reception environment are important factors to consider in the selection of mass media. Clutter has become a serious problem for advertisers, particularly on TV, where commercials have become shorter and more numerous.

## Key Terms

persuasion matrix, 166  
source, 168  
credibility, 168  
internalization, 169  
sleeper effect, 172  
attractiveness, 172

identification, 172  
source power, 177  
compliance, 177  
primacy effect, 179  
recency effect, 179

one-sided message, 181  
two-sided message, 181  
refutational appeal, 181  
comparative advertising, 183

fear appeals, 184  
qualitative media effect, 188  
clutter, 188

## Discussion Questions

1. The opening vignette discusses how a number of companies are using athletes with a "bad-boy" image as endorsers for their athletic shoes. Why do you think companies such as Reebok, And 1, and Pony use controversial athletes such as Alan Iverson, Latrell Sprewell, and Pete Rose as their spokesperson? What risks are they taking by using these athletes to endorse their products?

2. Discuss how marketers could use the persuasion matrix to plan their communication programs. Choose a print ad or TV commercial and use the persuasion matrix to analyze how it might influence consumers' response processes.

3. What are the differences between the source credibility components of expertise and trustworthiness? Provide an example of an ad or other form of marketing communications that uses these source characteristics.

4. Discuss why companies might use their founder, president or CEO as an advertising spokesperson. Discuss the pros and cons of this practice for both major corporations and smaller companies, such as a local retailer.

5. Discuss the ethics of celebrities endorsing products in foreign countries but not in the United States to protect their image. Do

you think celebrities hurt their reputations by endorsing products and appearing in ads? Why or why not?

6. IMC Perspective 6-2 discusses Dell Computer use of Steven "The Dell Dude" as its advertising spokesperson. Discuss why Steven was such an effective spokesperson for Dell. Why do you think the company has decided to phase him out of its advertising?

7. Find a celebrity who is currently appearing in ads for a particular company or brand and use McCracken's meaning transfer model (shown in Figure 6-3) to analyze the use of the celebrity as a spokesperson.

8. What is meant by one-sided versus two-sided messages? Discuss some of the reasons marketers may or may not want to use a two-sided message.

9. Discuss the pros and cons of using a comparative advertising message. Find an example of a cur-

rent campaign where a marketer is using a comparative ad and evaluate the decision to do so.

10. Evaluate the pros and cons of using humor as the basis for an advertising campaign. Find an example of an advertising campaign that supports your argu-

ments for and against the use of humor.

11. What is meant by a qualitative media effect? Choose a specific magazine and discuss the nature of the media environment in that publication.

# Establishing Objectives and Budgeting for the Promotional Program

## 7

### Chapter Objectives

1. To recognize the importance and value of setting specific objectives for advertising and promotion.
2. To understand the role objectives play in the IMC planning process and the relationship of promotional objectives to marketing objectives.
3. To know the differences between sales and communications objectives and the issues regarding the use of each.
4. To recognize some problems marketers encounter in setting objectives for their IMC programs.
5. To understand the process of budgeting for IMC.
6. To understand theoretical issues involved in budget setting.
7. To know various methods of budget setting.



## Does It Really Matter What We Spend on Advertising?

As you can imagine, marketers have probably always wondered whether their advertising dol-



lars have an impact. This is particularly true now, as advertising budgets are being slashed in virtually every industry due to the downturn in the U.S. economy. Simply put, marketers want to know whether it is worth advertising their brand, and how much they should be spending if it is.

There are some out there who think that the amount spent on media has little or no impact—at least as it relates to consumers' perceptions of the brand's quality. In a study commissioned by *Brandweek* magazine, a Princeton-based research company concluded: "Consumer opinions pertaining to quality bear little correlation to the amount of time and money companies spend advertising their wares on *Friends*, FM radio or

Foxsports.com." According to Total Research Corp., none of the 10 brands most heavily advertised in the United States were recognized as among the top 100 "quality" brands—even though they accounted for over \$3.5 billion in expenditures. On the other hand, the brands considered in the top 10 spent only approximately \$150 million. The top three media spenders—McDonald's, Burger King, and Circuit City—didn't make the top 100 list! (List numbers 1 to 3 were Waterford Crystal, Craftsman tools, and the Discovery Channel.)

When asked why this might be the case, some consultants noted that advertising may be less effective than initially thought or that it lacked credibility in general. Others argued that advertising is too weak to establish a brand and that word of mouth or customer experience is far more valuable in establishing quality.

But not everyone is ready to dismiss advertising as ineffective. Even those that conclude that advertising is not effective in creating a quality image are not yet ready to recommend that companies stop advertising. They agree that while advertising may be weak for this objective, it is (if well designed and placed) quite effective, particularly when it comes to creating awareness and reinforcing the product's message. Further, Robert Passikoff, president of the Brand Keys consulting agency, notes that advertising has different objectives depending on the product category. He notes that "quality is less important in hamburgers than in crystal" and if the list was about fun, "Waterford would be down at the bottom."

Others agree with Passikoff, contending that stressing quality may be only one objective of advertising and that many companies do not use

metrics to measure the ROI on advertising expenditures or—if they do—use the wrong ones. The result is that these expenditures are easy to cut, even when they should not be. As noted by Keith Woodward, VP of finance at General Mills, Inc., most managers want to see the direct returns to volume or revenue, and “you can’t do that with advertising.” He suggests the consideration of new forms of metrics.

Woodward notes that brand value is important but investments must consider other objectives as well. Factors such as opportunity for growth, historical performance, growth versus the competition, and previous advertising effectiveness metrics must also be taken into consideration. Once the campaign is launched, revenue, market data, and other proprietary data are considered. Woodward notes that while there is no absolute metric for advertising ROI, he feels that General Mills has some good insights and that advertising does work.

Carol Gee of Du Pont (Lycra, Cordura, and other brands) agrees. As global director of brands, Gee notes that it is difficult to track the effectiveness of advertising on the end consumer, “but if we just advertised to our direct (OEM) customers we would be a commodity overnight.” While most consultants and experts agree that creating awareness

and reinforcing the brand’s image are both necessary and measurable, most do not agree on what other factors should be considered in computing ROI. Brand revenues, sales, and even contributions to stock values have been suggested—though there are certainly some limitations to each.

For their part, advertising agencies are also offering their opinions. In addition to awareness, factors such as valuation, ability of the campaign to differentiate the brand name, and other “response components” are suggested. Getting the ad to prompt the consumer to call a toll-free number, visit a website, or request additional information about the brand is also a valuable objective, they contend.

While the experts and consultants may disagree as to the real value of advertising—and perhaps even the real objectives—they do agree on a couple of things. First, it is hard to measure the direct impact of advertising. Second, a variety of objectives might be used in the evaluation process. And third, so far as determining the ability of advertising to demonstrate positive ROI, we aren’t exactly there yet.

Sources: Kris Frieswick, “New Brand Day,” *CFO*, November 2001, pp. 97–99; Kenneth Hein, “Can’t Buy Me Love,” *Brandweek*, June 4, 2001, pp. S20–S22.

The lead-in to this chapter reports on an issue that has perplexed marketers seemingly forever—what is the value of advertising? As you can see, there is no 100 percent agreement on what the objectives of advertising are or if it works. As this chapter will demonstrate, success can be measured by both marketing and communications objectives. This chapter will examine how the goals for the integrated marketing communications program follow the company’s overall marketing strategy and how these goals determine and are determined by the promotional budget.

Unfortunately, many companies have difficulty with the most critical step in the promotional planning process—setting realistic objectives that will guide the development of the IMC program. Complex marketing situations, conflicting perspectives regarding what advertising and other promotional mix elements are expected to accomplish, and uncertainty over resources make the setting of marketing communications objectives “a job of creating order out of chaos.”<sup>1</sup> While the task of setting objectives can be complex and difficult, it must be done properly, because specific goals and objectives are the foundation on which all other promotional decisions are made. Budgeting for advertising and other promotional areas, as well as creative and media strategies and tactics, evolve from these objectives. They also provide a standard against which performance can be measured.

Setting specific objectives should be an integral part of the planning process. However, many companies either fail to use specific marketing communications objectives or

set ones that are inadequate for guiding the development of the promotional plan or measuring its effectiveness. Many marketers are uncertain as to what integrated marketing communications should be expected to contribute to the marketing program. The goal of their company's advertising and promotional program is simple: to generate sales. They fail to recognize the specific tasks that advertising and other promotional mix variables must perform in preparing customers to buy a particular product or service.

As we know, advertising and promotion are not the only marketing activities involved in generating sales. Moreover, it is not always possible or necessary to measure the effects of advertising in terms of sales. For example, the Toyota ad in Exhibit 7-1 is designed to promote the company's concern for the environment.

Consider the State Farm ad shown in Exhibit 7-2. What objectives (other than generating sales) might the company have for this ad? How might its effectiveness be measured?

This chapter examines the nature and purpose of objectives and the role they play in guiding the development, implementation, and evaluation of an IMC program. Attention is given to the various types of objectives appropriate for different situations. We will also examine the budget-setting process and the interdependence of objective setting and budgeting.

Perhaps one reason many companies fail to set specific objectives for their integrated marketing communications programs is that they don't recognize the value of doing so. Another may be disagreement as to what the specific objectives should be. Advertising and promotional objectives are needed for several reasons, including the functions they serve in communications, planning and decision making, and measurement and evaluation.

## The Value of Objectives

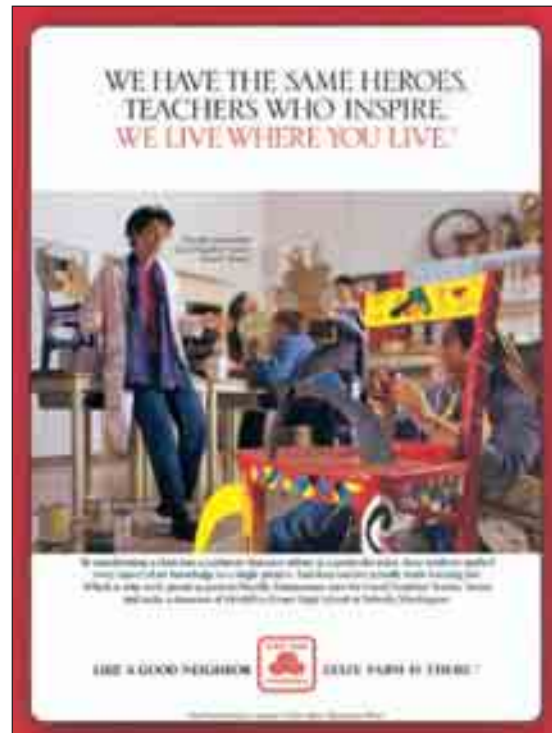
### Communications

Specific objectives for the IMC program facilitate coordination of the various groups working on the campaign. Many people are involved in the planning and development

**Exhibit 7-1** The objective of this ad is to demonstrate Toyota's concern for the environment



**Exhibit 7-2** State Farm's objectives for this ad may be other than sales



of an integrated marketing communications program on the client side as well as in the various promotional agencies. The advertising and promotional program must be coordinated within the company, inside the ad agency, and between the two. Any other parties involved in the promotional campaign, such as public relations and/or sales promotion firms, research specialists, or media buying services, must also know what the company hopes to accomplish through its marketing communications program. Many problems can be avoided if all parties have written, approved objectives to guide their actions and serve as a common base for discussing issues related to the promotional program.

### Planning and Decision Making

Specific promotional objectives also guide development of the integrated marketing communications plan. All phases of a firm's promotional strategy should be based on the established objectives, including budgeting, creative, and media decisions as well as supportive programs such as direct marketing, public relations/publicity, sales promotion, and/or reseller support.

Meaningful objectives can also be a useful guide for decision making. Promotional planners are often faced with a number of strategic and tactical options in terms of choosing creative options, selecting media, and allocating the budget among various elements of the promotional mix. Choices should be made based on how well a particular strategy matches the firm's promotional objectives.

### Measurement and Evaluation of Results

An important reason for setting specific objectives is that they provide a benchmark against which the success or failure of the promotional campaign can be measured. Without specific objectives, it is extremely difficult to determine what the firm's advertising and promotion efforts accomplished. One characteristic of good objectives is that they are *measurable*; they specify a method and criteria for determining how well the promotional program is working. By setting specific and meaningful objectives, the promotional planner provides a measure(s) that can be used to evaluate the effectiveness of the marketing communications program. Most organizations are concerned about the return on their promotional investment, and comparing actual performance against measurable objectives is the best way to determine if the return justifies the expense.

## Determining Promotional Objectives

Integrated marketing communications objectives should be based on a thorough situation analysis that identifies the marketing and promotional issues facing the company or a brand. The situation analysis is the foundation on which marketing objectives are determined and the marketing plan is developed. Promotional objectives evolve from the company's overall marketing plan and are rooted in its marketing objectives. Advertising and promotion objectives are not the same as marketing objectives (although many firms tend to treat them as synonymous).

### Marketing versus Communications Objectives

**Marketing objectives** are generally stated in the firm's marketing plan and are statements of what is to be accomplished by the overall marketing program within a given time period. Marketing objectives are usually defined in terms of specific, measurable outcomes such as sales volume, market share, profits, or return on investment. Good marketing objectives are *quantifiable*; they delineate the target market and note the time frame for accomplishing the goal (often one year). For example, a copy machine company may have as its marketing objective "to increase sales by 10 percent in the small-business segment of the market during the next 12 months." To be effective, objectives must also be *realistic* and *attainable*.

A company with a very high market share may seek to increase its sales volume by stimulating growth in the product category. It might accomplish this by increasing consumption by current users or encouraging nonusers to use the product. Some firms

## IMC INTERNATIONAL PERSPECTIVE 7-1

### Video Games Attempt to Go Mainstream in the United States and Europe

In a market where many advertisers are slashing their budgets, the video game industry is taking just the opposite approach. The industry has unleashed a billion-dollar bombardment of IMC communications designed to make Mario the plumber and Munch the Gabit household names as common as Harry Potter or Britney Spears.

The objective of the marketing blitz is to transform the video game from a niche market to as common an activity as watching television or going to the movies. Sony (PlayStation2), Nintendo (GameCube), and Microsoft (Xbox) have all recently redesigned their video games in an attempt to penetrate as many living rooms as possible while ushering in the next generation of digital entertainment.

While the immediate objective is to sell units, the industry's long-term goal is to change the image of the products from a teenage game to family entertainment. The products have become much more sophisticated and have the added capabilities of playing DVD movies and CDs and connecting to the Internet. And, while growing the market is one goal, Sony and Nintendo are also attempting to protect their market shares in the \$20 billion market from newcomer Microsoft.

The IMC programs will be as innovative as the products themselves. Traditional advertising media will play a minimal role, while ad messages on soda bottles, in

fast-food restaurants, and on college campuses will be commonplace. High-tech trucks and vans equipped with games will tour the United States to allow trial. Nintendo will host Gamecube parties throughout the country, while Sony will employ Britney Spears and Snoop Dog at its events. Not to be outdone, Microsoft is taking its rigs on the road to 40 cities to throw "Xbox Bashes." In all, the companies will use multiple print ads, street marketing teams, college marketing teams, events, sponsorships, TV ads, and the Internet.

The budgets are outrageous as well! Consider that Microsoft (\$500 million worldwide) and Nintendo and Sony (\$250 million each in North America, and Nintendo at total of \$475 million worldwide) will spend five times as much in 2002 as Coke did in 2001 to advertise Coke and Diet Coke. Sega spent over \$10 million in the first quarter alone!

Meanwhile, the blitz is hitting Europe as well. The first advertising by Microsoft broke during the Olympic Games, followed by a larger TV campaign with the product launch date in March. A direct-marketing campaign followed, using a database supported by the playmore.com website (fondly referred to as the company's "brand experience" website) as well as 7,000 prelaunch demo units in department stores. Additional brand advertising will also follow the introduction of individual game releases.

The battle for brand share will be intense—maybe more intense than the games themselves. For example, Microsoft has already dubbed its positioning as "positive and inclusive," as opposed to what it calls PlayStation2's "dark and exclusive" strategy. Then again, maybe PlayStation knows something. As noted by one industry observer, "The industry has more casualties than successes."

Sources: Ravi Chandiramani, "Microsoft Xbox Adopts 'Positive' Brand Positioning," *Marketing*, Jan. 24, 2002, p. 1; Kenneth Hein, "Videogame Manufacturers See Ceiling on Selling Season," *Brandweek*, Mar. 18, 2002, p. 13; Alex Pham and Greg Johnson, "Console Industry Taking the Game to a Different Level—Mainstream," *Los Angeles Times*, Sept. 10, 2001, p. C1.



have as their marketing objectives expanding distribution and sales of their product in certain market areas. Companies often have secondary marketing objectives that are related to actions they must take to solve specific problems and thus achieve their primary objectives. IMC International Perspective 7-1 provides an example of how companies invest to pursue multiple objectives.

Once the marketing communications manager has reviewed the marketing plan, he or she should understand where the company hopes to go with its marketing program,



how it intends to get there, and the role advertising and promotion will play. Marketing goals defined in terms of sales, profit, or market share increases are usually not appropriate promotional objectives. They are objectives for the entire marketing program, and achieving them depends on the proper coordination and execution of all the marketing-mix elements, including not just promotion but product planning and production, pricing, and distribution.

**Integrated marketing communications objectives** are statements of what various aspects of the IMC program will accomplish. They should be based on the particular communications tasks required to deliver the appropriate messages to the target audience. Managers must be able to translate general marketing goals into communications goals and specific promotional objectives. Some guidance in doing this may be available from the marketing plan, as the situation analysis should provide important information on

- The market segments the firm wants to target and the target audience (demographics, psychographics, and purchase motives).
- The product and its main features, advantages, benefits, uses, and applications.
- The company's and competitors' brands (sales and market share in various segments, positioning, competitive strategies, promotional expenditures, creative and media strategies, and tactics).
- Ideas on how the brand should be positioned and specific behavioral responses being sought (trial, repurchase, brand switching, and increased usage).

Sometimes companies do not have a formal marketing plan, and the information needed may not be readily available. In this case, the promotional planner must attempt to gather as much information as possible about the product and its markets from sources both inside and outside the company.

After reviewing all the information, the promotional planner should see how integrated marketing communications fits into the marketing program and what the firm hopes to achieve through advertising and other promotional elements. The next step is to set objectives in terms of specific communications goals or tasks.

Many promotional planners approach promotion from a communications perspective and believe the objective of advertising and other promotional mix elements is usually to communicate information or a selling message about a product or service. Other managers argue that sales or some related measure, such as market share, is the only meaningful goal for advertising and promotion and should be the basis for setting objectives. These two perspectives have been the topic of considerable debate and are worth examining further.

## Sales versus Communications Objectives

### Sales-Oriented Objectives

To many managers, the only meaningful objective for their promotional program is sales. They take the position that the basic reason a firm spends money on advertising and promotion is to sell its product or service. Promotional spending represents an investment of a firm's scarce resources that requires an economic justification. Rational managers generally compare investment options on a common financial basis, such as return on investment (ROI). As we'll discuss later in this chapter, determining the specific return on advertising and promotional dollars is often quite difficult (as seen in the chapter introduction). However, many managers believe that monies spent on advertising and other forms of promotion should produce measurable results, such as increasing sales volume by a certain percentage or dollar amount or increasing the brand's market share. They believe objectives (as well as the success or failure of the campaign) should be based on the achievement of sales results. For example, two of the largest three oral care manufacturers (Unilever and Colgate-Palmolive) recently joined Procter & Gamble in the marketing of at-home tooth-whitening kits (Exhibit 7-3). Unilever spent \$20 million on Mentadent and Colgate allocated \$60 million on Simply White in their product launches. Colgate's objective was to get \$100 million in sales in the first year (the total category sales are estimated at \$300 million and growing). Mentadent focused on in-

store efforts, promotions, ads in beauty magazines, and professional outreach programs to gain its share of the market.<sup>2</sup>

As a result, they have increased their efforts to make agencies more accountable for their performances. In turn, some agencies have developed their own tools to attempt to provide more ROI information in regard to how their integrated communications programs are performing. Grey Global Group, Interpublic Group, and J. Walter Thompson are just a few of the agencies that are boasting of their ability to measure their client's ROIs. McCann-Erickson's World Group Fusion 2.0 system has been adopted by many of its clients including General Motors, Microsoft, and Pfizer.<sup>3</sup>

Some managers prefer sales-oriented objectives to make the individuals involved in advertising and promotion think in terms of how the promotional program will influence sales. Or they may confuse marketing objectives with advertising and promotional objectives. For example, in recent years the major U.S. cereal manufacturers have focused on goals designed to stimulate sales. When cereal sales dropped in the mid-1990s, Post Cereals and General Mills both slashed their prices in an attempt to increase sales. Kellogg immediately followed suit. Much of the money used to fund the price cuts came from decreases in advertising and promotions spending. By the end of 1998 an estimated \$1.5 billion had been cut from advertising budgets. Yet sales continued to fall, profits dropped, and still no brand-share gains were recorded. In 2002—a full six years after the initial cuts—cereal sales remain stagnant. Interestingly, the few bright spots came from heavily advertised brands. Kellogg's Smart Start and Special K brands showed sales increases of 72 and 22 percent, respectively, in the first quarter of 2002, when their advertising budgets were significantly increased.<sup>4</sup> For Kellogg and Post the goal was to increase sales and market share versus store brands. This goal not only became the basis of the marketing plan but carried over as the primary objective of the promotional program. The success of the advertising and promotional campaign is judged only by attainment of these goals.

**Problems with Sales Objectives** Given Kellogg's and Post's failures to reverse their sales declines, does this mean the advertising and promotional program was ineffective? Or does it mean the price cuts didn't work? It might help to compare this situation to a football game and think of advertising as a quarterback. The quarterback is one of the most important players on the team but can be effective only with support from the other players. If the team loses, is it fair to blame the loss entirely on the quarterback? Of course not. Just as the quarterback is but one of the players on the football team, promotion is but one element of the marketing program, and there are many other reasons why the targeted sales level was not reached. The quarterback can lead his team to victory only if the linemen block, the receivers catch his passes, and the running backs help the offense establish a balanced attack of running and passing. Even if the quarterback plays an outstanding game, the team can still lose if the defense gives up too many points.

In the business world, poor sales results can be due to any of the other marketing-mix variables, including product design or quality, packaging, distribution, or pricing. Advertising can make consumers aware of and interested in the brand, but it can't make them buy it, particularly if it is not readily available or is priced higher than a competing brand. As shown in Figure 7-1, sales are a function of many factors, not just advertising and promotion. There is an adage in marketing that states, "Nothing will kill a poor product faster than good advertising." Taken with the other factors shown in Figure 7-1, this adage demonstrates that all the marketing elements must work together if a successful plan is to be implemented.

Another problem with sales objectives is that the effects of advertising often occur over an extended period. Many experts recognize that advertising has a lagged or **carryover effect**; monies spent on advertising do not necessarily have an immediate impact on sales.<sup>5</sup> Advertising may create awareness, interest, and/or favorable attitudes toward a brand, but these feelings will not result in an actual purchase until the



**Exhibit 7-3** Competition in the tooth-whitening market led to this advertisement for Whitestrips

**Figure 7-1** Factors influencing sales



consumer enters the market for the product, which may occur later. A review of econometric studies that examined the duration of cumulative advertising effects found that for mature, frequently purchased, low-priced products, advertising's effect on sales lasts up to nine months.<sup>6</sup> Models have been developed to account for the carryover effect of advertising and to help determine the long-term effect of advertising on sales.<sup>7</sup> The carryover effect adds to the difficulty of determining the precise relationship between advertising and sales.

Another problem with sales objectives is that they offer little guidance to those responsible for planning and developing the promotional program. The creative and media people working on the account need some direction as to the nature of the advertising message the company hopes to communicate, the intended audience, and the particular effect or response sought. As you will see shortly, communications objectives are recommended because they provide operational guidelines for those involved in planning, developing, and executing the advertising and promotional program.

**Where Sales Objectives Are Appropriate** While there can be many problems in attempting to use sales as objectives for a promotional campaign, there are situations where sales objectives are appropriate. Certain types of promotion efforts are direct action in nature; they attempt to induce an immediate behavioral response from the prospective customer. A major objective of most sales promotion programs is to generate short-term increases in sales. The “ads” in Exhibit 7-4 were part of BMW Group’s non-traditional integrated marketing campaign that simultaneously relaunched the MINI brand, introduced two new models; the MINI Cooper and MINI Cooper S and established a new automotive segment (MINI is the smallest car on the American road) to the American public. Over 5.3 million Classic Mini’s were sold worldwide from 1959–2000 but only 10,000 Classic Minis were sold in the US from 1960–1967. Over the years, MINI became a British automotive icon, with milkmen, rock stars and royalty alike behind the wheel. Since the SUV dominated the American marketplace, the spirit of the MINI brand values and

**Exhibit 7-4** MINI USA used a non-traditional, integrated campaign to relaunch the MINI brand in the US market



extremely low brand awareness necessitated the development of a non-traditional campaign that would uniquely position the MINI brand and break through the cluttered automotive advertising environment. In the pre-launch phase, MINIs were stacked on top of SUVs that toured the country to bring attention to the brand. Then, seats were removed from sports stadiums in Oakland, CA and New Orleans, and MINIs were put on display at Major League Baseball and NFL football games. At these events, wallet cards were handed out encouraging interested parties to visit the MINIUSA.com website to create their own customized MINI and sign up to become a “MINI Insider.” For launch, traditional media (magazine and out-of-home) was used in non-traditional ways and complemented by extensive public relations activities. The campaign yielded over 115,000 “MINI Insider” registrants on the website, and record click-through rates on outbound email campaigns. Thousands of MINIs were pre-ordered even before the car was available in dealer showrooms, putting MINI well on track to reach its sales goal of 20,000 units.<sup>8</sup>

Direct-response advertising is one type of advertising that evaluates its effectiveness on the basis of sales. Merchandise is advertised in material mailed to customers, in newspapers and magazines, through the Internet, or on television. The consumer purchases the merchandise by mail, on the Net, or by calling a toll-free number. The direct-response advertiser generally sets objectives and measures success in terms of the sales response generated by the ad. For example, objectives for and the evaluation of a direct-response ad on TV are based on the number of orders received each time a station broadcasts the commercial. Because advertising is really the only form of communication and promotion used in this situation and response is generally immediate, setting objectives in terms of sales is appropriate. The SkyTel interactive messaging system shown in Exhibit 7-5 is an example of a product sold through direct-response advertising.

Retail advertising, which accounts for a significant percentage of all advertising expenditures, is another area where the advertiser often seeks a direct response, particularly when sales or special events are being promoted. The ad for Mattress Gallery’s special purchase sale shown in Exhibit 7-6 is designed to attract consumers to stores during the sales period (and to generate sales volume). Mattress Gallery’s management can determine the effectiveness of its promotional effort by analyzing store traffic and sales volume during sale days and comparing them to figures for nonsale days. But retailers may also allocate advertising and promotional dollars to image-building

**Exhibit 7-5** Sales results are an appropriate objective for direct-response advertising



**Exhibit 7-6** Retail ads often seek sales objectives



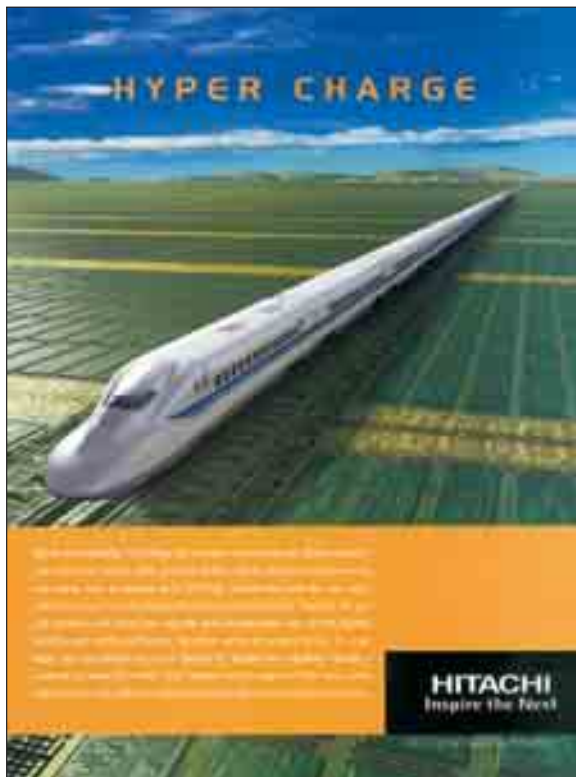


campaigns designed to create and enhance favorable perceptions of their stores. In this case, sales-oriented objectives would not be appropriate; the effectiveness of the campaign would be based on its ability to create or change consumers' image of the store.

Sales-oriented objectives are also used when advertising plays a dominant role in a firm's marketing program and other factors are relatively stable. For example, many packaged-goods companies compete in mature markets with established channels of distribution, stable competitive prices and promotional budgets, and products of similar quality. They view advertising and sales promotion as the key determinants of a brand's sales or market share, so it may be possible to isolate the effects of these promotional mix variables.<sup>9</sup> Many companies have accumulated enough market knowledge with their advertising, sales promotion, and direct-marketing programs to have considerable insight into the sales levels that should result from their promotional efforts. Referring to the cereal companies, mentioned earlier, Jeff Montie, president of Kellogg's Morning Foods Division, now believes that it takes at least \$20 million to "do it right" in promoting a cereal brand.<sup>10</sup> Thus, many companies believe it is reasonable to set objectives and evaluate the success of their promotional efforts in terms of sales results. Established brands are often repositioned (as discussed in Chapter 2) with the goal of improving their sales or relative market share.

Advertising and promotional programs tend to be evaluated in terms of sales, particularly when expectations are not being met. Marketing and brand managers under pressure to show sales results often take a short-term perspective in evaluating advertising and sales promotion programs. They are often looking for a quick fix for declining sales or loss of market share. They ignore the pitfalls of making direct links between advertising and sales, and campaigns, as well as ad agencies, may be changed if sales expectations are not being met. As discussed in Chapter 3, many companies want their agencies to accept incentive-based compensation systems tied to sales performance. Thus, while sales may not be an appropriate objective in many advertising and promotional situations, managers are inclined to keep a close eye on sales and market share figures and make changes in the promotional program when these numbers become stagnant.

**Exhibit 7-7** Hitachi creates an image of speed and reliability



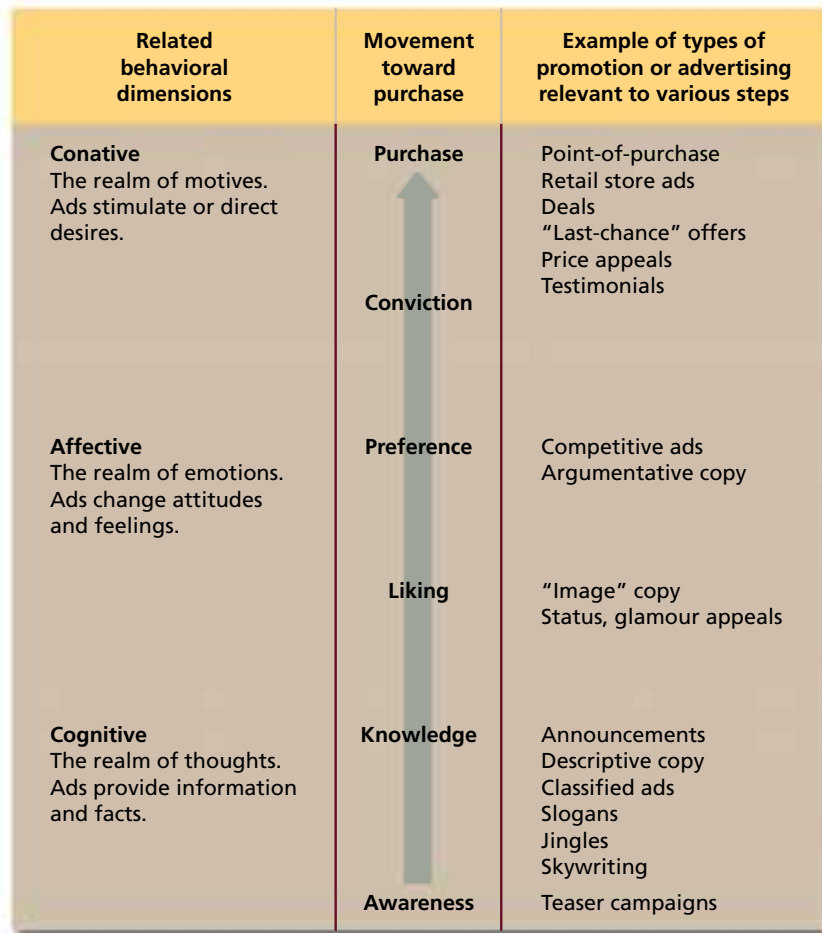
## Communications Objectives

Some marketers do recognize the problems associated with sales-oriented objectives. They recognize that the primary role of an IMC program is to communicate and that planning should be based on communications objectives. Advertising and other promotional efforts are designed to achieve such communications as brand knowledge and interest, favorable attitudes and image, and purchase intentions. Consumers are not expected to respond immediately; rather, advertisers realize they must provide relevant information and create favorable predispositions toward the brand before purchase behavior will occur.

For example, the ad for Hitachi in Exhibit 7-7 is designed to inform consumers of the speed and reliability of the company's products and technologies. While there is no call for immediate action, the ad creates favorable impressions about the company by creating a distinct image. Consumers will consider it when they enter the market for products in this category.

Advocates of communications-based objectives generally use some form of the hierarchical models discussed in Chapter 5 when setting advertising and promotion objectives. In all these models, consumers pass through three successive stages: cognitive, affective, and conative. As consumers proceed through the three stages, they move closer to making a purchase. Figure 7-2 shows the





**Figure 7-2** Effect of advertising on consumers: movement from awareness to action

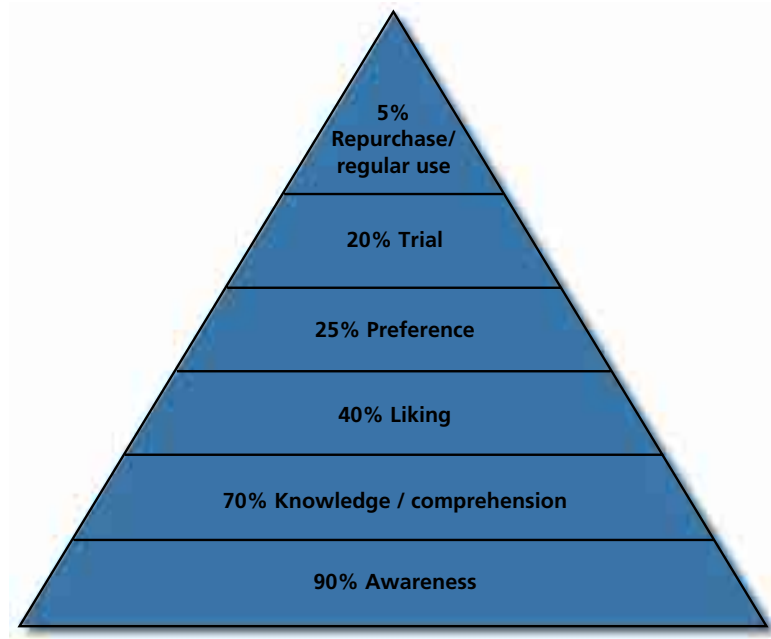
various steps in the Lavidge and Steiner hierarchy of effects model as the consumer moves from awareness to purchase, along with examples of types of promotion or advertising relevant to each step.

**Communications Effects Pyramid** Advertising and promotion perform communications tasks in the same way that a pyramid is built, by first accomplishing lower-level objectives such as awareness and knowledge or comprehension.<sup>11</sup> Subsequent tasks involve moving consumers who are aware of or knowledgeable about the product or service to higher levels in the pyramid (Figure 7-3). The initial stages, at the base of the pyramid, are easier to accomplish than those toward the top, such as trial and repurchase or regular use. Thus, the percentage of prospective customers will decline as they move up the pyramid. Figure 7-4 shows how a company introducing a new brand of shampoo targeted at 18- to 34-year-old females might set its IMC objectives using the communications effects pyramid.

The communications pyramid can also be used to determine promotional objectives for an established brand. The promotional planner must determine where the target audience lies with respect to the various blocks in the pyramid. If awareness levels for a brand and knowledge of its features and benefits are low, the communications objective should be to increase them. If these blocks of the pyramid are already in place, but liking or preference is low, the advertising goal may be to change the target markets' image of the brand and move consumers through to purchase.

**Problems with Communications Objectives** Not all marketing and advertising managers accept communications objectives; some say it is too difficult to

**Figure 7-3**  
Communications effects pyramid



translate a sales goal into a specific communications objective. But at some point a sales goal must be transformed into a communications objective. If the marketing plan for an established brand has as an objective of increasing sales by 10 percent, the promotional planner will eventually have to think in terms of the message that will be communicated to the target audience to achieve this. Possible objectives include the following:

- Increasing the percentage of consumers in the target market who associate specific features, benefits, or advantages with our brand.
- Increasing the number of consumers in the target audience who prefer our product over the competition's.
- Encouraging current users of the product to use it more frequently or in more situations.
- Encouraging consumers who have never used our brand to try it.

**Figure 7-4** Setting objectives using the communications effects pyramid

Product: Backstage Shampoo

Time period: Six months

**Objective 1: Create awareness among 90 percent of target audience.** Use repetitive advertising in newspapers, magazines, TV and radio programs. Simple message.

**Objective 2: Create interest in the brand among 70 percent of target audience.** Communicate information about the features and benefits of the brand—i.e., that it contains no soap and improves the texture of the hair. Use more copy in ads to convey benefits.

**Objective 3: Create positive feelings about the brand among 40 percent and preference among 25 percent of the target audience.** Create favorable attitudes by conveying information, promotions, sampling, etc. Refer consumer to website for more information, beauty tips, etc.

**Objective 4: Obtain trial among 20 percent of the target audience.** Use sampling and cents-off coupons along with advertising and promotions. Offer coupons through website.

**Objective 5: Develop and maintain regular use of Backstage Shampoo among 5 percent of the target audience.** Use continued-reinforcement advertising, fewer coupons and promotions. Increase communications efforts to professionals.

In some situations, promotional planners may gain insight into communications objectives' relationship to sales from industry research. Evalucom, Inc., conducted a study of commercials for new products. Some succeeded in stimulating anticipated levels of sales; others did not. Figure 7-5 shows four factors the study identified that affect whether a commercial for a new product is successful in generating sales.

In attempting to translate sales goals into specific communications objectives, promotional planners often are not sure what constitutes adequate levels of awareness, knowledge, liking, preference, or conviction. There are no formulas to provide this information. The promotional manager will have to use his or her personal experience and that of the brand or product managers, as well as the marketing history of this and similar brands. Average scores on various communications measures for this and similar products should be considered, along with the levels achieved by competitors' products. This information can be related to the amount of money and time spent building these levels as well as the resulting sales or market share figures.

At some point, sales-oriented objectives must be translated into what the company hopes to communicate and to whom it hopes to communicate it. For example, in the highly competitive office supply industry Boise Cascade has been around for over 35 years. In a market where differentiation is difficult to achieve due to the fact that many companies make the same products at about equal prices, Boise lacked personality. The company needed to change the consumers' focus from price to the advantages provided by its knowledge and experience in the industry. After identifying the target market as women 18 to 54 with a high school diploma, the company combined with its agency to develop a "personality test" that customers and potential customers could take to learn more about their personalities and interactive styles. In addition, participants could learn more about the styles of coworkers, relatives, and so on, to improve communications. The "You've Got to Have Personality" campaign was designed in an attempt to have participants learn more about themselves as well as Boise Cascade. Initially using advertising, direct mail, the Internet, and sales promotions, the program was later extended to include trade shows and other promotions. The results were obvious—a 30 percent increase in web traffic and a 250 percent jump in visitors to the company's online magazine. Most important, recognition of the Boise name increased, a personality was established, and sales of the products promoted in the "Personality" flyer increased 15.8 percent over the previous year.<sup>12</sup>

Many marketing and promotional managers recognize the value of setting specific communications objectives and their important role as operational guidelines to the planning, execution, and evaluation of the promotional program. Communications objectives are the criteria used in the DAGMAR approach to setting advertising goals and objectives, which has become one of the most influential approaches to the advertising planning process.

- **Communicating that something is different about the product.** Successful introductory commercials communicated some point of difference for the new product.
- **Positioning the brand difference in relation to the product category.** Successful commercials positioned their brand's difference within a specific product category. For example, a new breakfast product was positioned as the "crispiest cereal" and a new beverage as the "smoothest soft drink."
- **Communicating that the product difference is beneficial to consumers.** Nearly all of the successful commercials linked a benefit directly to the new product's difference.
- **Supporting the idea that something about the product is different and/or beneficial to consumers.** All the successful commercials communicated support for the product's difference claim or its relevance to consumers. Support took the form of demonstrations of performance, information supporting a uniqueness claim, endorsements, or testimonials.

**Figure 7-5** Factors related to success of advertising for new products

## DAGMAR: An Approach to Setting Objectives

In 1961, Russell Colley prepared a report for the Association of National Advertisers titled *Defining Advertising Goals for Measured Advertising Results* (DAGMAR).<sup>13</sup> In it, Colley developed a model for setting advertising objectives and measuring the results of an ad campaign. The major thesis of the **DAGMAR** model is that communications effects are the logical basis for advertising goals and objectives against which success or failure should be measured. Colley's rationale for communications-based objectives was as follows:

Advertising's job, purely and simply, is to communicate to a defined audience information and a frame of mind that stimulates action. Advertising succeeds or fails depending on how well it communicates the desired information and attitudes to the right people at the right time and at the right cost.<sup>14</sup>

Under the DAGMAR approach, an advertising goal involves a **communications task** that is specific and measurable. A communications task, as opposed to a marketing task, can be performed by, and attributed to, advertising rather than to a combination of several marketing factors. Colley proposed that the communications task be based on a hierarchical model of the communications process with four stages:

- *Awareness*—making the consumer aware of the existence of the brand or company.
- *Comprehension*—developing an understanding of what the product is and what it will do for the consumer.
- *Conviction*—developing a mental disposition in the consumer to buy the product.
- *Action*—getting the consumer to purchase the product.

As discussed earlier, other hierarchical models of advertising effects can be used as a basis for analyzing the communications response process. Some advertising theorists prefer the Lavidge and Steiner hierarchy of effects model, since it is more specific and provides a better way to establish and measure results.<sup>15</sup>

While the hierarchical model of advertising effects was the basic model of the communications response process used in DAGMAR, Colley also studied other specific tasks that advertising might be expected to perform in leading to the ultimate objective of a sale. He developed a checklist of 52 advertising tasks to characterize the contribution of advertising and serve as a starting point for establishing objectives.

### Characteristics of Objectives

A second major contribution of DAGMAR to the advertising planning process was its definition of what constitutes a good objective. Colley argued that advertising objectives should be stated in terms of concrete and measurable communications tasks, specify a target audience, indicate a benchmark starting point and the degree of change sought, and specify a time period for accomplishing the objective(s).

**Concrete, Measurable Tasks** The communications task specified in the objective should be a precise statement of what appeal or message the advertiser wants to communicate to the target audience. Advertisers generally use a copy platform to describe their basic message. The objective or copy platform statement should be specific and clear enough to guide the creative specialists who develop the advertising message. For example, Foster's Beer, after a successful introduction, saw sales decline significantly. Knowing that to reverse the downward trend something significant had to be done, Fosters developed an entirely new positioning campaign with the following objectives:

- Strengthen the brand's image
- Maximize brand presence
- Broaden the market base beyond traditional import beer drinkers
- Increase sales



**Exhibit 7-8** Foster's Beer delivers a very successful new campaign

Using a variety of tools including billboards, videos, point-of-sale promotions, and spot television (Exhibit 7-8), the program doubled its unaided awareness scores, tripled trial, and increased brand awareness by 40 percent. In addition, beer sales doubled in test markets, and overall beer sales increased by 12.1 percent in the first year of the campaign.<sup>16</sup>

According to DAGMAR, the objective must also be measurable. There must be a way to determine whether the intended message has been communicated properly. For example Midwest Express measured its communications objective by asking airline travelers whether they thought Midwest's fares were higher than those of competing airlines.

**Target Audience** Another important characteristic of good objectives is a well-defined target audience. The primary target audience for a company's product or service is described in the situation analysis. It may be based on descriptive variables such as geography, demographics, and psychographics (on which advertising media selection decisions are based) as well as on behavioral variables such as usage rate or benefits sought. Figure 7-6 demonstrates the objective-setting process involved in the launch of the new Subaru Outback. Notice how specifically the target audience was defined.

Target Market:	Male, 35–55, married, household income \$55,000+, active lifestyle
Positioning:	Carlike qualities without sacrificing SUV qualities
Objectives:	Convince SUV buyers to consider the Outback rather than SUV under consideration; generate high awareness, generate high numbers of showroom visits, avoid discounts, generate high sales volume, attract at least 50% of sales from those intending to buy Ford, Chevy, or Jeep
Budget:	\$17 million
Media:	Advertising: <ul style="list-style-type: none"> <li>TV: Prime-time programs, local news and sports</li> <li>Cable TV: National Geographic Explorer, Discovery, Learning Channel</li> <li>Print: <i>Backpacker</i>, <i>Outside</i>, <i>National Geographic</i>, <i>Smithsonian</i></li> <li>Support Media: Outdoor and POP</li> <li>Public Relations: Press kits and PR campaign</li> <li>Direct Marketing: Prospective buyers; dealers</li> </ul>
Results:	Recall increased from 33 to 38% in first 60 days; 50% by completion of campaign Dealer traffic increased by 15 to 20% Sales were highest in 9 years—four times projections; 55% from non-Subaru owners; top three models traded in: Jeep Grand Cherokee, Ford Explorer, Chevy Blazer

**Figure 7-6** Subaru Outback Objective Setting



**Benchmark and Degree of Change Sought** To set objectives, one must know the target audience's present status concerning response hierarchy variables such as awareness, knowledge, image, attitudes, and intentions and then determine the degree to which consumers must be changed by the advertising campaign. Determining the target market's present position regarding the various response stages requires **benchmark measures**. Often a marketing research study must be conducted to determine prevailing levels of the response hierarchy. In the case of a new product or service, the starting conditions are generally at or near zero for all the variables, so no initial research is needed.

Establishing benchmark measures gives the promotional planner a basis for determining what communications tasks need to be accomplished and for specifying particular objectives. For example, a preliminary study for a brand may reveal that awareness is high but consumer perceptions and attitudes are negative. The objective for the advertising campaign must then be to change the target audience's perceptions of and attitudes toward the brand. In the case of Outback, the objectives were to generate high levels of awareness, given that existing levels were so low.

Quantitative benchmarks are not only valuable in establishing communications goals and objectives but essential for determining whether the campaign was successful. Objectives provide the standard against which the success or failure of a campaign is measured. An ad campaign that results in a 90 percent awareness level for a brand among its target audience cannot really be judged effective unless one knows what percentage of the consumers were aware of the brand before the campaign began. A 70 percent precampaign awareness level would lead to a different interpretation of the campaign's success than would a 30 percent level.

**Specified Time Period** A final consideration in setting advertising objectives is specifying the time period in which they must be accomplished. Appropriate time periods can range from a few days to a year or more. Most ad campaigns specify time periods from a few months to a year, depending on the situation facing the advertiser and the type of response being sought. For example, awareness levels for a brand can be created or increased fairly quickly through an intensive media schedule of widespread, repetitive advertising to the target audience. Repositioning of a product requires a change in consumers' perceptions and takes much more time. The repositioning of Marlboro cigarettes from a feminine brand to one with a masculine image, for instance, took several years.

## Assessment of DAGMAR

The DAGMAR approach to setting objectives has had considerable influence on the advertising planning process. Many promotional planners use this model as a basis for setting objectives and assessing the effectiveness of their promotional campaigns. DAGMAR also focused advertisers' attention on the value of using communications-based rather than sales-based objectives to measure advertising effectiveness and encouraged the measurement of stages in the response hierarchy to assess a campaign's impact. Colley's work has led to improvements in the advertising and promotional planning process by providing a better understanding of the goals and objectives toward which planners' efforts should be directed. This usually results in less subjectivity and leads to better communication and relationships between client and agency.

**Criticisms of DAGMAR** While DAGMAR has contributed to the advertising planning process, it has not been totally accepted by everyone in the advertising field. A number of problems have led to questions regarding its value as a planning tool:<sup>17</sup>

- *Problems with the response hierarchy.* A major criticism of the DAGMAR approach is its reliance on the hierarchy of effects model. The fact that consumers do not always go through this sequence of communications effects before making a purchase has been recognized, and alternative response models have been developed.<sup>18</sup> DAGMAR MOD II recognizes that the appropriate response model depends on the situation and

emphasizes identifying the sequence of decision-making steps that apply in a buying situation.<sup>19</sup>

- *Sales objectives.* Another objection to DAGMAR comes from those who argue that the only relevant measure of advertising objectives is sales. They have little tolerance for ad campaigns that achieve communications objectives but fail to increase sales. Advertising is seen as effective only if it induces consumers to make a purchase.<sup>20</sup> The problems with this logic were addressed in our discussion of communications objectives.
- *Practicality and costs.* Another criticism of DAGMAR concerns the difficulties involved in implementing it. Money must be spent on research to establish quantitative benchmarks and measure changes in the response hierarchy. This is costly and time-consuming and can lead to considerable disagreement over method, criteria, measures, and so forth. Many critics argue that DAGMAR is practical only for large companies with big advertising and research budgets. Many firms do not want to spend the money needed to use DAGMAR effectively.
- *Inhibition of creativity.* A final criticism of DAGMAR is that it inhibits advertising creativity by imposing too much structure on the people responsible for developing the advertising. Many creative personnel think the DAGMAR approach is too concerned with quantitative assessment of a campaign’s impact on awareness, brandname recall, or specific persuasion measures. The emphasis is on passing the numbers test rather than developing a message that is truly creative and contributes to brand equity.

Although the DAGMAR model suggests a logical process for advertising and promotion planning, most advertisers and their agencies fail to follow these basic principles. They fail to set specific objectives for their campaigns and/or do not have the proper evidence to determine the success of their promotional programs. A classic study conducted by Stewart H. Britt examined problems with how advertisers set objectives and measure their accomplishment.<sup>21</sup> The study showed that most advertising agencies did not state appropriate objectives for determining success and thus could not demonstrate whether a supposedly successful campaign was really a success. Even though these campaigns may have been doing something right, they generally did not know what it was.

Although this study was conducted in 1969, the same problems exist in advertising today. A more recent study examined the advertising practices of business-to-business marketers to determine whether their ads used advertising objectives that met Colley’s four DAGMAR criteria.<sup>22</sup> Entries from the annual Business/Professional Advertising Association Gold Key Awards competition, which solicits the best marketing communications efforts from business-to-business advertisers, were evaluated with respect to their campaigns’ objectives and summaries of results. Most of these advertisers did not set concrete advertising objectives, specify objective tasks, measure results in terms of stages of a hierarchy of effects, or match objectives to evaluation measures. The authors concluded: “Advertising practitioners have only partially adopted the concepts and standards of objective setting and evaluation set forth 25 years ago.”<sup>23</sup>

### Improving Promotional Planners’ Use of Objectives

As we have seen, it is important that advertisers and their agencies pay close attention to the objectives they set for their campaigns. They should strive to set specific and measurable objectives that not only guide promotional planning and decision making but also can be used as a standard for evaluating performance. Unfortunately, many companies do not set appropriate objectives for their integrated marketing communications programs.

Many companies fail to set appropriate objectives because top management has only an abstract idea of what the firm’s IMC program is supposed to be doing. In a study by the American Business Press that measured the attitudes of chairs, presidents, and other senior managers of business-to-business advertising companies, more than half of the 427 respondents said they did not know whether their advertising was

## Problems in Setting Objectives

working and less than 10 percent thought it was working well.<sup>24</sup> This study showed overwhelmingly that top management did not even know what the company's advertising was supposed to do, much less how to measure it.

Few firms will set objectives that meet all the criteria set forth in DAGMAR. However, promotional planners should set objectives that are specific and measurable and go beyond basic sales goals. Even if specific communications response elements are not always measured, meeting the other criteria will sharpen the focus and improve the quality of the IMC planning process.

### Setting Objectives for the IMC Program

One reason so much attention is given to advertising objectives is that for many companies advertising has traditionally been the major way of communicating with target audiences. Other promotional mix elements such as sales promotion, direct marketing, and publicity are used intermittently to support and complement the advertising program.

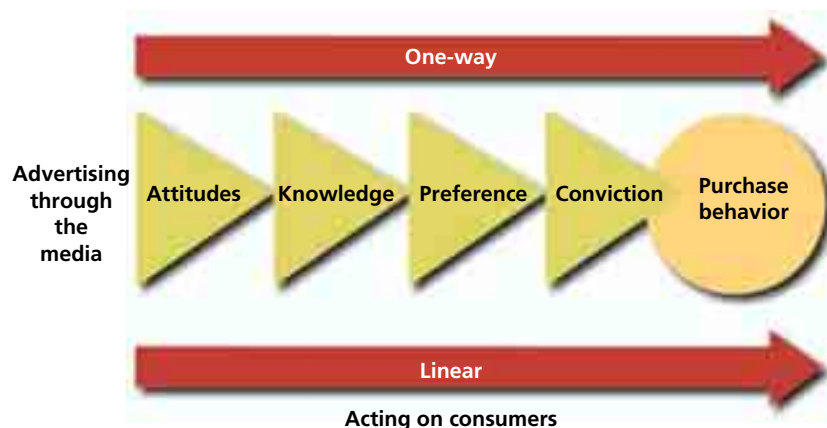
Another reason is that traditional advertising-based views of marketing communications planning, such as DAGMAR, have dominated the field for so long. These approaches are based on a hierarchical response model and consider how marketers can develop and disseminate advertising messages to move consumers along an effects path. This approach, shown in Figure 7-7, is what professor Don Schultz calls *inside-out planning*. He says, "It focuses on what the marketer wants to say, when the marketer wants to say it, about things the marketer believes are important about his or her brand, and in the media forms the marketer wants to use."<sup>25</sup>

Schultz advocates an *outside-in planning* process for IMC that starts with the customer and builds backward to the brand. This means that promotional planners study the various media customers and prospects use, when the marketer's messages might be most relevant to customers, and when they are likely to be most receptive to the message.

A similar approach is suggested by Professor Tom Duncan, who argues that IMC should use **zero-based communications planning**, which involves determining what tasks need to be done and which marketing communications functions should be used and to what extent.<sup>26</sup> This approach focuses on the task to be done and searches for the best ideas and media to accomplish it. Duncan notes that as with a traditional advertising campaign, the basis of an IMC campaign is a big idea. However, in IMC the big idea can be public relations, direct response, packaging, or sales promotion. Duncan suggests that an effective IMC program should lead with the marketing communications function that most effectively addresses the company's main problem or opportunity and should use a promotional mix that draws on the strengths of whichever communications functions relate best to the particular situation.

Many of the considerations for determining advertising objectives are relevant to setting goals for other elements of the integrated marketing communications program.

**Figure 7-7** Traditional advertising-based view of marketing communications



The promotional planner should determine what role various sales promotion techniques, publicity and public relations, direct marketing, and personal selling will play in the overall marketing program and how they will interact with advertising as well as with one another.

For example, the marketing communications program for the San Diego Zoological Society has a number of objectives. First, it must provide funding for the society's programs and maintain a large and powerful base of supporters for financial and political strength. The program must educate the public about the society's various programs and maintain a favorable image on a local, regional, national, and even international level. A major objective of the IMC program is drawing visitors to the two attractions (Exhibit 7-9).

To achieve these objectives, the San Diego Zoological Society and its advertising agency developed an IMC program. As can be seen in Figure 7-8, this program employed a variety of integrated marketing communication tools. When setting objectives for these promotional elements, planners must consider what the firm hopes to communicate through the use of this element, among what target audience, and during what time period. As with advertising, results should be measured and evaluated against the original objectives, and attempts should be made to isolate the effects of each promotional element. Objectives for marketing communications elements other than advertising are discussed more thoroughly in Part Five of the text.



**Exhibit 7-9** The San Diego Zoo attempts to attract visitors through advertising

If you take a minute to look back at Figure 1-4 on page 26, you will see that while the arrows from the review of the marketing plan and the promotional situation analysis to analysis of the communications process are *unidirectional*, the flow between the communications analysis and budget determination is a *two-way interaction*. What this means is that while establishing objectives is an important part of the planning process, the limitations of the budget are important too. No organization has an unlimited budget, so objectives must be set with the budget in mind.

Often when we think of promotional expenditures of firms, we think only about the huge amounts being spent. We don't usually take the time to think about how these monies are being allocated and about the recipients of these dollars. The budgeting decisions have a significant impact not only on the firm itself but also on numerous others involved either directly or indirectly. The remainder of this chapter provides insight into some underlying theory with respect to budget setting, discusses how companies budget for promotional efforts, and demonstrates the inherent strengths and weaknesses associated with these approaches. Essentially, we focus on two primary budgeting decisions: establishing a budget amount and allocating the budget.

## Establishing the Budget

The size of a firm's advertising and promotions budget can vary from a few thousand dollars to more than a billion. When companies like Ford, Procter & Gamble, and General Motors spend over 2 billion dollars per year to promote their products, they expect such expenditures to accomplish their stated objectives. The budget decision is no less critical to a firm spending only a few thousand dollars; its ultimate success or failure may depend on the monies spent. One of the most critical decisions facing the marketing manager is how much to spend on the promotional effort.

Unfortunately, many managers fail to realize the value of advertising and promotion. They treat the communications budget as an expense rather than an investment. Instead of viewing the dollars spent as contributing to additional sales and market share, they see budget expenses as cutting into profits. As a result, when times get tough, the advertising and promotional budget is the first to be cut—even though there

## Establishing and Allocating the Promotional Budget

**Figure 7-8** The San Diego Zoo sets objectives for various promotional elements

**Advertising**

**Objectives:** Drive attendance to Zoo and Wild Animal Park. Uphold image and educate target audience and inform them of new attractions and special events and promotions.

**Audience:** Members and nonmembers of Zoological Society. Households in primary and secondary geographic markets consisting of San Diego County and 5 other counties in southern California. Tertiary markets of 7 western states. Tourist and group sales markets.

**Timing:** As allowed and determined by budget. Mostly timed to coincide with promotional efforts.

**Tools/media:** Television, radio, newspaper, magazines, direct mail, outdoor, tourist media (television and magazine).

**Sales Promotions**

**Objectives:** Use price, product, and other variables to drive attendance when it might not otherwise come.

**Audience:** Targeted, depending on co-op partner, mostly to southern California market.

**Timing:** To fit needs of Zoo and Wild Animal Park and cosponsoring partner.

**Tools/media:** Coupons, sweepstakes, tours, broadcast tradeouts, direct mail: statement stuffers, fliers, postcards.

**Public Relations**

**Objectives:** Inform, educate, create, and maintain image for Zoological Society and major attractions; reinforce advertising message.

**Audience:** From local to international, depending on subject, scope, and timing.

**Timing:** Ongoing, although often timed to coincide with promotions and other special events. Spur-of-the-moment animal news and information such as acquisitions, births, etc.

**Tools/media:** Coverage by major news media, articles in local, regional, national and international newspapers, magazines and other publications such as visitors' guides, tour books and guides, appearances by Zoo spokesperson Joanne Embery on talk shows (such as "The Tonight Show").

**Cause Marketing/Corporate Sponsorships/Events Underwriting**

**Objectives:** To provide funding for Zoological Society programs and promote special programs and events done in cooperation with corporate sponsor. Must be win-win business partnership for Society and partner.

**Audience:** Supporters of both the Zoological Society and the corporate or product/service partner.

**Timing:** Coincides with needs of both partners, and seasonal attendance generation needs of Zoo and Wild Animal Park.

**Tools:** May involve advertising, publicity, discount co-op promotions, ticket trades, hospitality centers. Exposure is directly proportional to amount of underwriting by corporate sponsor, both in scope and duration.

**Direct Marketing**

**Objectives:** Maintain large powerful base of supporters for financial and political strength.

**Audience:** Local, regional, national and international. Includes children's program (Koala Club), seniors (60+), couples, single memberships, and incremental donor levels.

**Timing:** Ongoing, year-round promotion of memberships.

**Tools:** Direct mail and on-grounds visibility.

**Group Sales**

**Objectives:** Maximize group traffic and revenue by selling group tours to Zoo and Wild Animal Park.

**Audience:** Conventions, incentive groups, bus tours, associations, youth, scouts, schools, camps, seniors, clubs, military, organizations, domestic and foreign travel groups.

**Timing:** Targeted to drive attendance in peak seasons or at most probable times such as convention season.

**Tools:** Travel and tourism trade shows, telemarketing, direct mail, trade publication advertising.

**Internet**

**Objectives:** Provide information regarding the zoo, programs, memberships and public relations activities.

**Audience:** All audiences interested in acquiring more information about the zoo.

**Timing:** Ongoing, updated frequently over time.

**Tools:** Website, including videos, shop zoo and zoo calendar.



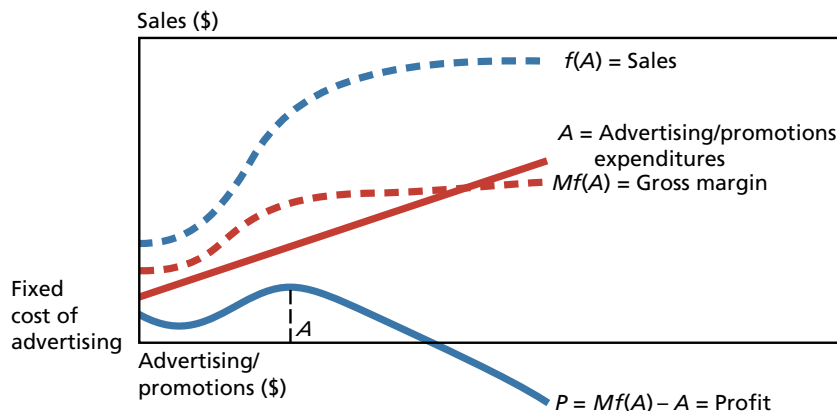
is strong evidence that exactly the opposite should occur, as Exhibit 7-10 argues. Moreover, the decision is not a one-time responsibility. A new budget is formulated every year, each time a new product is introduced, or when either internal or external factors necessitate a change to maintain competitiveness.

While it is one of the most critical decisions, budgeting has perhaps been the most resistant to change. A comparison of advertising and promotional texts over the past 10 years would reveal the same methods for establishing budgets. The theoretical basis for this process remains rooted in economic theory and marginal analysis. (Advertisers also use an approach based on **contribution margin**—the difference between the total revenue generated by a brand and its total variable costs. But, as Robert Steiner says, *marginal analysis* and *contribution margin* are essentially synonymous terms.)<sup>27</sup> We begin our discussion of budgeting with an examination of these theoretical approaches.

**Theoretical Issues in Budget Setting** Most of the models used to establish advertising budgets can be categorized as taking an economic or a sales response perspective.

**Marginal Analysis** Figure 7-9 graphically represents the concept of **marginal analysis**. As advertising/promotional expenditures increase, sales and gross margins also increase to a point, but then they level off. Profits are shown to be a result of the gross margin minus advertising expenditures. Using this theory to establish its budget, a firm would continue to spend advertising/promotional dollars as long as the marginal revenues created by these expenditures exceeded the incremental advertising/promotional costs. As shown on the graph, the optimal expenditure level is the point where marginal costs equal the marginal revenues they generate (point A). If the sum of the advertising/promotional expenditures exceeded the revenues they generated, one would conclude the appropriations were too high and scale down the budget. If revenues were higher, a higher budget might be in order. (We will see later in this chapter that this approach can also be applied to the allocation decision.)

While marginal analysis seems logical intuitively, certain weaknesses limit its usefulness. These weaknesses include the assumptions that (1) sales are a direct result of advertising and promotional expenditures and this effect can be measured and (2) advertising and promotion are solely responsible for sales. Let us examine each of these assumptions in more detail.



**Exhibit 7-10** The AAAA promotes the continued use of advertising in a recession



**Figure 7-9** Marginal analysis

1. *Assumption that sales are a direct measure of advertising and promotions efforts.* Earlier in this chapter we discussed the fact that the advertiser needs to set communications objectives that contribute to accomplishing overall marketing objectives but at the same time are separate. One reason for this strategy is that it is often difficult, if not impossible, to demonstrate the effects of advertising and promotions on sales. In studies using sales as a direct measure, it has been almost impossible to establish the contribution of advertising and promotion. As noted by Frank Bass, “There is no more difficult, complex, or controversial problem in marketing than measuring the influence of advertising on sales.”<sup>28</sup> In the words of David Aaker and James Carman, “Looking for the relationship between advertising and sales is somewhat worse than looking for a needle in a haystack.”<sup>29</sup> Thus, to try to show that the size of the budget will directly affect sales of the product is misleading. A more logical approach would be to examine the impact of various budgets on the attainment of communications objectives.

As we saw in the discussion of communications objectives, sales are not the only goal of the promotional effort. Awareness, interest, attitude change, and other communications objectives are often sought, and while the bottom line may be to sell the product, these objectives may serve as the basis on which the promotional program is developed.

2. *Assumption that sales are determined solely by advertising and promotion.* This assumption ignores the remaining elements of the marketing mix—price, product, and distribution—which do contribute to a company’s success. Environmental factors may also affect the promotional program, leading the marketing manager to assume the advertising was or was not effective when some other factor may have helped or hindered the accomplishment of the desired objectives.

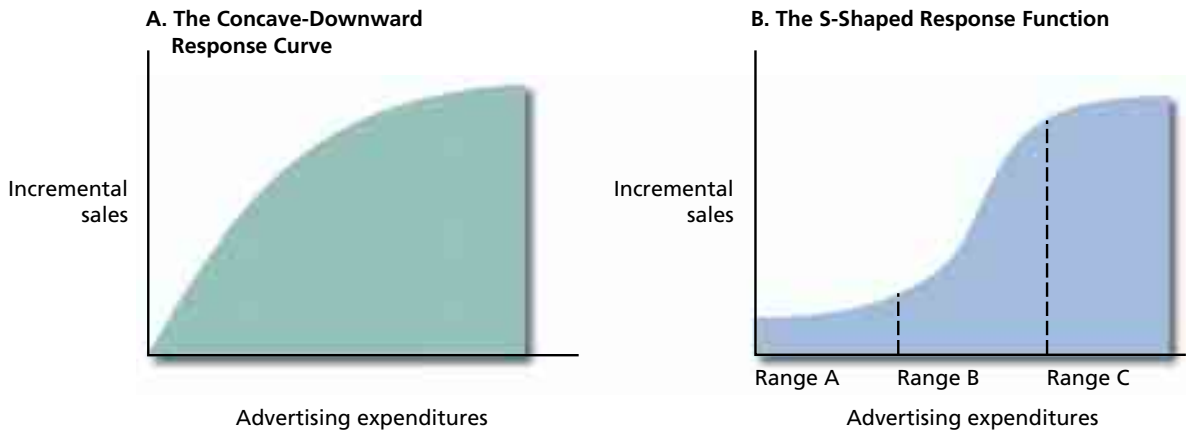
Overall, you can see that while the economic approach to the budgeting process is a logical one, the difficulties associated with determining the effects of the promotional effort on sales and revenues limit its applicability. Marginal analysis is seldom used as a basis for budgeting (except for direct-response advertising).

**Sales Response Models** You may have wondered why the sales curve in Figure 7-9 shows sales leveling off even though advertising and promotions efforts continue to increase. The relationship between advertising and sales has been the topic of much research and discussion designed to determine the shape of the response curve.

Almost all advertisers subscribe to one of two models of the advertising/sales response function: the concave-downward function or the S-shaped response curve.

- *The concave-downward function.* After reviewing more than 100 studies of the effects of advertising on sales, Julian Simon and Johan Arndt concluded that the effects of advertising budgets follow the microeconomic law of diminishing returns.<sup>30</sup> That is, as the amount of advertising increases, its incremental value decreases. The logic is that those with the greatest potential to buy will likely act on the first (or earliest) exposures, while those less likely to buy are not likely to change as a result of the advertising. For those who may be potential buyers, each additional ad will supply little or no new information that will affect their decision. Thus, according to the **concave-downward function model**, the effects of advertising quickly begin to diminish, as shown in Figure 7-10A. Budgeting under this model suggests that fewer advertising dollars may be needed to create the optimal influence on sales.

- *The S-shaped response function.* Many advertising managers assume the **S-shaped response curve** (Figure 7-10B), which projects an S-shaped response function to the budget outlay (again measured in sales). Initial outlays of the advertising budget have little impact (as indicated by the essentially flat sales curve in range A). After a certain budget level has been reached (the beginning of range B), advertising and promotional efforts begin to have an effect, as additional increments of expenditures result in increased sales. This incremental gain continues only to a point, however, because at the beginning of range C additional expenditures begin to return little or nothing in the way of sales. This model suggests a small advertising budget is likely to have no impact beyond the sales that may have been generated through other means

**Figure 7-10** Advertising sales/response functions

(for example, word of mouth). At the other extreme, more does not necessarily mean better: Additional dollars spent beyond range B have no additional impact on sales and for the most part can be considered wasted. As with marginal analysis, one would attempt to operate at that point on the curve in area B where the maximum return for the money is attained.

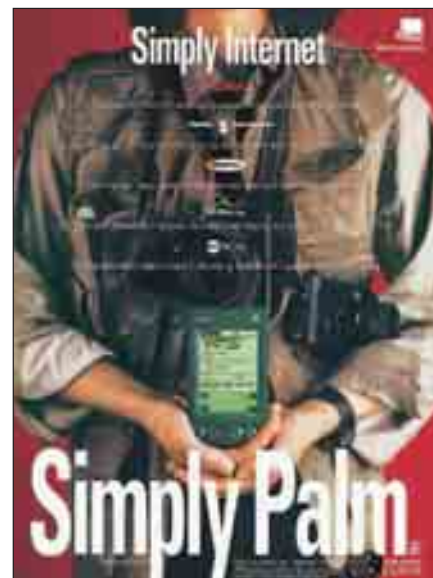
Weaknesses in these sales response models render them of limited use to practitioners for direct applications. Many of the problems seen earlier—the use of sales as a dependent variable, measurement problems, and so on—limit the usefulness of these models. At the same time, keep in mind the purpose of discussing such models. Even though marginal analysis and the sales response curves may not apply directly, they give managers some insight into a theoretical basis of how the budgeting process should work. Some empirical evidence indicates the models may have validity. One study, based on industry experience, has provided support for the S-shaped response curve; the results indicate that a minimum amount of advertising dollars must be spent before there is a noticeable effect on sales.<sup>31</sup>

The studies discussed in earlier chapters on learning and the hierarchy of effects also demonstrate the importance of repetition on gaining awareness and on subsequent higher-order objectives such as adoption. Thus, while these models may not provide a tool for setting the advertising and promotional budget directly, we can use them to guide our appropriations strategy from a theoretical basis. As you will see later in this chapter, such a theoretical basis has advantages over many of the methods currently being used for budget setting and allocation.

**Additional Factors in Budget Setting** While the theoretical bases just discussed should be considered in establishing the budget appropriation, a number of other issues must also be considered. A weakness in attempting to use sales as a *direct* measure of response to advertising is that various situational factors may have an effect. In one comprehensive study, 20 variables were shown to affect the advertising/sales ratio. Figure 7-11 lists these factors and their relationships.<sup>32</sup> For a product characterized by emotional buying motives, hidden product qualities, and/or a strong basis for differentiation, advertising would have a noticeable impact on sales (see Exhibit 7-11). Products characterized as large-dollar purchases and those in the maturity or decline stages of the product would be less likely to benefit. The study showed that other factors involving the market, customer, costs, and strategies employed have different effects.

The results of this study are interesting but limited, since they relate primarily to the percentage of sales dollars allocated to advertising and the factors influencing these ratios. As we will see later in this chapter,

**Exhibit 7-11** A strong basis for differentiation could show a noticeable effect of advertising on sales



**Figure 7-11** Factors influencing advertising budgets

Factor	Relationship of Advertising/Sales	Factor	Relationship of Advertising/Sales
<b>Product Factors</b>		<b>Customer Factors</b>	
Basis for differentiation	+	Industrial products users	—
Hidden product qualities	+	Concentration of users	+
Emotional buying motives	+	<b>Strategy Factors</b>	
Durability	—	Regional markets	—
Large dollar purchase	—	Early stage of brand life cycle	+
Purchase frequency	Curvilinear	High margins in channels	—
<b>Market Factors</b>		Long channels of distribution	+
Stage of product life cycle:		High prices	+
Introductory	+	High quality	+
Growth	+	<b>Cost Factors</b>	
Maturity	—	High profit margins	+
Decline	—		
Inelastic demand	+		
Market share	—		
Competition:			
Active	+		
Concentrated	+		
Pioneer in market	—		

Note: + relationship means the factor leads to a positive effect of advertising on sales; — relationship indicates little or no effect of advertising on sales.

the percentage-of-sales method of budgeting has inherent weaknesses in that the advertising and sales effects may be reversed. So we cannot be sure whether the situation actually led to the advertising/sales relationship or vice versa. Thus, while these factors should be considered in the budget appropriation decision, they should not be the sole determinants of where and when to increase or decrease expenditures.

The *Advertising Age* Editorial Sounding Board consists of 92 executives of the top 200 advertising companies in the United States (representing the client side) and 130 executives of the 200 largest advertising agencies and 11 advertising consultants (representing the agency side). A survey of the board yielded the factors shown in Figure 7-12 that are important in budget setting.

Overall, the responses of these two groups reflect in part their perceptions as to factors of importance in how budgets are set. To understand the differences in the relative importance of these factors, it is important to understand the approaches currently employed in budget setting. The next section examines these approaches.

**Figure 7-12** Factors considered in budget setting

Changes in advertising strategy and/or creative approach	51%
Competitive activity and/or spending levels	47
Profit contribution goal or other financial target	43
Level of previous year's spending, with adjustment	17
Senior management dollar allocation or set limit	11
Volume share projections	8
Projections/assumptions on media cost increases	25
Modifications in media strategy and/or buying techniques	17

## Budgeting Approaches

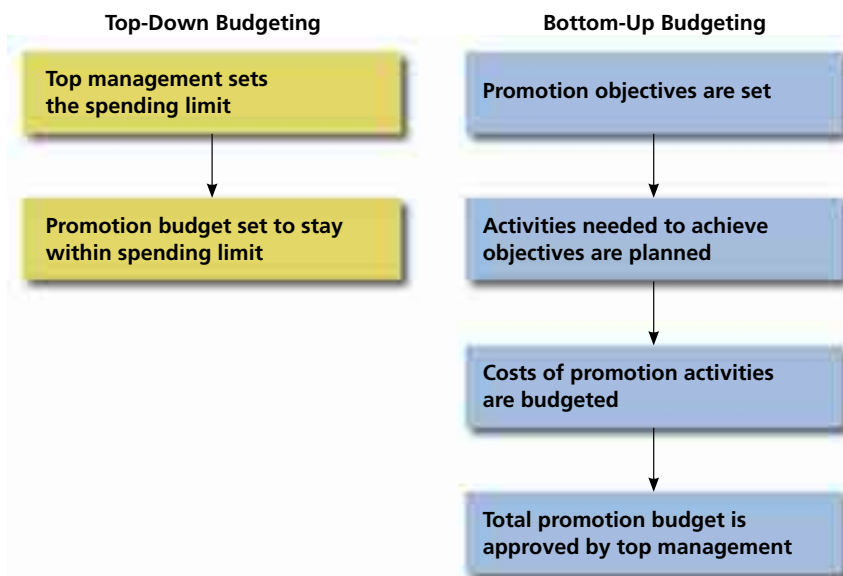
The theoretical approaches to establishing the promotional budget are seldom employed. In smaller firms, they may never be used. Instead, a number of methods developed through practice and experience are implemented. This section reviews some of the more traditional methods of setting budgets and the relative advantages and disadvantages of each. First, you must understand two things: (1) Many firms employ more than one method, and (2) budgeting approaches vary according to the size and sophistication of the firm.

**Top-Down Approaches** The approaches discussed in this section may be referred to as **top-down approaches** because a budgetary amount is established (usually at an executive level) and then the monies are passed down to the various departments (as shown in Figure 7-13). These budgets are essentially predetermined and have no true theoretical basis. Top-down methods include the affordable method, arbitrary allocation, percentage of sales, competitive parity, and return on investment (ROI).

**The Affordable Method** In the **affordable method** (often referred to as the “all-you-can-afford method”), the firm determines the amount to be spent in various areas such as production and operations. Then it allocates what’s left to advertising and promotion, considering this to be the amount it can afford. The task to be performed by the advertising/promotions function is not considered, and the likelihood of under- or overspending is high, as no guidelines for measuring the effects of various budgets are established.

Strange as it may seem, this approach is common among small firms. Unfortunately, it is also used in large firms, particularly those that are not marketing-driven and do not understand the role of advertising and promotion. For example, many high-tech firms focus on new product development and engineering and assume that the product, if good enough, will sell itself. In these companies, little money may be left for performing the advertising and promotions tasks.

The logic for this approach stems from “We can’t be hurt with this method” thinking. That is, if we know what we can afford and we do not exceed it, we will not get into financial problems. While this may be true in a strictly accounting sense, it does not reflect sound managerial decision making from a marketing perspective. Often this method does not allocate enough money to get the product off the ground and into the market. In terms of the S-shaped sales response model, the firm is operating in range A. Or the firm may be spending more than necessary, operating in range C. When the



**Figure 7-13** Top-down versus bottom-up approaches to budget setting



market gets tough and sales and/or profits begin to fall, this method is likely to lead to budget cuts at a time when the budget should be increased.

**Arbitrary Allocation** Perhaps an even weaker method than the affordable method for establishing a budget is **arbitrary allocation**, in which virtually no theoretical basis is considered and the budgetary amount is often set by fiat. That is, the budget is determined by management solely on the basis of what is felt to be necessary. In a discussion of how managers set advertising budgets, Melvin Salveson reported that these decisions may reflect “as much upon the managers’ psychological profile as they do economic criteria.”<sup>33</sup> While Salveson was referring to larger corporations, the approach is no less common in small firms and nonprofit organizations.

The arbitrary allocation approach has no obvious advantages. No systematic thinking has occurred, no objectives have been budgeted for, and the concept and purpose of advertising and promotion have been largely ignored. Other than the fact that the manager believes some monies must be spent on advertising and promotion and then picks a number, there is no good explanation why this approach continues to be used. Yet budgets continue to be set this way, and our purpose in discussing this method is to point out only that it is used—not recommended.

**Percentage of Sales** Perhaps the most commonly used method for budget setting (particularly in large firms) is the **percentage-of-sales method**, in which the advertising and promotions budget is based on sales of the product. Management determines the amount by either (1) taking a percentage of the sales dollars or (2) assigning a fixed amount of the unit product cost to promotion and multiplying this amount by the number of units sold. These two methods are shown in Figure 7-14.

A variation on the percentage-of-sales method uses a percentage of projected future sales as a base. This method also uses either a straight percentage of projected sales or a unit cost projection. In the straight-percentage method, sales are projected for the coming year based on the marketing manager’s estimates. The budget is a percentage of these sales, often an industry standard percentage like those presented in Figure 7-15.

One advantage of using future sales as a base is that the budget is not based on last year’s sales. As the market changes, management must factor the effect of these changes on sales into next year’s forecast rather than relying on past data. The resulting budget is more likely to reflect current conditions and be more appropriate.

Figure 7-15 reveals that the percentage allocated varies from one industry to the next. Some firms budget a very small percentage (for example, 0.7 percent in lumber and wood products), and others spend a much higher proportional amount (12.0 percent in the games and toy industry). Actual dollar amounts spent vary markedly according to the company’s total sales figure. Thus, a smaller percentage of sales in the construction machinery industry may actually result in significantly more advertising dollars being spent.

Proponents of the percentage-of-sales method cite a number of advantages. It is financially safe and keeps ad spending within reasonable limits, as it bases spending on the past year’s sales or what the firm expects to sell in the upcoming year. Thus,

**Figure 7-14** Alternative methods for computing percentage of sales for Eve Cologne

**Method 1: Straight Percentage of Sales**

2002	Total dollar sales	\$1,000,000
	Straight % of sales at 10%	\$100,000
2003	Advertising budget	\$100,000

**Method 2: Percentage of Unit Cost**

2002	Cost per bottle to manufacturer	\$4.00
	Unit cost allocated to advertising	1.00
2003	Forecasted sales, 100,000 units	
2003	Advertising budget (100,000 × \$1)	\$100,000

**Figure 7-15** 2001 advertising-to-sales ratios for the 200 largest ad-spending industries

Industry	SIC Code	Ad Dollars			Industry	SIC Code	Ad Dollars		
		As % of Sales	As % of Margin	Annual Ad Growth Rate			As % of Sales	As % of Margin	Annual Ad Growth Rate
Accident & health insurance	6321	0.9%	10.6%	11.3%	Drugs and proprietary-whsl	5122	2.6%	28.9%	11.6%
Advertising	7310	4.5	10.6	30.8	Eating and drinking places	5810	3.8	27.9	5.7
Agricultural chemicals	2870	8.1	25.8	16.6	Eating places	5812	4.2	16.4	6.6
Agriculture production—crops	100	2.1	8.2	3.0	Educational services	6200	4.2	10.2	9.3
Air courier services	4513	1.5	12.2	56.7	Elec meas & test instruments	3825	2.9	6.1	7.2
Air transport, scheduled	4512	1.2	7.8	2.7	Electr, oth elec eq, ex cmp	3600	1.3	5.3	-5.7
Air cond., heating, refrig. equipment	3585	1.4	5.3	6.1	Electric housewares and fans	3634	6.4	18.3	6.9
Amusement & recreation svcs	7900	5.1	20.9	23.1	Electric lighting, wiring eq	3640	1.9	5.0	1.5
Apparel & other finished products	2300	5.5	15.3	1.6	Electrical indi apparatus	3620	2.3	6.7	8.0
Apparel and accessory stores	5600	6.3	14.2	9.6	Electromedical apparatus	3845	1.3	2.1	10.1
Auto and home supply stores	5531	1.1	2.7	8.1	Electronic comp, accessories	3670	2.2	5.4	1.6
Auto dealers, gas stations	5500	1.7	10.1	29.6	Electronic computers	3571	1.5	4.4	10.5
Auto rent & lease, no drivers	7510	2.7	6.0	14.4	Engines and turbines	3510	2.4	8.2	9.5
Bakery products	2050	1.4	2.7	5.0	Engr, acct, research, mgmt. rel svcs	8700	1.7	5.7	22.2
Beverage	2080	7.4	12.1	-6.4	Equip rental & leasing, nec	7359	2.0	3.4	9.4
Biological pds, except diagnostics	2836	2.4	5.2	10.2	Fabricated plate work	3443	2.7	13.8	12.9
Blankbooks, binders, bookbind	2780	4.2	7.1	-0.4	Fabricated rubber products, nec	3060	1.8	5.8	11.7
Bldg matl, hardwr, garden-retl	5200	2.6	6.8	5.9	Family clothing stores	5651	3.7	10.0	14.1
Books: pubg, pubg & printing	2731	8.5	19.0	5.4	Farm machinery and equipment	3523	1.1	3.8	4.6
Btld & can soft drinks, water	2086	5.3	10.9	11.7	Food and kindred products	2000	10.2	24.0	-0.4
Business services, nec	7389	0.5	1.6	5.6	Food stores	5400	4.0	12.6	15.2
Cable and other pay TV svcs	4841	1.3	2.8	-1.6	Footwear, except rubber	3140	4.5	11.2	10.1
Can, frozen, presrv fruit & veg	2030	4.7	10.7	5.0	Furniture stores	5712	6.9	17.4	9.4
Catalog, mail-order houses	5961	8.4	27.8	10.6	Games, toys, chld. veh, except dolls	3944	12.0	21.1	4.3
Chemicals & allied products	2800	1.9	4.4	1.7	General indi mach & equip, nec	3569	0.9	2.3	13.9
Cigarettes	2111	3.9	6.8	-8.7	Grain mill products	2040	7.5	15.0	-5.6
Cmp and cmp software stores	5734	1.1	7.2	-2.2	Greeting cards	2771	3.5	5.1	1.5
Cmp integrated sys design	7373	0.7	2.4	7.6	Groceries & related products-whsl	5140	2.2	14.7	5.5
Cmp processing, data prep svc	7374	1.1	2.4	3.2	Grocery stores	5411	1.1	3.8	8.6
Cmp programming, data process	7370	6.8	16.7	5.3	Hardwr, plumb, heat equip-whsl	5070	4.1	27.5	9.6
Communications equip, nec	3669	1.3	3.4	5.3	Health services	8000	8.7	21.1	20.8
Communications services, nec	4899	3.4	6.0	29.4	Heating equip, plumbing fixture	3430	6.6	15.4	-11.8
Computer & office equipment	3570	1.6	5.3	1.8	Help supply services	7363	0.8	3.8	19.5
Computer communication equip	3576	2.7	4.5	15.1	Hobby, toy and games shops	5945	3.0	11.3	1.0
Computer peripheral equip. nec	3577	2.2	4.6	7.7	Home furniture & equip store	5700	3.0	7.3	10.3
Computer storage devices	3572	1.8	6.1	12.7	Hospital & medical svc plans	6324	0.4	2.6	10.2
Computers & software-whsl	5045	0.3	3.8	13.1	Hotels and motels	7011	2.7	11.4	-1.8
Construction machinery & equip	3531	0.5	1.4	7.9	Household appliances	3630	3.0	10.3	6.0
Construction-special trade	1700	3.2	8.4	10.6	Household audio & video equip	3651	4.2	12.3	8.8
Convenience stores	5412	1.2	3.0	-5.3	Household furniture	2510	7.6	24.0	12.6
Convrt papr, papbrd, except boxes	2670	3.8	8.0	4.8	Ice cream & frozen desserts	2024	2.0	7.6	-6.6
Cookies and crackers	2052	3.5	6.2	10.0	In vitro, in vivo diagnostics	2835	1.1	2.6	-6.9
Cutlery, hand tools, gen hrdwr	3420	11.8	24.1	10.6	Indi inorganic chemicals	2810	1.1	2.6	3.2
Dairy products	2020	0.9	34.5	20.7	Indi trucks, tractors, trailers	3537	1.7	7.0	6.6
Dental equipment & supplies	3843	1.6	2.9	9.1	Industrial measurement instr	3823	0.8	1.8	7.7
Department stores	5311	3.7	13.0	5.3	Industrial organic chemicals	2860	1.1	3.2	-3.1
Distilled and blended liquor	2085	4.3	33.1	10.8	Investment advice	6282	5.4	16.1	10.5
Dolls and stuffed toys	3942	15.2	29.5	11.2	Jewelry stores	5944	4.6	10.3	9.4
Drawng, insulatng nonfer wire	3357	0.8	2.0	2.2	Knit outerwear mills	2253	2.9	10.4	3.5
Drug & proprietary stores	5912	0.9	3.2	18.2	Knitting mills	2250	3.6	12.5	-2.5

**Figure 7-15** Concluded

Ad Dollars					Ad Dollars				
Industry	SIC Code	As % of Sales	As % of Margin	Annual Ad Growth Rate	Industry	SIC Code	As % of Sales	As % of Margin	Annual Ad Growth Rate
Lab analytical instruments	3826	1.7%	3.2%	11.6%	Petroleum refining	2911	0.7%	3.4%	2.8%
Leather and leather products	3100	8.8	15.5	12.2	Pharmaceutical preparation	2834	5.8	8.2	3.1
Lumber & oth bldg matl-retl	5211	0.7	2.3	8.4	Phone comm except radiotelephone	4813	3.0	6.5	9.9
Malt beverages	2082	7.5	16.2	-1.5	Phono records, audiotape, disk	3652	13.4	37.8	15.1
Management services	8741	1.0	6.6	10.0	Photographic equip & supply	3861	4.3	8.7	-1.5
Manifold business forms	2761	9.7	26.5	7.5	Plastics products, nec	3089	5.1	15.0	5.7
Meat-packing plants	2011	7.8	26.0	7.2	Plastics, resins, elastomers	2821	0.5	1.8	-31.1
Membership sport & rec clubs	7997	5.6	13.5	-2.5	Poultry slaughter & process	2015	3.4	18.4	9.4
Men's, boys' frnsh, work clthng	2320	3.0	7.0	11.6	Prefab wood bldgs, components	2452	1.8	6.1	22.3
Metal forgings and stampings	3460	1.7	8.1	47.5	Prepackaged software	7372	3.7	5.1	12.2
Metalworking machinery & equip	3540	4.5	11.5	1.7	Prof & coml eq & supply-whsl	5040	1.3	3.8	8.7
Millwork, veneer, plywood	2430	3.5	9.9	12.8	Racing, incl track operations	7948	2.5	5.8	14.0
Misc amusement & rec service	7990	3.7	8.9	18.0	Radio broadcasting stations	4832	6.3	18.6	31.1
Misc business services	7380	1.3	2.4	12.4	Radio, TV broadcast, comm equip	3663	0.4	1.2	8.1
Misc durable goods-whsl	5090	3.5	14.5	25.6	Radio, TV, cons electr stores	5731	3.9	15.5	6.8
Misc elec machy, equip, supplies	3690	4.2	12.3	4.4	Radiotelephone communication	4812	4.6	8.4	21.9
Misc fabricated textile products	2390	1.0	3.8	14.4	Real estate dealers	6532	3.9	5.4	17.2
Misc food preps, kindred products	2090	3.0	7.7	17.8	Real estate investment trust	6798	3.8	12.2	30.6
Misc furniture and fixtures	2590	2.3	6.4	10.2	Record and tape stores	5735	1.4	3.7	7.0
Misc general mdse stores	5399	4.5	19.5	-4.5	Refrig & service ind machine	3580	2.0	6.4	12.9
Misc manufacturing industries	3990	4.2	7.9	9.7	Retail stores, nec	5990	3.7	9.9	15.1
Misc nondurable goods-whsl	5190	0.5	2.3	-17.9	Rubber and plastics footwear	3021	10.4	27.8	12.5
Misc shopping goods stores	5940	3.2	11.0	12.7	Scrap & waste materials-whsl	5093	4.7	48.5	28.1
Misc transportation equip	3790	5.3	17.3	3.0	Security brokers & dealers	6211	1.1	1.8	9.1
Miscellaneous publishing	2741	27.1	41.0	18.2	Semiconductor, related device	3674	3.2	5.6	14.9
Miscellaneous retail	5900	0.7	2.3	0.4	Shoe stores	5661	3.0	7.8	8.4
Mortgage bankers & loan corr	6162	4.9	10.5	16.7	Soap, detergent, toilet preps	2840	10.7	21.9	4.4
Motion pict, videotape prodtn	7812	8.0	25.4	2.8	Spec outpatient facility, nec	8093	0.9	2.7	17.6
Motion pict, videotape distr	7822	5.6	14.3	-1.3	Special clean, polish props	2842	12.8	22.1	7.9
Motion picture theaters	7830	2.8	15.8	10.4	Special industry machinery	3550	2.1	6.0	9.6
Motor veh supply, new pts-whsl	5013	0.4	1.5	-1.7	Special industry machy, nec	3559	1.2	2.9	2.7
Motor vehicle part, accessory	3714	0.9	3.3	10.9	Sporting & athletic gds, nec	3949	5.6	14.8	13.9
Motor vehicles & car bodies	3711	2.7	10.9	6.8	Steel works & blast furnaces	3312	1.9	21.0	17.0
Motorcycles, bicycles & parts	3751	1.7	4.9	9.6	Structural clay products	3250	2.7	5.9	10.2
Motors and generators	3621	0.9	3.2	6.4	Subdivide, dev, except cemetery	6552	6.9	20.2	8.8
Newspaper: pubg, pubg & print	2711	2.2	5.0	2.5	Sugar & confectionery prods	2060	12.7	32.6	3.8
Office furniture, except wood	2522	1.0	2.5	16.2	Surgical, med instr, apparatus	3841	1.7	2.6	12.2
Operative builders	1531	1.0	8.1	11.9	Tele & telegraph apparatus	3661	1.0	2.8	-2.2
Ophthalmic goods	3851	7.8	11.4	16.4	TV broadcast station	4833	5.6	13.8	12.8
Ordnance and accessories	3480	2.1	7.2	2.2	Tires and inner tubes	3011	1.8	5.8	2.0
Ortho, prosth, surg appl, supply	3842	2.1	3.8	4.1	Tobacco products	2100	3.9	5.7	7.2
Paints, varnishes, lacquers	2851	3.1	7.3	11.1	Trucking, courier svc, except air	4210	0.6	9.9	10.7
Paper & paper products-whsl	5110	0.4	1.9	12.1	Variety stores	5331	1.1	5.0	4.7
Paper mills	2621	1.8	4.3	-1.4	Watches, clocks and parts	3873	13.7	23.3	17.4
Patent owners and lessors	6794	7.5	11.8	-34.3	Water transportation	4400	7.3	18.5	15.6
Pens, pencils, oth artist matl	3950	8.1	19.3	-0.2	Wine, brandy & brandy spirits	2084	11.3	19.2	10.5
Perfume, cosmetic, toilet prep	2844	11.9	19.0	4.8	Wmns, miss, chld, infnt undgrmt	2340	5.4	15.0	9.4
Periodical: pubg, pubg & print	2721	6.0	12.6	6.5	Women's clothing stores	5621	4.7	12.3	6.8
Personal credit institutions	6141	2.5	5.0	25.3	Women's, misses, jrs outerwear	2330	3.7	12.6	7.5
Personal services	7200	2.4	7.1	6.1	Wood hshld furn, except upholstrd	2511	3.5	11.6	7.4

there will be sufficient monies to cover this budget, with increases in sales leading to budget increases and sales decreases resulting in advertising decreases. The percentage-of-sales method is simple, straightforward, and easy to implement. Regardless of which basis—past or future sales—is employed, the calculations used to arrive at a budget are not difficult. Finally, this budgeting approach is generally stable. While the budget may vary with increases and decreases in sales, as long as these changes are not drastic the manager will have a reasonable idea of the parameters of the budget.

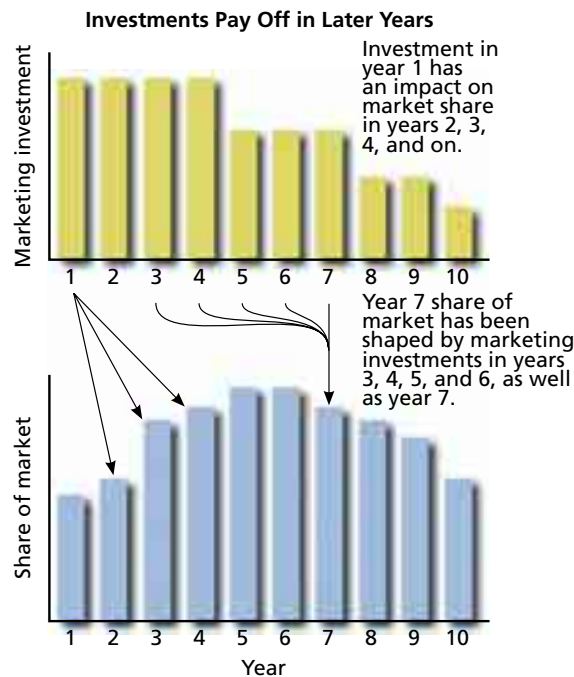
At the same time, the percentage-of-sales method has some serious disadvantages, including the basic premise on which the budget is established: sales. Letting the level of sales determine the amount of advertising and promotions dollars to be spent reverses the cause-and-effect relationship between advertising and sales. It treats advertising as an expense associated with making a sale rather than an investment. As shown in Figure 7-16, companies that consider promotional expenditures an investment reap the rewards.

A second problem with this approach was actually cited as an advantage earlier: stability. Proponents say that if all firms use a similar percentage, that will bring stability to the marketplace. But what happens if someone varies from this standard percentage? The problem is that this method does not allow for changes in strategy either internally or from competitors. An aggressive firm may wish to allocate more monies to the advertising and promotions budget, a strategy that is not possible with a percentage-of-sales method unless the manager is willing to deviate from industry standards.

The percentage-of-sales method of budgeting may result in severe misappropriation of funds. If advertising and promotion have a role to perform in marketing a product, then allocating more monies to advertising will, as shown in the S-shaped curve, generate incremental sales (to a point). If products with low sales have smaller promotion budgets, this will hinder sales progress. At the other extreme, very successful products may have excess budgets, some of which may be better appropriated elsewhere.

The percentage-of-sales method is also difficult to employ for new product introductions. If no sales histories are available, there is no basis for establishing the budget. Projections of future sales may be difficult, particularly if the product is highly innovative and/or has fluctuating sales patterns.

Finally, if the budget is contingent on sales, decreases in sales will lead to decreases in budgets when they most need to be increased. Continuing to cut the advertising and promotion budgets may just add impetus to the downward sales trend. On the other hand,



**Figure 7-16** Investments pay off in later years

some of the more successful companies have allocated additional funds during hard times or downturns in the cycle of sales. Companies that maintain or increase their ad expenditures during recessions achieve increased visibility and higher growth in both sales and market share (compared to those that reduce advertising outlays). For example, Sunkist can attribute at least some of its success in maintaining its strong image to the fact that it has maintained consistent levels of advertising expenditures over 80 years, despite recessions.<sup>34</sup> IMC Perspective 7-2 discusses this issue in more detail.

While the percentage-of-future-sales method has been proposed as a remedy for some of the problems discussed here, the reality is that problems with forecasting, cyclical growth, and uncontrollable factors limit its effectiveness.

**Competitive Parity** If you asked marketing managers if they ever set their advertising and promotions budgets on the basis of what their competitors allocate, they would probably deny it. Yet if you examined the advertising expenditures of these companies, both as a percentage of sales and in respect to the media where they are allocated, you would see little variation in the percentage-of-sales figures for firms within a given industry. Such results do not happen by chance alone. Companies that provide competitive advertising information, trade associations, and other advertising industry periodicals are sources for competitors' expenditures. Larger corporations often subscribe to services such as Competitive Media Reporting, which estimates the top 1,000 companies' advertising in 10 media and in total. Smaller companies often use a **clipping service**, which clips competitors' ads from local print media, allowing the company to work backward to determine the cumulative costs of the ads placed.

In the **competitive parity method**, managers establish budget amounts by matching the competition's percentage-of-sales expenditures. The argument is that setting budgets in this fashion takes advantage of the collective wisdom of the industry. It also takes the competition into consideration, which leads to stability in the marketplace by minimizing marketing warfare. If companies know that competitors are unlikely to match their increases in promotional spending, they are less likely to take an aggressive posture to attempt to gain market share. This minimizes unusual or unrealistic ad expenditures.

The competitive parity method has a number of disadvantages, however. For one, it ignores the fact that advertising and promotions are designed to accomplish specific objectives by addressing certain problems and opportunities. Second, it assumes that because firms have similar expenditures, their programs will be equally effective. This assumption ignores the contributions of creative executions and/or media allocations, as well as the success or failure of various promotions. Further, it ignores possible advantages of the firm itself; some companies simply make better products than others.

Also, there is no guarantee that competitors will continue to pursue their existing strategies. Since competitive parity figures are determined by examination of competitors' previous years' promotional expenditures (short of corporate espionage), changes in market emphasis and/or spending may not be recognized until the competition has already established an advantage. Further, there is no guarantee that a competitor will not increase or decrease its own expenditures, regardless of what other companies do. Finally, competitive parity may not avoid promotional wars. Coke versus Pepsi and Anheuser-Busch versus Miller have been notorious for their spending wars, each responding to the other's increased outlays.

In summary, few firms employ the competitive parity method as a sole means of establishing the promotional budget. This method is typically used in conjunction with the percentage-of-sales or other methods. It is never wise to ignore the competition; managers must always be aware of what competitors are doing. But they should not just emulate them in setting goals and developing strategies.

**Return on Investment (ROI)** In the percentage-of-sales method, sales dictate the level of advertising appropriations. But advertising causes sales. In the marginal analysis and S-shaped curve approaches, incremental investments in advertising and promotions lead to increases in sales. The key word here is *investment*. In the **ROI budgeting method**, advertising and promotions are considered investments, like plant and equipment. Thus, the budgetary appropriation (investment) leads to certain



## IMC PERSPECTIVE 7-2

## Cutting Budgets When Times Get Tough—Wise Strategy or Potential Pitfall?

A downturn in the U.S. economy led a number of companies to slash their advertising budgets significantly in 2001 and 2002. Even the top spenders cut deeply, with GM cutting the budget by 24 percent and the top 10 overall spending 7 percent less on the average. The companies seemed to be saying that since sales are down, advertising expenditures should go down. But is this the right thing to do? A lot of companies don't think so.

For example, not all of the top 10 advertisers slashed budgets (though 7 of them did). Some like AOL and AT&T actually increased expenditures. For these companies, the downturn is viewed as an opportunity rather than a threat. They take a "spend now, win later" approach, viewing such expenditures as an investment rather than a cost. Take Monster.com as an example. While many dot-coms announced advertising cuts for 2002, Monster indicated that it would maintain its advertising expenditures and number of ads constant. Not only that, but it announced that it would spend additional promotional dollars in other areas. In the first quarter of 2001 Monster invested \$37.4 million in measured media, as opposed to \$28.7 in the same period for 2000. The same amount was budgeted for 2002. In addition, Monster paid more than \$10 million

to be part of the Winter Olympics in Salt Lake City. The company is also negotiating for advertising on the 2003 Super Bowl. Monster has also kept its print budget the same, though it is increasing expenditures online.

What does Monster know that others do not? The goal of the new Monster campaign is to raise brand awareness. The company believes that in a time when the economy is down and layoffs may occur, a job placement firm has a golden opportunity to gain by increased investing. Jim Dietz, president of Andover Franchising, Inc., agrees with this philosophy. As Dietz notes, "Pink slips can help us. When downsizing is in the headlines, more folks are willing to look at making an investment in themselves." Andover has increased its expenditures, as well as its media options. Primarily an online advertiser, its 2002 plan included print ads in *Entrepreneur* and *Franchise Times* magazines.

To encourage advertisers to consider ad dollars as an investment rather than an expense, the American Advertising Federation (AAF) has initiated a "Great Brands" campaign, debuting with two 15-second TV spots and a number of print ads encouraging marketers not to neglect market spending during the slump. Wally Snyder, CEO of the AAF, notes: "The companies behind leading global brands . . . recognize that advertising dollars translate into increased market share." The first two companies featured in the campaign are Intel and Coca-Cola.

Thus, while some companies cut, others increase expenditures in a down economy. Much of the reason for this is rooted in the underlying philosophy as to what advertising is all about—an investment or a cost of doing business.



Sources: Erin Strout, "Spend Now, Win Later," *Sales & Marketing Management*, April 2002, pp. 65-66; Hillary Chura, "Monster.com Beefs Up Ad Plans," *www.Adage.com*, Dec. 3, 2001, pp. 1-2; Vanessa O'Connell, "Ad Spending in All Media Is Slashed 5.2%," *The Wall Street Journal*, June 8, 2001, p. B6.

returns. Like other aspects of the firm's efforts, advertising and promotion are expected to earn a certain return.

While the ROI method looks good on paper, the reality is that it is rarely possible to assess the returns provided by the promotional effort—at least as long as sales continue to be the basis for evaluation. Thus, while managers are certain to ask how much return they are getting for such expenditures, the question remains unanswered and as shown in the chapter introduction, depends on the criteria used to determine effectiveness. ROI remains a difficult method to employ.

**Summary of Top-Down Budgeting Methods** You are probably asking yourself why we even discussed these budgeting methods if they are not recommended for use or have severe disadvantages that limit their effectiveness. But you must understand the various methods used in order to recognize their limitations, especially since these flawed methods are commonly employed by marketers throughout the United States, Europe, and Canada, as demonstrated in the results of a number of research studies shown in Figure 7-17. Tradition and top management's desire for control are probably the major reasons why top-down methods continue to be popular.

As shown in Figure 7-17, the use of percentage-of-sales methods remained high over the periods included, particularly the method based on anticipated sales. Unfortunately, the affordable method appeared to be on the increase. On the decrease are two methods not yet discussed: quantitative models and the objective and task method. Let us now turn our discussion to these methods as well as one other, payout planning.

**Build-Up Approaches** The major flaw associated with the top-down methods is that these judgmental approaches lead to predetermined budget appropriations often not linked to objectives and the strategies designed to accomplish them. A more effective budgeting strategy would be to consider the firm's communications objectives and budget what is deemed necessary to attain these goals. As noted earlier, the promotional planning model shows the budget decision as an interactive process, with the communications objectives on one hand and the promotional mix alternatives on the other. The idea is to budget so these promotional mix strategies can be implemented to achieve the stated objectives.

**Objective and Task Method** It is important that objective setting and budgeting go hand in hand rather than sequentially. It is difficult to establish a budget without spe-

**Figure 7-17** Comparison of methods for budgeting

Study	San Augustine and Foley (1975)	Patti and Blasko (1981)	Lancaster and Stern (1983)	Blasko and Patti (1984)	Hung and West (1991)
Population	Large Consumer/Industrial Advertisers	Large Consumer/Services Advertisers	Large Consumer Advertisers	Large Industrial Advertisers	Large & Medium Advertisers in U.K., U.S., & Canada
Sample	50/50	54	60	64	100
Methods					
Quantitative models	2/4	51	20	3	NA
Objective and task	6/10	63	80	74	61
Percent anticipated sales	50/28	53	53	16	32
Unit anticipated sales	8/10	22	28	NA	9
Percent past year's sales	14/16	20	20	23	10
Unit past year's sales	6/4	NA	15	2	NA
Affordable	30/26	20	13	33	41
Arbitrary	12/34	4	NA	13	NA
Competitive parity	NA	24	33	21	25
Previous budget	NA	NA	3	NA	NA
Share of voice	NA	NA	5	NA	NA
Others	26/10	NA	12	NA	NA

Note: Figures exceed 100% due to multiple responses. NA = No answer.

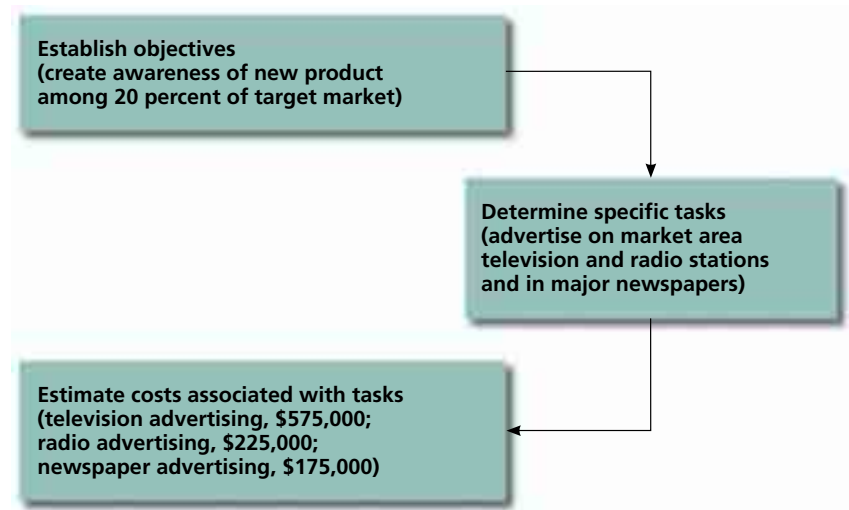
cific objectives in mind, and setting objectives without regard to how much money is available makes no sense. For example, a company may wish to create awareness among *X* percent of its target market. A minimal budget amount will be required to accomplish this goal, and the firm must be willing to spend this amount.

The **objective and task method** of budget setting uses a **buildup approach** consisting of three steps: (1) defining the communications objectives to be accomplished, (2) determining the specific strategies and tasks needed to attain them, and (3) estimating the costs associated with performance of these strategies and tasks. The total budget is based on the accumulation of these costs.

Implementing the objective and task approach is somewhat more involved. The manager must monitor this process throughout and change strategies depending on how well objectives are attained. As shown in Figure 7-18, this process involves several steps:

1. *Isolate objectives.* When the promotional planning model is presented, a company will have two sets of objectives to accomplish—the marketing objectives for the product and the communications objectives. After the former are established, the task involves determining what specific communications objectives will be designed to accomplish these goals. Communications objectives must be specific, attainable, and measurable, as well as time limited.
2. *Determine tasks required.* A number of elements are involved in the strategic plan designed to attain the objectives established. (These strategies constitute the remaining chapters in this text.) These tasks may include advertising in various media, sales promotions, and/or other elements of the promotional mix, each with its own role to perform.
3. *Estimate required expenditures.* Buildup analysis requires determining the estimated costs associated with the tasks developed in the previous step. For example, it involves costs for developing awareness through advertising, trial through sampling, and so forth.
4. *Monitor.* As you will see in Chapter 19 on measuring effectiveness, there are ways to determine how well one is attaining established objectives. Performance should be monitored and evaluated in light of the budget appropriated.
5. *Reevaluate objectives.* Once specific objectives have been attained, monies may be better spent on new goals. Thus, if one has achieved the level of consumer awareness sought, the budget should be altered to stress a higher-order objective such as evaluation or trial.

The major advantage of the objective and task method is that the budget is driven by the objectives to be attained. The managers closest to the marketing effort will have specific strategies and input into the budget-setting process.



**Figure 7-18** The objective and task method

The major disadvantage of this method is the difficulty of determining which tasks will be required and the costs associated with each. For example, specifically what tasks are needed to attain awareness among 50 percent of the target market? How much will it cost to perform these tasks? While these decisions are easier to determine for certain objectives—for example, estimating the costs of sampling required to stimulate trial in a defined market area—it is not always possible to know exactly what is required and/or how much it will cost to complete the job. This process is easier if there is past experience to use as a guide, with either the existing product or a similar one in the same product category. But it is especially difficult for new product introductions. As a result, budget setting using this method is not as easy to perform or as stable as some of the methods discussed earlier. Given this disadvantage, many marketing managers have stayed with those top-down approaches for setting the total expenditure amount.

The objective and task method offers advantages over methods discussed earlier but is more difficult to implement when there is no track record for the product. The following section addresses the problem of budgeting for new product introductions.

**Payout Planning** The first months of a new product's introduction typically require heavier-than-normal advertising and promotion appropriations to stimulate higher levels of awareness and subsequent trial. After studying more than 40 years of Nielsen figures, James O. Peckham estimated that the average share of advertising to sales ratio necessary to launch a new product successfully is approximately 1.5:2.0.<sup>35</sup> This means that a new entry should be spending at approximately twice the desired market share, as shown in the two examples in Figure 7-19. For example, in the food industry,

**Figure 7-19** Share of advertising/sales relationship (two-year summary)

#### A. New Brands of Food Products

Brand	Average share of advertising	Attained share of sales	Ratio of share of advertising to share of sales
101	34%	12.6%	2.7
102	16	10.0	1.6
103	8	7.6	1.1
104	4	2.6	1.5
105	3	2.1	1.4

#### B. New Brands of Toiletry Products

Brand	Average share of advertising	Attained share of sales	Ratio of share of advertising to share of sales
401	30%	19.5%	1.5
402	25	16.5	1.5
403	20	16.2	1.2
404	12	9.4	1.3
405	16	8.7	1.8
406	19	7.3	2.6
407	14	7.2	1.9
408	10	6.0	1.7
409	7	6.0	1.2
410	6	5.9	1.0
411	10	5.9	1.7
412	6	5.2	1.2

brand 101 gained a 12.6 percent market share by spending 34 percent of the total advertising dollars in this category. Likewise, brand 401 in the toiletry industry had a 30 percent share of advertising dollars to gain 19.5 percent of sales.

To determine how much to spend, marketers often develop a **payout plan** that determines the investment value of the advertising and promotion appropriation. The basic idea is to project the revenues the product will generate, as well as the costs it will incur, over two to three years. Based on an expected rate of return, the payout plan will assist in determining how much advertising and promotions expenditure will be necessary when the return might be expected. A three-year payout plan is shown in Figure 7-20. The product would lose money in year 1, almost break even in year 2, and finally begin to show substantial profits by the end of year 3.

The advertising and promotion figures are highest in year 1 and decline in years 2 and 3. This appropriation is consistent with Peckham's findings and reflects the additional outlays needed to make as rapid an impact as possible. (Keep in mind that shelf space is limited, and store owners are not likely to wait around for a product to become successful.) The budget also reflects the firm's guidelines for new product expenditures, since companies generally have established deadlines by which the product must begin to show a profit. Finally, keep in mind that building market share may be more difficult than maintaining it—thus the substantial dropoff in expenditures in later years.

While the payout plan is not always perfect, it does guide the manager in establishing the budget. When used in conjunction with the objective and task method, it provides a much more logical approach to budget setting than the top-down approaches previously discussed. Yet on the basis of the studies reported on in Figure 7-17, payout planning does not seem to be a widely employed method.

**Quantitative Models** Attempts to apply *quantitative models* to budgeting have met with limited success. For the most part, these methods employ **computer simulation models** involving statistical techniques such as multiple regression analysis to determine the relative contribution of the advertising budget to sales. Because of problems associated with these methods, their acceptance has been limited, as demonstrated in the figures reported earlier in Figure 7-17. Quantitative models have yet to reach their potential. As computers continue to find their way into the advertising domain, better models may be forthcoming. Specific discussion of these models is beyond the scope of this text, however. Such methods do have merit but may need more refinement before achieving widespread success.

**Summary of Budgeting Methods** There is no universally accepted method of setting a budget figure. Weaknesses in each method may make it unfeasible or inappropriate. As Figure 7-17 shows, the use of the objective and task method continues to stay high, whereas less sophisticated methods vary. More advertisers are also employing the payout planning approach.

In a more recent study of how managers make decisions regarding advertising and promotion budgeting decisions, George Low and Jakki Mohr interviewed 21 managers in eight consumer-product firms. Their research focused on the decision processes and procedures used to set spending levels on the factors that influence the allocation of advertising and promotion dollars.

	Year 1	Year 2	Year 3
Product sales	15.0	35.50	60.75
Profit contribution (@ \$0.50/case)	7.5	17.75	30.38
Advertising/promotions	15.0	10.50	8.50
Profit (loss)	(7.5)	7.25	21.88
Cumulative profit (loss)	(7.5)	(0.25)	21.63

**Figure 7-20** Example of three-year payout plan (\$ millions)



**Figure 7-21** How advertising and promotions budgets are set

#### *The Nature of the Decision Process*

- Managers develop overall marketing objectives for the brand.
- Financial projections are made on the basis of the objectives and forecasts.
- Advertising and promotions budgets are set on the basis of quantitative models and managerial judgment.
- The budget is presented to senior management, which approves and adjusts the budgets.
- The plan is implemented (changes are often made during implementation).
- The plan is evaluated by comparing the achieved results with objectives.

#### *Factors Affecting Budget Allocations*

- The extent to which risk taking is encouraged and/or tolerated.
- Sophistication regarding the use of marketing information.
- Managerial judgment.
- Use of quantitative tools.
- Brand differentiation strategies.
- Brand equity.
- The strength of the creative message.
- Retailer power.
- Short- versus long-term focus.
- Top-down influences.
- Political sales force influences.
- Historical inertia.
- Ad hoc changes.

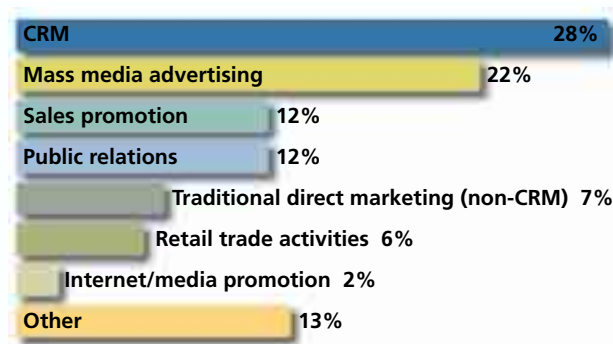
On the basis of their results (shown in Figure 7-21), the authors concluded that the budget-setting process is still a perplexing issue to many managers and that institutional pressures led to a greater proportion of dollars being spent on sales promotions than managers would have preferred. In addition, the authors concluded that to successfully develop and implement the budget, managers must (1) employ a comprehensive strategy to guide the process, avoiding the piecemeal approach often employed, (2) develop a strategic planning framework that employs an integrated marketing communications philosophy, (3) build in contingency plans, (4) focus on long-term objectives, and (5) consistently evaluate the effectiveness of programs.<sup>36</sup>

By using these approaches in combination with the percentage-of-sales methods, these advertisers are likely to arrive at a more useful, accurate budget. For example, many firms now start the budgeting process by establishing the objectives they need to accomplish and then limit the budget by applying a percentage-of-sales or another method to decide whether or not it is affordable. Competitors' budgets may also influence this decision.

### Allocating the Budget

Once the budget has been appropriated, the next step is to allocate it. The allocation decision involves determining which markets, products, and/or promotional elements will receive which amounts of the funds appropriated.

**Allocating to IMC Elements** As noted earlier, advertisers have begun to shift some of their budget dollars away from traditional advertising media and into sales promotions targeted at both the consumer and the trade. Direct marketing, the Internet, and other promotional tools are also receiving increased attention and competing for more of the promotional budget. Figure 7-22 reports the results of a survey conducted on 197 marketing executives, asking how they would allocate their dollars if the budget were

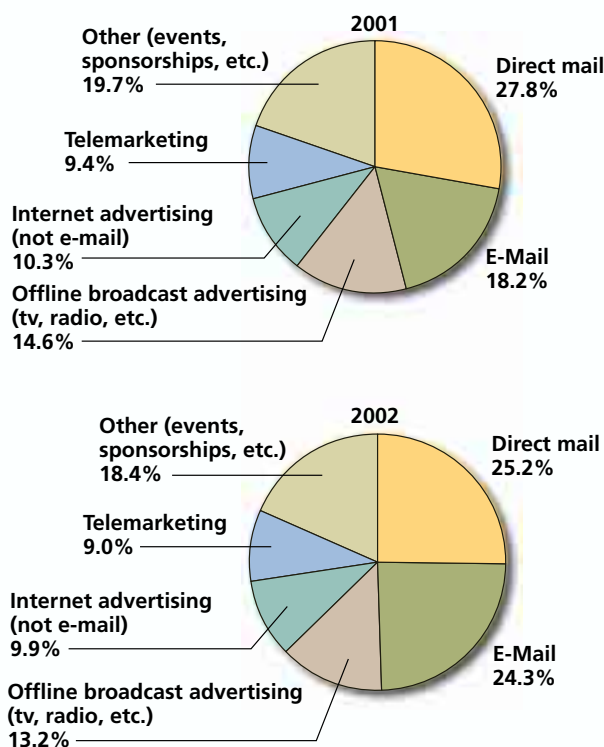


**Figure 7-22** How U.S. marketers would invest the majority of their marketing dollars if budget were not an issue, May 2002 (as a percent of respondents)

not an issue. While no comparative figures were available from previous years, you can see how the monies would be spread around. Figure 7-23, from a different source, shows how some of these dollars were allocated. The advantage of more target selectivity has led to an increased emphasis on direct marketing, while a variety of new media have given marketers new ways to reach prospective customers. Rapidly rising media costs, the ability of sales promotions to motivate trial, maturing of the product and/or brand, and the need for more aggressive promotional tools have also led to shifts in strategy.<sup>37</sup> (We will discuss consumer and trade promotions and the reasons for some of these changes in Chapter 16.)

Some marketers have also used the allocation decision to stretch their advertising dollar and get more impact from the same amount of money. For example, General Motors recently reevaluated its advertising and promotional expenditures and made significant shifts in allocations by both media and product.<sup>38</sup> Other companies have reevaluated as well, including Procter & Gamble, Apple Computer, and Dow Chemical.

**Client/Agency Policies** Another factor that may influence budget allocation is the individual policy of the company or the advertising agency. The agency may discourage the allocation of monies to sales promotion, preferring to spend them on the



**Figure 7-23** U.S. marketing budgets, by marketing vehicle, 2001 and 2002 (as percent of overall budget)

advertising area. The agency position is that promotional monies are harder to track in terms of effectiveness and may be used improperly if not under its control. (In many cases commissions are not made on this area, and this fact may contribute to the agency's reluctance.)<sup>39</sup>

The orientation of the agency or the firm may also directly influence where monies are spent. Many ad agencies are managed by officers who have ascended through the creative ranks and are inclined to emphasize the creative budget. Others may have preferences for specific media. For example, BBDO Worldwide, one of the largest advertising agencies in the United States, has positioned itself as an expert in cable TV programming and often spends more client money in this medium. McCann-Erickson is spending more monies on the Internet. Both the agency and the client may favor certain aspects of the promotional program, perhaps on the basis of past successes, that will substantially influence where dollars are spent.

**Market Size** While the budget should be allocated according to the specific promotional tools needed to accomplish the stated objectives, the *size* of the market will affect the decision. In smaller markets, it is often easier and less expensive to reach the target market. Too much of an expenditure in these markets will lead to saturation and a lack of effective spending. In larger markets, the target group may be more dispersed and thus more expensive to reach. Think about the cost of purchasing media in Chicago or New York City versus a smaller market like Columbus, Ohio, or Birmingham, Alabama. The former would be much more costly and would require a higher budget appropriation.

**Market Potential** For a variety of reasons, some markets hold more potential than others. Marketers of snow skis would find greater returns on their expenditures in Denver, Colorado, than in Fort Lauderdale, Florida. Imported Mexican beers sell better in the border states (Texas, Arizona, California) than in the Midwest. A disproportionate number of imported cars are sold in California and New England. When particular markets hold higher potential, the marketing manager may decide to allocate additional monies to them. (Keep in mind that just because a market does not have high sales does not mean it should be ignored. The key is *potential*—and a market with low sales but high potential may be a candidate for additional appropriations.)

There are several methods for estimating marketing potential. Many marketers conduct research studies to forecast demand and/or use secondary sources of information such as those provided by government agencies or syndicated services like Dun & Bradstreet, A. C. Nielsen, and Audits and Surveys. One source for consumer goods information is the *Survey of Buying Power*, published annually by *Sales & Marketing Management* magazine. The survey contains population, income, and retail sales data for states, counties, metropolitan statistical areas, and cities in the United States and Canada with populations of 40,000 or more.

**Market Share Goals** Two studies in the *Harvard Business Review* discussed advertising spending with the goal of maintaining and increasing market share.<sup>40</sup> John Jones compared the brand's share of market with its share of advertising voice (the total value of the main media exposure in the product category). Jones classified the brands as "profit taking brands, or underspenders" and "investment brands, those whose share of voice is clearly above their share of market." His study indicated that for those brands with small market shares, profit takers are in the minority; however, as the brands increase their market share, nearly three out of five have a proportionately smaller share of voice.

Jones noted that three factors can be cited to explain this change. First, new brands generally receive higher-than-average advertising support. Second, older, more mature brands are often "milked"—that is, when they reach the maturity stage, advertising support is reduced. Third, there's an advertising economy of scale whereby advertising works harder for well-established brands, so a lower expenditure is required. Jones concluded that for larger brands, it may be possible to reduce advertising expenditures and still maintain market share. Smaller brands, on the other hand, have to continue to maintain a large share of voice.

James Schroer addressed the advertising budget in a situation where the marketer wishes to increase market share. His analysis suggests that marketers should:

- Segment markets, focusing on those markets where competition is weak and/or underspending instead of on a national advertising effort.
- Determine their competitors' cost positions (how long the competition can continue to spend at the current or increased rate).
- Resist the lure of short-term profits that result from ad budget cuts.
- Consider niching strategies as opposed to long-term wars.

Figure 7-24 shows Schroer's suggestions for spending priorities in various markets.

**Economies of Scale in Advertising** Some studies have presented evidence that firms and/or brands maintaining a large share of the market have an advantage over smaller competitors and thus can spend less money on advertising and realize a better return.<sup>41</sup> Larger advertisers can maintain advertising shares that are smaller than their market shares because they get better advertising rates, have declining average costs of production, and accrue the advantages of advertising several products jointly. In addition, they are likely to enjoy more favorable time and space positions, cooperation of middlepeople, and favorable publicity. These advantages are known as **economies of scale**.

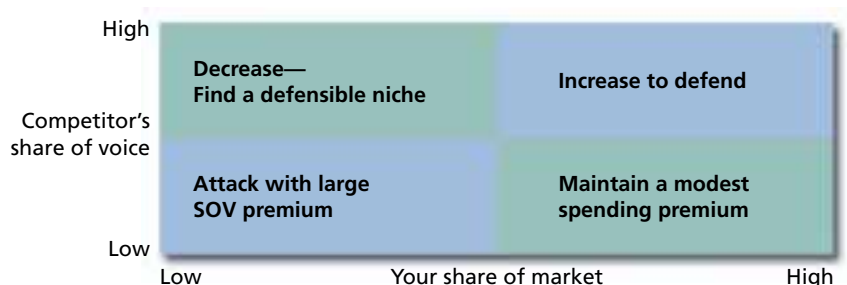
Reviewing the studies in support of this position and then conducting research over a variety of small package products, Kent Lancaster found that this situation did not hold true and that in fact larger brand share products might actually be at a disadvantage.<sup>42</sup> His results indicated that leading brands spend an average of 2.5 percentage points more than their brand share on advertising. More specifically, his study concluded:

1. There is no evidence that larger firms can support their brands with lower relative advertising costs than smaller firms.
2. There is no evidence that the leading brand in a product group enjoys lower advertising costs per sales dollar than do other brands.
3. There is no evidence of a static relationship between advertising costs per dollar of sales and the size of the advertiser.

The results of this and other studies suggest there really are no economies of scale to be accrued from the size of the firm or the market share of the brand.<sup>43</sup>

**Organizational Characteristics** In a review of the literature on how allocation decisions are made between advertising and sales promotion, George Low and Jakki Mohr concluded that organizational factors play an important role in determining how communications dollars are spent.<sup>44</sup> The authors note that the following factors influence the allocation decision. These factors vary from one organization to another, and each influences the relative amounts assigned to advertising and promotion:

- The organization's structure—centralized versus decentralized, formalization, and complexity.
- Power and politics in the organizational hierarchy.
- The use of expert opinions (for example, consultants).



**Figure 7-24** The share of voice (SOV) effect and ad spending: priorities in individual markets

- Characteristics of the decision maker (preferences and experience).
- Approval and negotiation channels.
- Pressure on senior managers to arrive at the optimal budget.

One example of how these factors might influence allocations relates to the level of interaction between marketing and other functional departments, such as accounting and operations. The authors note that the relative importance of advertising versus sales promotion might vary from department to department. Accountants, being dollars-and-cents minded, would argue for the sales impact of promotions, while operations would argue against sales promotions because the sudden surges in demand that might result would throw off production schedules. The marketing department might be influenced by the thinking of either of these groups in making its decision.

The use of outside consultants to provide expert opinions might also affect the allocation decision. Trade journals, academic journals, and even books might also be valuable inputs into the decision maker's thinking. In sum, it seems obvious that many factors must be taken into account in the budget allocation decision. Market size and potential, specific objectives sought, and previous company and/or agency policies and preferences all influence this decision.

## Summary

This chapter has examined the role of objectives in the planning and evaluation of the IMC program and how firms budget in an attempt to achieve these objectives. Specific objectives are needed to guide the development of the promotional program, as well as to provide a benchmark against which performance can be measured and evaluated. Objectives serve important functions as communications devices, as a guide to planning the IMC program and deciding on various alternatives, and for measurement and evaluation.

Objectives for IMC evolve from the organization's overall marketing plan and are based on the roles various promotional mix elements play in the marketing program. Many managers use sales or a related measure such as market share as the basis for setting objectives. However, many promotional planners believe the role of advertising and other promotional mix elements is to communicate because of the various problems

associated with sales-based objectives. They use communications-based objectives like those in the response hierarchy as the basis for setting goals.

Much of the emphasis in setting objectives has been on traditional advertising-based views of marketing communications. However, many companies are moving toward zero-based communications planning, which focuses on what tasks need to be done, which marketing communication functions should be used, and to what extent. Many of the principles used in setting advertising objectives can be applied to other elements in the promotional mix.

As you have probably concluded, the budget decision is not typically based on supporting experiences or strong theoretical foundations. Nor is it one of the more soundly established elements of the promotional program. The budgeting methods used now have some major problems. Economic models are limited, often try to

demonstrate the effects on sales directly, and ignore other elements of the marketing mix. Some of the methods discussed have no theoretical basis and ignore the roles advertising and promotion are meant to perform.

One possible way to improve the budget appropriation is to tie the measures of effectiveness to communications objectives rather than to the broader-based marketing objectives. Using the objective and task approach with communications objectives may not be the ultimate solution to the budgeting problem, but it is an improvement over the top-down methods. Marketers often find it advantageous to employ a combination of methods.

As with determining the budget, managers must consider a number of factors when allocating advertising and promotions dollars. Market size and potential, agency policies, and the preferences of management itself may influence the allocation decision.



## Key Terms

marketing objectives, 196	zero-based	top-down approaches, 217	ROI budgeting method, 222
integrated marketing communications objectives, 198	communications planning, 210	affordable method, 217	objective and task method, 225
carryover effect, 199	contribution margin, 213	arbitrary allocation, 218	buildup approach, 225
DAGMAR, 206	marginal analysis, 213	percentage-of-sales method, 218	payout plan, 227
communications task, 206	concave-downward function model, 214	clipping service, 222	computer simulation models, 227
benchmark measures, 208	S-shaped response curve, 214	competitive parity method, 222	economies of scale, 231

## Discussion Questions

1. The lead-in to the chapter discusses the fact that the companies that spend the most on advertising do not necessarily achieve the highest brand value for their products. Sometimes, those who spend very little are able to achieve this objective. Explain what factors may lead to these results. Provide examples.
2. Some marketers feel that the cereal companies have focused too much on sales objectives, creating a situation in which price cutting and couponing have become essential to selling the product. Do you think that these companies may be able to reverse this situation? Describe some of the options available to the cereal manufacturers.
3. Figure 7-1 notes the numerous factors that influence sales. Provide examples of products and/or services that have been directly influenced by each of these factors.
4. What is DAGMAR? Explain how marketers might use DAGMAR in establishing objectives. What are some of the problems associated with the use of DAGMAR?
5. Discuss the two sales response models described in the text. Explain the differences between the two models. Provide examples of types of products that might follow each of these response curves.
6. Critics of the percentage-of-sales method of budget setting contend that this method “reverses the advertising and sales relationship” and that it “treats advertising as an expense rather than an investment.” Explain what these arguments mean and discuss their merits.
7. In meeting with your new boss, he informs you that the only goal of advertising and promotion is to generate sales. Present your argument as to why communications objectives must also be considered.
8. Discuss some of the reasons managers continue to set budgets using “top-down” budgeting methods.
9. What are some of the organizational characteristics that influence the budgeting decision? Give examples of each.
10. In Figure 7-21, Low and Mohr list a number of factors that affect the budget allocation decision. Describe and provide examples of each.

# Creative Strategy: Planning and Development

## 8

### Chapter Objectives

1. To discuss what is meant by advertising creativity and examine the role of creative strategy in advertising.
2. To examine creative strategy development and the roles of various client and agency personnel involved in it.
3. To consider the process that guides the creation of advertising messages and the research inputs into the stages of the creative process.
4. To examine various approaches used for determining major selling ideas that form the basis of an advertising campaign.

## Nike Targets Women

Perhaps no company in the world has been as successful in capitalizing on the fitness boom of the past few decades as Nike. Since its inception



Nike has been a leader in the high-performance athletic-shoe market and has become one of the world's great brand names. The company ran past all its competitors to become the largest seller of athletic footwear and apparel in the world, with sales of nearly \$10 billion in 2002. The Nike ethos of pure, brash performance is captured in the "Just Do It" slogan, which has become a catchphrase for the sports world and has been personified in advertising featuring some of the world's greatest athletes.

Nike is the overall leader in the \$15.6 billion market for athletic shoes and apparel in the United States. However, the industry has been stagnant for years, and Nike, along with its com-

petitors, is looking for new growth opportunities and areas where the company can gain market share and attract first-time customers. One of the areas Nike is targeting is the women's market, which has been experiencing strong sales growth but has been the company's Achilles' heel. Women's athletic footwear accounts for one-third of the total industry sales and apparel for more than 50 percent, but women's products account for only 20 percent of Nike's revenue. Although the company has been selling shoes and apparel to women for years, Nike has been better known as a brand catering to male athletes and building its image around superstars such as Michael Jordan, Pete Sampras, Lance Armstrong, and Tiger Woods. These efforts have resulted in Nike's dominance of the male market, where the company has a 50 percent market share.

For much of its 30-year history, Nike has been about men and either treated women like men or didn't give them much attention. However, sometimes Nike did get it right in communicating with women. In 1995 the company ran a campaign titled "If You Let Me Play" that struck a responsive chord with many women. The campaign featured ads showing female athletes talking about how sports could change women's lives, from reducing teen pregnancy to increasing the chances of getting a college education. The campaign, along with subsequent ads featuring top female athletes such as sprinter Marion Jones, helped make Nike the market leader, but it was focused primarily on the high-performance segment of the female market.

In 2001 Nike launched a new strategic initiative termed "Nike Goddess," which is a companywide, grassroots effort that has the goal of changing how the company does business with women. The

new strategy appeals to a broader segment of the female market and is designed to take advantage of the differences between women and men in how they conceive of sport, how they shop for clothing and shoes, and even how they view celebrity athletes. Nike wants to appeal more to women's desire for an active lifestyle than to any image they have of themselves as hard-core athletes.

Nike began its new women's movement by spending time listening to women and learning how they balance their lives, what they like to wear, where and how they shop, and what moves them. Nike designers and researchers spent time scouring trendy workout spots like London's Third Space to pick up on new fitness trends. One key insight that emerged from the research is that for most women, high performance isn't about sports; it's about fitness fitting in with their active lifestyles. Nike stepped up its product development and introduced flashier shoe designs such as the Air Max Craze, which has a strap for a heel and a zipper over the lace. Another new line, the Air Visi Havoc, features materials not normally seen on a playing field, such as a faux snakeskin look, baby-blue satin, and red mesh.

Nike Goddess also includes new ways to reach women and communicate better with them. A new ad campaign takes a different look at women and sports and veers away from Nike's traditional strategy of relying on big-name endorsers and producing product lines named after them. Jackie Thomas, Nike's U.S. brand marketing director for women, notes: "Women love that Nike is aggressive, that it is competitive. The difference between women and men is that women don't treat athletes like heroes. No woman thinks that she'll be able to run like Marion Jones because she wears

shoes that are named after her." Rather than dwell on superstars, the new advertising campaign consists of print and TV ads that show ordinary women taking part in sport—from a swimmer to a young fencer to the "Yogini," a yoga instructor who stands on her hands on a hardwood floor and arches her back until her feet touch her head.

Nike has also launched a new website for women: [nikegoddess.com](http://nikegoddess.com). The site offers profiles of both famous athletes and everyday women who are trying to meet the challenges of balancing their hectic lives. It includes product information, health and fitness tips, city profiles to help women find fitness and fun when they are traveling, links to other sites, and online shopping for Nike products. Nike also launched *NikeGoddess*, the company's first "magalog" (a cross between a magazine and a catalog), to help roll out the name and communicate with today's active women.

One analyst noted that for many years, even within Nike there was a "general sense that it's by guys for guys." However, if Nike is to continue to grow, a company built on brash ads and male athletic fantasies is going to have to connect with female customers as well. The goal for the Nike Goddess initiative is to double Nike's sales to women by mid-decade. This will require that Nike change the way it sells to, designs for, and communicates with women. However, it appears that Nike is rising to the challenge. And lest anyone forget, Nike is named after a woman—the Greek goddess of victory.

Sources: Fara Warner, "Nike's Women's Movement," *Fast Company*, August 2002, pp. 70–75; Edward Wong, "Nike Trying New Strategies for Women," *The New York Times*, June 19, 2001, p. C1; Hillary Cassidy, "Hail the Goddess," *Brandweek*, Feb. 5, 2001, p. 42.

One of the most important components of an integrated marketing communications program is the advertising message. While the fundamental role of an advertising message is to communicate information, it does much more. The commercials we watch on TV or hear on radio and the print ads we see in magazines and newspapers are a source of entertainment, motivation, fascination, fantasy, and sometimes irrita-

tion as well as information. Ads and commercials appeal to, and often create or shape, consumers' problems, desires, and goals. From the marketer's perspective, the advertising message is a way to tell consumers how the product or service can solve a problem or help satisfy desires or achieve goals. Advertising can also be used to create images or associations and position a brand in the consumer's mind as well as transform the experience of buying and/or using a product or service. Many consumers who have never driven or even ridden in a BMW perceive it as "the ultimate driving machine" (Exhibit 8-1). Many people feel good about sending Hallmark greeting cards because they have internalized the company's advertising theme, "when you care enough to send the very best."

One need only watch an evening of commercials or peruse a few magazines to realize there are a myriad of ways to convey an advertising message. Underlying all of these messages, however, are a **creative strategy** that determines what the advertising message will say or communicate and **creative tactics** for how the message strategy will be executed. In this chapter, we focus on advertising creative strategy. We consider what is meant by creativity, particularly as it relates to advertising, and examine a well-known approach to creativity in advertising.

We also examine the creative strategy development process and various approaches to determining the *big idea* that will be used as the central theme of the advertising campaign and translated into attention-getting, distinctive, and memorable messages. Creative specialists are finding it more and more difficult to come up with big ideas that will break through the clutter and still satisfy the concerns of their risk-averse clients. Yet their clients are continually challenging them to find the creative message that will strike a responsive chord with their target audience.

Some of you may not be directly involved in the design and creation of ads; you may choose to work in another agency department or on the client side of the business. However, because creative strategy is often so crucial to the success of the firm's promotional effort, everyone involved in the promotional process should understand the creative strategy and tactics that underlie the development of advertising campaigns and messages, as well as the creative options available to the advertiser. Also, individuals on the client side as well as agency people outside the creative department must work with the creative specialists in developing the advertising campaign, implementing it, and evaluating its effectiveness. Thus, marketing and product managers, account representatives, researchers, and media personnel must appreciate the creative process and develop a productive relationship with creative personnel.

For many students, as well as many advertising and marketing practitioners, the most interesting aspect of advertising is the creative side. We have all at one time or another been intrigued by an ad and admired the creative insight that went into it. A great ad is a joy to behold and often an epic to create, as the cost of producing a TV commercial can exceed \$1 million. Many companies see this as money well spent. They realize that the manner in which the advertising message is developed and executed is often critical to the success of the promotional program, which in turn can influence the effectiveness of the entire marketing program. Procter & Gamble, Levi Strauss, Nissan, General Motors, Coca-Cola, PepsiCo, Nike, McDonald's, and many other companies spend millions of dollars each year to produce advertising messages and hundreds of millions more to purchase media time and space to run them. While these companies make excellent products, they realize creative advertising is also an important part of their marketing success.

Good creative strategy and execution can often be central to determining the success of a product or service or reversing the fortunes of a struggling brand. Conversely, an



**Exhibit 8-1** Excellent advertising helps create an image for BMW automobiles as "the ultimate driving machine"

## The Importance of Creativity in Advertising



**Figure 8-1** Burger King advertising themes and agencies

- “We Do It Like You Do It” (1987–1989)  
*Agency: NW Ayer*
- “Sometimes you gotta break the rules” (1989–1991)
- “Your way. Right away” (1991–1992)
- “BK Tee Vee: I Love This Place” (1992–1994)  
*Agency: D’Arcy Masius Benton & Bowles*
- “Back to Basics” (1994)  
*Agency: UniWorld Group, Inc.*
- “Get Your Burger’s Worth” (1994–1996)
- “It Just Tastes Better” (1996–1998)
- “Go the Distance—When You Have It Your Way It Just Tastes Better” (1999)
- “Got the Urge” (2000)  
*Agency: Lowe Lintas & Partners*
- “The Whopper Says” (2001–2002)  
*Agency: McCann-Erickson*
- “At Burger King, You Got It” (2002– )  
*Agency: Amoebea*

advertising campaign that is poorly conceived or executed can be a liability. Many companies have solid marketing and promotional plans and spend substantial amounts of money on advertising, yet have difficulty coming up with a creative campaign that will differentiate them from their competitors. For example, Burger King has changed its advertising theme 11 times in the past 15 years and changed agencies 6 times in search of a campaign that would give the chain a strong identity in the fast-food market (Figure 8-1). During many of these campaigns, market share dropped and franchises were unhappy with the company’s inability to come up with an effective campaign.<sup>1</sup> In July 2002, Burger King was sold by parent company Diageo to an investment consortium led by Texas Pacific Group.<sup>2</sup> The company also added an additional agency, Deutsch, to its roster to handle the advertising for its value menu and some local franchisee associations. It will be interesting to see if the agencies can develop an effective campaign to reposition Burger King in the fast-food market (and how long it will be before the company changes agencies once again).

Just because an ad or commercial is creative or popular does not mean it will increase sales or revive a declining brand. Many ads have won awards for creativity but failed to increase sales. In some instances, the failure to generate sales has cost the agency the account. For example, many advertising people believe some of the best ads of all time were those done for Alka-Seltzer in the 1960s and 70s, including the classic “Mama Mia! That’s a spicy meatball!” and “I can’t believe I ate the whole thing.” While the commercials won numerous creative awards, Alka-Seltzer sales still declined and the agencies lost the account.<sup>3</sup> In the late 90s, Nissan asked its agency to change the popular “Enjoy the ride” campaign that was widely praised for its amusing, creative executions but was not helping increase sales.<sup>4</sup> Nissan dealers complained that the ads did not focus enough attention on the product, and in some cases comparisons with the competition were used. However, in late 2002 Nissan launched a new advertising campaign using “Shift” as the umbrella tagline.<sup>5</sup> The new campaign uses a combination of emotional and product-focused ads that are designed to strengthen Nissan’s brand image while showing its revitalized product line, which includes the new 350Z sports car (Exhibit 8-2).

Many advertising and marketing people have become ambivalent toward, and in some cases even critical of, advertising awards.<sup>6</sup> They argue that agency creative people are often more concerned with creating ads that win awards than ones that sell their clients’ products. Other advertising people believe awards are a good way to recognize



**Exhibit 8-2** In Nissan's new ads, the cars are once again the stars

creativity that often does result in effective advertising. Global Perspective 8-1 discusses how the emphasis on creative awards has shifted to the international arena with awards like the Cannes Lions.

As we saw in Chapter 7, the success of an ad campaign cannot always be judged in terms of sales. However, many advertising and marketing personnel, particularly those on the client side, believe advertising must ultimately lead the consumer to purchase the product or service. Finding a balance between creative advertising and effective advertising is difficult. To better understand this dilemma, we turn to the issue of creativity and its role in advertising.

## What Is Creativity?

*Creativity* is probably one of the most commonly used terms in advertising. Ads are often called creative. The people who develop ads and commercials are known as creative types. And advertising agencies develop reputations for their creativity. Perhaps so much attention is focused on the concept of creativity because many people view the specific challenge given to those who develop an advertising message as being creative. It is their job to turn all of the information regarding product features and benefits, marketing plans, consumer research, and communication objectives into a creative concept that will bring the advertising message to life. This begs the question: What is meant by *creativity* in advertising?

## Different Perspectives on Advertising Creativity

Perspectives on what constitutes creativity in advertising differ. At one extreme are people who argue that advertising is creative only if it sells the product. An advertising message's or campaign's impact on sales counts more than whether it is innovative or wins awards. At the other end of the continuum are those who judge the creativity of an ad in terms of its artistic or aesthetic value and originality. They contend creative ads can break through the competitive clutter, grab the consumer's attention, and have some impact.

As you might expect, perspectives on advertising creativity often depend on one's role. A study by Elizabeth Hirschman examined the perceptions of various individuals involved in the creation and production of TV commercials, including management types (brand managers and account executives) and creatives (art director, copywriter, commercial director, and producer).<sup>7</sup> She found that product managers and account executives view ads as promotional tools whose primary purpose is to communicate favorable impressions to the marketplace. They believe a commercial should be evaluated in terms of whether it fulfills the client's marketing and communicative objectives.

## Advertising Creativity

## GLOBAL PERSPECTIVE 8-1

## Cannes Festival Becomes the Olympic Games of Advertising

For many years the most coveted prize for creativity in advertising was a Clio Award. However, the Clios lost much of their prestige after financial problems resulted in cancellation of the 1992 awards ceremony. And even though they still sponsor an annual awards competition, the Clios have never regained their former status as the advertising industry's premier award for creative excellence. There are a number of other popular and well-recognized U.S.-based advertising award competitions that recognize outstanding creative work. These include the Kelley Awards given by the Magazine Publishers of America, the Best Awards sponsored by *Advertising Age*, the One Show sponsored by the One Club for Art & Copy, and the Effies, which are given each year by the New York American Marketing Association.

While these contests remain very popular in the United States, on a global level the Cannes Lions International Advertising Festival is now widely considered the most prestigious advertising award competition. Inspired by the movie industry's more famous Cannes Film Festival, the Cannes Lions Festival is considered by many to be the "Olympics of Advertising." The Cannes competition receives entries from agencies around the world hoping to win Lions (the name of the awards) in each of the major categories—television, press and poster (print and outdoor ads), cyber (online marketing and ads for websites), media planning and buying, and direct marketing (which was added in 2002).

Agencies from the U.S. generally focus their entries on the TV part of the competition, where they fare much better than in the print and poster category, which is usually dominated by agencies from the United Kingdom whose style of advertising is considered more popular among the Cannes jury. Such was

the case in the 2002 Cannes competition, as U.S. agencies failed to win any Gold Lions in the print and poster competition. However, while U.K. agencies won the most Gold Lion Awards for film, U.S. agencies dominated the category, winning 4 Gold Lions, 3 Silver Lions, and 13 Bronzes. For the third consecutive year, a U.S. agency won the Grand Prix Award for the world's best TV commercial, as Wieden & Kennedy took home the honors for the "Tag" spot it created for Nike. The commercial features an inventive game of tag set to a techno beat as young adults play the kid's game and chase each other around the streets, office buildings, and subways of a major city. A young man wearing Nike sneakers runs and hides from the other urbanites during the commercial, which ends with the simple one-word message "Play." The Nike spot narrowly beat out an eye-popping commercial created for Microsoft's Xbox; called "Champagne," it showed a newborn being shot out of a window, aging rapidly, and landing in a grave. The theme: Life is short, play more. The spot was created by Microsoft's European agency, Bartle Bogle Hegarty, based in London.

One of the other big winners at the 2002 competition was the campaign for BMW Films from Fallon Worldwide, of Minneapolis. The campaign (discussed in the opening vignette to Chapter 3) won a Grand Prix in the cyber category and in many ways dominated the festival. The Cannes jury had problems deciding how to categorize the breakthrough campaign, which combined a website, short films, and movie trailers in ways no one in the industry had seen before. The president of the cyber-category jury noted: "BMW Films is probably the most innovative and important marketing program in the last year. This work has made people stop and pause and reconsider what they are doing."

While many advertising people in the United States are critical of creative awards, the Cannes competition attracted over 5,000 entries in 2002 from 61 countries, so someone must think they are important. And don't try to downplay their importance in advertising—crazy countries like Brazil and Argentina, where agency creative directors are treated like rock stars, or in Europe, where agency leaders are seen as titans of industry, on par with top CEOs. Agencies like Saatchi & Saatchi, of London, which was selected as the Agency of the Year, know that the prestige of a Cannes Lion Award enhances their image and helps attract new business.



Sources: Laurel Wentz and Stefano Hatfield, "Nike 'Tag' Bags Grand Prix," *Advertising Age*, June 24, 2002, pp. 1, 76–77; Michael McCarthy, "Nike's 'Tag' Ad Runs Away with Top Honors at Cannes," *USA Today*, June 24, 2002, p. 7B.

The perspective of those on the creative side was much more self-serving, as Hirschman noted:

In direct contrast to this client orientation, the art director, copywriter, and commercial director viewed the advertisement as a communication vehicle for promoting their own aesthetic viewpoints and personal career objectives. Both the copywriter and art director made this point explicitly, noting that a desirable commercial from their standpoint was one which communicated their unique creative talents and thereby permitted them to obtain “better” jobs at an increased salary.<sup>8</sup>

In her interviews, Hirschman also found that brand managers were much more risk-averse and wanted a more conservative commercial than the creative people, who wanted to maximize the impact of the message.

What constitutes creativity in advertising is probably somewhere between the two extremes. To break through the clutter and make an impression on the target audience, an ad often must be unique and entertaining. As noted in Chapter 5, research has shown that a major determinant of whether a commercial will be successful in changing brand preferences is its “likability,” or the viewer’s overall reaction.<sup>9</sup> TV commercials and print ads that are well designed and executed and generate emotional responses can create positive feelings that are transferred to the product or service being advertised. Many creative people believe this type of advertising can come about only if they are given considerable latitude in developing advertising messages. But ads that are creative only for the sake of being creative often fail to communicate a relevant or meaningful message that will lead consumers to purchase the product or service.

Everyone involved in planning and developing an advertising campaign must understand the importance of balancing the “it’s not creative unless it sells” perspective with the novelty/uniqueness and impact position. Marketing and brand managers or account executives must recognize that imposing too many sales- and marketing-oriented communications objectives on the creative team can result in mediocre advertising, which is often ineffective in today’s competitive, cluttered media environment. At the same time, the creative specialists must recognize that the goal of advertising is to assist in selling the product or service and good advertising must communicate in a manner that helps the client achieve this goal.

**Advertising creativity** is the ability to generate fresh, unique, and appropriate ideas that can be used as solutions to communications problems. To be *appropriate* and effective, a creative idea must be relevant to the target audience. Many ad agencies recognize the importance of developing advertising that is creative and different yet communicates relevant information to the target audience. Figure 8-2 shows the perspective on creativity that the former D’Arcy, Masius Benton & Bowles agency developed to guide its creative efforts and help achieve superior creativity consistently. The agency views a creative advertising message as one that is built around a creative core or power idea and uses excellent design and execution to communicate information that interests the target audience. It has used these principles in doing outstanding creative work for Procter & Gamble’s Charmin and Pampers brands, Norelco, and many other popular brands for many years.

Advertising creativity is not the exclusive domain of those who work on the creative side of advertising. The nature of the business requires creative thinking from everyone involved in the promotional planning process. Agency people, such as account executives, media planners, researchers, and attorneys, as well as those on the client side, such as marketing and brand managers, must all seek creative solutions to problems encountered in planning, developing, and executing an advertising campaign. An excellent example of creative synergy between the media and creative departments of an agency, as well as with the client, is seen in the TBWA/Chiat/Day agency and its relationship with Absolut vodka. As discussed in Chapter 1, the creative strategy for the brand plays off the distinctive shape of its bottle and depicts it with visual puns and witty headlines that play off the Absolut name. The agency and client recognized they could carry the advertising campaign further by tailoring the print ads for the magazines or regions where they appear. Absolut’s media schedule includes over 100 magazines, among them various consumer and business publications. The

**Figure 8-2** D’Arcy, Masius Benton & Bowles’s universal advertising standards

1. *Does this advertising position the product simply and with unmistakable clarity?*  
 The target audience for the advertised product or service must be able to see and sense in a flash *what* the product is for, *whom* it is for, and *why* they should be interested in it.  
 Creating this clear vision of how the product or service fits into their lives is the first job of advertising. Without a simple, clear, focused positioning, no creative work can begin.
2. *Does this advertising bolt the brand to a clinching benefit?*  
 Our advertising should be built on the most compelling and persuasive consumer benefit—not some unique-but-insignificant peripheral feature.  
 Before you worry about how to say it, you must be sure you are saying *the right thing*. If you don’t know what the most compelling benefit is, you’ve got to find out before you do anything else.
3. *Does this advertising contain a Power Idea?*  
 The Power Idea is the vehicle that transforms the strategy into a dynamic, creative communications concept. It is the core creative idea that sets the stage for brilliant executions to come. The ideal Power Idea should:
  - Be describable in a simple word, phrase, or sentence without reference to any final execution.
  - Be likely to attract the prospect’s attention.
  - Revolve around the clinching benefit.
  - Allow you to brand the advertising.
  - Make it easy for the prospect to vividly experience our client’s product or service.
4. *Does this advertising design in Brand Personality?*  
 The great brands tend to have something in common: the extra edge of having a Brand Personality. This is something beyond merely identifying what the brand does for the consumer; all brands *do* something, but the great brands also *are* something.  
 A brand can be whatever its designers want it to be—and it can be so from day one.
5. *Is this advertising unexpected?*  
 Why should our clients pay good money to wind up with advertising that looks and sounds like everybody else’s in the category? They shouldn’t.  
 We must dare to be different, because sameness is suicide. We can’t be outstanding unless we first stand out.  
 The thing is not to *emulate* the competition but to *annihilate* them.
6. *Is this advertising single-minded?*  
 If you have determined the right thing to say and have created a way to say it uncommonly well, why waste time saying anything else?  
 If we want people to remember one big thing from a given piece of advertising, let’s not make it more difficult than it already is in an overcommunicated world.  
 The advertising should be all about that one big thing.
7. *Does this advertising reward the prospect?*  
 Let’s give our audience something that makes it easy—even pleasurable—for our message to penetrate: a tear, a smile, a laugh. An emotional stimulus is that special something that makes them want to see the advertising again and again.
8. *Is this advertising visually arresting?*  
 Great advertising you remember—and can play back in your mind—is unusual to look at: compelling, riveting, a nourishing feast for the eyes. If you need a reason to strive for arresting work, go no further than Webster: “Catching or holding the attention, thought, or feelings. Gripping. Striking. Interesting.”
9. *Does this advertising exhibit painstaking craftsmanship?*  
 You want writing that is really written. Visuals that are designed. Music that is composed.  
 Lighting, casting, wardrobe, direction—all the components of the art of advertising are every bit as important as the science of it. It is a sin to nickel-and-dime a great advertising idea to death.  
 Why settle for good, when there’s great? We should go for the absolute best in concept, design, and execution.  
 This is our craft—the work should sparkle.  
 “Our creative standards are not a gimmick,” Steve emphasizes. “They’re not even revolutionary. Instead, they are an explicit articulation of a fundamental refocusing on our company’s only reason for being.  
 “D’Arcy’s universal advertising standards are the operating link between our vision today—and its coming reality.”



creative and media departments work together selecting magazines and deciding on the ads that will appeal to the readers of each publication. The creative department is often asked to create media-specific ads to run in a particular publication. Exhibit 8-3 shows an Absolut ad that was developed specifically for *Los Angeles Magazine*.

## Planning Creative Strategy

### The Creative Challenge

Those who work on the creative side of advertising often face a real challenge. They must take all the research, creative briefs, strategy statements, communications objectives, and other input and transform them into an advertising message. Their job is to write copy, design layouts and illustrations, or produce commercials that effectively communicate the central theme on which the campaign is based. Rather than simply stating the features or benefits of a product or service, they must put the advertising message into a form that will engage the audience's interest and make the ads memorable.<sup>10</sup>

The job of the creative team is challenging because every marketing situation is different and each campaign or advertisement may require a different creative approach. Numerous guidelines have been developed for creating effective advertising,<sup>11</sup> but there is no magic formula. As copywriter Hank Sneider notes in his book *Advertising Pure and Simple*:

Rules lead to dull stereotyped advertising, and they stifle creativity, inspiration, initiative, and progress. The only hard and fast rule that I know of in advertising is that there are no rules. No formulas. No right way. Given the same problem, a dozen creative talents would solve it a dozen different ways. If there were a sure-fire formula for successful advertising, everyone would use it. Then there'd be no need for creative people. We would simply program robots to create our ads and commercials and they'd sell loads of product—to other robots.<sup>12</sup>

### Taking Creative Risks

Many creative people follow proven formulas when creating ads because they are safe. Clients often feel uncomfortable with advertising that is too different. Bill Tragos, former chair of TBWA, the advertising agency noted for its excellent creative work for Absolut vodka, Evian, and many other clients, says, "Very few clients realize that the reason that their work is so bad is that they are the ones who commandeered it and directed it to be that way. I think that at least 50 percent of an agency's successful work resides in the client."<sup>13</sup>

Many creative people say it is important for clients to take some risks if they want breakthrough advertising that gets noticed. One agency that has been successful in getting its clients to take risks is Wieden & Kennedy, best known for its excellent creative work for companies such as Nike, Microsoft, and ESPN. The agency's founders believe a key element in its success has been a steadfast belief in taking risks when most agencies and their clients have been retrenching and becoming more conservative.<sup>14</sup> The agency can develop great advertising partly because clients like Nike are willing to take risks and go along with the agency's priority system, which places the creative work first and the client-agency relationship second. The agency has even terminated relationships with large clients like Gallo when they interfered too much with the creative process.

An example of a company that has begun taking more creative risks with its advertising is Wrigley. For many years the company, which has long dominated the market for chewing gum, was very conservative with its advertising and relied on more traditional, attribute-focused messages. However, in recent years Wrigley has taken a more dynamic approach to its marketing by introducing new products and using an edgier creative approach in its ads.<sup>15</sup> For example, advertising for the company's Big Red brand used the tried and true "Kiss a Little Longer" campaign, featuring smooching couples, for many years. However, in 2000 Wrigley decided to develop a new image for the brand



**Exhibit 8-3** Absolut vodka creates ads specifically for the publications in which they appear, such as this one for *Los Angeles Magazine*



**Exhibit 8-4** Wrigley's takes more of a creative risk with its new ads

and began using a new campaign that focuses on the product's bold cinnamon taste and little "wisdoms" regarding fresh breath (Exhibit 8-4).

Not all companies or agencies agree that advertising has to be risky to be effective, however. Many marketing managers are more comfortable with advertising that simply communicates product or service features and benefits and gives the consumer a reason to buy. They see their ad campaigns as multimillion-dollar investments whose goal is to sell the product rather than finance the whims of their agency's creative staff. They argue that some creative people have lost sight of advertising's bottom line: Does it sell? IMC Perspective 8-2 discusses the ongoing debate over the artsy, image-oriented approach to advertising taken by many creative types versus the more hard-sell approach that many clients prefer.

The issue of how much latitude creative people should be given and how much risk the client should be willing to take is open to considerable debate. However, clients and agency personnel generally agree that the ability to develop novel yet appropriate approaches to communicating with the customer makes the creative specialist valuable—and often hard to find.

## Creative Personnel

The image of the creative advertising person perpetuated in novels, movies, and TV shows is often one of a freewheeling, freethinking, eccentric personality. The educational background of creative personnel is often in nonbusiness areas such as art, literature, music, humanities, or journalism, so their interests and perspectives tend to differ from those of managers with a business education or background. Creative people tend to be more abstract and less structured, organized, or conventional in their approach to a problem, relying on intuition more often than logic. For example, Arthur Kover conducted a study of advertising copywriters and found that they work without guidance from any formal theories of communication. However, those interviewed in his study did have similar informal, implicit theories that guide them in creating ads. These theories are based on finding ways to break through the ad clutter, open the consciousness of consumers, and connect with them to deliver the message.<sup>16</sup>

Advertising creatives are sometimes stereotyped as odd, perhaps because they dress differently and do not always work the conventional 9-to-5 schedule. Of course, from the perspective of the creatives, it is the marketing or brand managers and account executives (the "suits") who are strange. In many agencies, you can't tell the creative personnel from the executives by their dress or demeanor. Yet the differences between creative and managerial personalities and perspectives must be recognized and tolerated so that creative people can do their best work and all those involved in the advertising process can cooperate.

Most agencies thrive on creativity, for it is the major component in the product they produce. Thus, they must create an environment that fosters the development of creative thinking and creative advertising. Clients must also understand the differences between the perspectives of the creative personnel and marketing and product managers. While the client has ultimate approval of the advertising, the opinions of creative specialists must be respected when advertising ideas and content are evaluated. (Evaluation of the creative's ideas and work is discussed in more detail in Chapter 9.)

## The Creative Process

Some advertising people say creativity in advertising is best viewed as a process and creative success is most likely when some organized approach is followed. This does not mean there is an infallible blueprint to follow to create effective advertising; as we saw earlier, many advertising people reject attempts to standardize creativity or develop rules. However, most do follow a process when developing an ad.

One of the most popular approaches to creativity in advertising was developed by James Webb Young, a former creative vice president at the J. Walter Thompson agency. Young said, "The production of ideas is just as definite a process as the production of Fords; the production of ideas, too, runs an assembly line; in this production the mind follows an operative technique which can be learned and controlled; and

## IMC PERSPECTIVE 8-2

## The Perpetual Debate: Creative versus Hard-Sell Advertising

For decades there has been a perpetual battle over the role of advertising in the marketing process. The war for the soul of advertising has been endlessly fought between those who believe ads should move people and those who just want to move product. On one side are the “suits” or “rationalists,” who argue that advertising must sell the product or service and that the more selling points or information in the ad, the better its chance of moving the consumer to purchase. On the other side are the “poets” or proponents of creativity, who argue that advertising has to build an emotional bond between consumers and brands or companies that goes beyond product advertising. The debate over the effectiveness of creative or artsy advertising is not new. The rationalists have taken great delight in pointing to long lists of creative and award-winning campaigns over the years that have failed in the marketplace, such as the humorous commercials for Alka-Seltzer from the 1960s and 70s and the Joe Isuzu spokes-liar ads from the late 80s. They also point to the recent dot-com explosion that brought with it a lot of creative and award-winning ads but proved that great advertising alone cannot make consumers buy a product or service they really do not want or need.

There are many examples of creative campaigns that moved consumers’ emotions but were terminated because they failed to move the sales needle and they put accounts and reputations on the line. In 1998 Levi Strauss & Co. terminated Foote, Cone & Belding, of San Francisco, from its Levi’s jean account after 67 years because of declining sales, even though the agency had consistently earned rave reviews and awards for its creative work. The company moved its account to TBWA/Chiat/Day, which won accolades for its creative work on campaigns such as “Opt for the Original” and “Make Them Your Own.” However, the popularity of Levi’s among young people plummeted 74 percent from 1996 to 2001, with only 8 percent citing the brand as their favorite jean, down from 31 percent in 1996. In early 2002 Levi Strauss parted company with TBWA/Chiat/Day and moved its business to Bartle Bogle Hegarty, the agency that has handled advertising for Levi’s in Europe for a number of years.

Another company that had differences of opinion with its agency over artsy versus more hard-sell advertising is Norwe-

gian Cruise Lines. The company’s marketing director, Nina Cohen, felt that the sensual “It’s different out here” campaign produced by Goodby, Silverstein & Partners in the mid-90s was gorgeous but irrelevant. She said, “Every frame of those ads was frameable, but we’re not in the framing business.” Cohen added that “while there are some creative icons out there who feel they have some higher voice to answer to, as clients, we’re the ones you have to answer to.” However, the agency’s co-creative director, Jeff Goodby, considered his agency’s creative work for Norwegian both beautiful and effective and argues that the impact of creative and entertaining advertising on sales isn’t always quantifiable for good reason. He notes: “It’s where the magic happens in advertising, and you can never predict that. It’s dangerous to be suspicious of that.” Many of the “poets” on the creative side agree with Goodby and like to cite the teaching of legendary adman Bill Bernbach, who preached that persuasion is an art, not a science, and that its success is dependent on a complex mix of intangible human qualities that can be neither measured nor predicted.

Most of the “poets” who support advertising that connects on an emotional level insist that selling product is as much a priority for them as it is for those on the rational side of the debate. One top agency executive notes, “We’ve proven that this kind of advertising works; otherwise we wouldn’t be in business, us or the agencies that practice the craft at this level.” However, Brent Bouchez, founder of Bouchez Kent and Company and a creative director for 20 years, argues that the poets are losing sight of the fact that advertising is



about selling things and that being really creative in advertising means solving problems and building interesting brands that people want to buy. He notes: "It's time we stopped teaching young creative people to consider it a victory if the logo in an ad is hard to find, or if the product doesn't appear in the commercial at all. It's time we stopped using "break through the clutter" as an excuse to say nothing about what it is we're selling or why you should buy it."

It is unlikely there will ever be peace between the warring factions as long as there are "rationalists" and "poets" who make a point of arguing over which approach works best. Steve Hayden, vice-chairman of Ogilvy Worldwide, says, "It's the ad industry's reflec-

tion of the essential Platonic/Aristotelian split in the world, pitting two groups of people against each other who usually can't agree which end is up." However, Nina Cohen, who has worked on both the agency and the client side of the business, is bewildered by the intense opinions held by people on each side and asks, "Aren't we all here to do the same thing?" meaning to build brands and business. While the answer is, of course, yes, the debate over how to do it is likely to continue.

Sources: Alice Z. Cuneo, "Bartle Bogle Tapped to Cure Levi's Blues," *Advertising Age*, Jan. 14, 2002, p. 6; Brent Bouchez, "Trophies Are Meaningless," *Advertising Age*, July 30, 2001; Anthony Vagnoni, "Creative Differences," *Advertising Age*, Nov. 17, 1997, pp. 1, 28, 30

that its effective use is just as much a matter of practice in the technique as in the effective use of any tool."<sup>17</sup> Young's model of the creative process contains five steps:

1. *Immersion.* Gathering raw material and information through background research and immersing yourself in the problem.
2. *Digestion.* Taking the information, working it over, and wrestling with it in the mind.
3. *Incubation.* Putting the problems out of your conscious mind and turning the information over to the subconscious to do the work.
4. *Illumination.* The birth of an idea—the "Eureka! I have it!" phenomenon.
5. *Reality or verification.* Studying the idea to see if it still looks good or solves the problem; then shaping the idea to practical usefulness.

Young's process of creativity is similar to a four-step approach outlined much earlier by English sociologist Graham Wallas:

1. *Preparation.* Gathering background information needed to solve the problem through research and study.
2. *Incubation.* Getting away and letting ideas develop.
3. *Illumination.* Seeing the light or solution.
4. *Verification.* Refining and polishing the idea and seeing if it is an appropriate solution.

Models of the creative process are valuable to those working in the creative area of advertising, since they offer an organized way to approach an advertising problem. Preparation or gathering of background information is the first step in the creative process. As we saw in earlier chapters, the advertiser and agency start by developing a thorough understanding of the product or service, the target market, and the competition. They also focus on the role of advertising in the marketing and promotional program.

These models do not say much about how this information will be synthesized and used by the creative specialist because this part of the process is unique to the individual. In many ways, it's what sets apart the great creative minds and strategists in advertising. However, many agencies are now using a process called *account planning* to gather information and help creative specialists as they go through the creative process of developing advertising.

## Account Planning

To facilitate the creative process, many agencies now use **account planning**, which is a process that involves conducting research and gathering all relevant information about a client's product or service, brand, and consumers in the target audience. Account planning began in Great Britain during the 1960s and 70s and has spread to agencies in the United States as well as throughout Europe and Asia. The concept has



become very popular in recent years as many agencies have seen the successful campaigns developed by agencies that are strong advocates of account planning.<sup>18</sup> One such agency is Goodby, Silverstein & Partners, which has used account planning to develop highly successful campaigns for clients such as Polaroid, Hewlett-Packard, Sega, and Nike, as well as the popular “Got milk?” ads for the California Milk Processor Board.

Jon Steel, vice president and director of account planning at the agency’s San Francisco office, has written an excellent book on the process titled *Truth, Lies & Advertising: The Art of Account Planning*.<sup>19</sup> He notes that the account planner’s job is to provide the key decision makers with all the information they require to make an intelligent decision. According to Steel, “Planners may have to work very hard to influence the way that the advertising turns out, carefully laying out a strategic foundation with the client, handing over tidbits of information to creative people when, in their judgment, that information will have the greatest impact, giving feedback on ideas, and hopefully adding some ideas of their own.”

Account planning plays an important role during creative strategy development by driving the process from the customers’ point of view. Planners will work with the client as well as other agency personnel, such as the creative team and media specialists. They discuss how the knowledge and information they have gathered can be used in the development of the creative strategy as well as other aspects of the advertising campaign. Account planners are usually responsible for all the research (both qualitative and quantitative) conducted during the creative strategy development process. In the following section we examine how various types of research and information can provide input to the creative process of advertising. This information can be gathered by account planners or others whose job it is to provide input to the process.

## Inputs to the Creative Process: Preparation, Incubation, Illumination

**Background Research** Only the most foolish creative person or team would approach an assignment without first learning as much as possible about the client’s product or service, the target market, the competition, and any other relevant background information. The creative specialist should also be knowledgeable about general trends, conditions, and developments in the marketplace, as well as research on specific advertising approaches or techniques that might be effective. The creative specialist can acquire background information in numerous ways. Some informal fact-finding techniques have been noted by Sandra Moriarty:

- Reading anything related to the product or market—books, trade publications, general interest articles, research reports, and the like.
- Asking everyone involved with the product for information—designers, engineers, salespeople, and consumers.
- Listening to what people are talking about. Visits to stores, malls, restaurants, and even the agency cafeteria can be informative. Listening to the client can be particularly valuable, since he or she often knows the product and market best.
- Using the product or service and becoming familiar with it. The more you use a product, the more you know and can say about it.
- Working in and learning about the client’s business to understand better the people you’re trying to reach.<sup>20</sup>

To assist in the preparation, incubation, and illumination stages, many agencies provide creative people with both general and product-specific preplanning input. **General preplanning input** can include books, periodicals, trade publications, scholarly journals, pictures, and clipping services, which gather and organize magazine and newspaper articles on the product, the market, and the competition, including the latter’s ads. This input can also come from research studies conducted by the client, the agency, the media, or other sources.

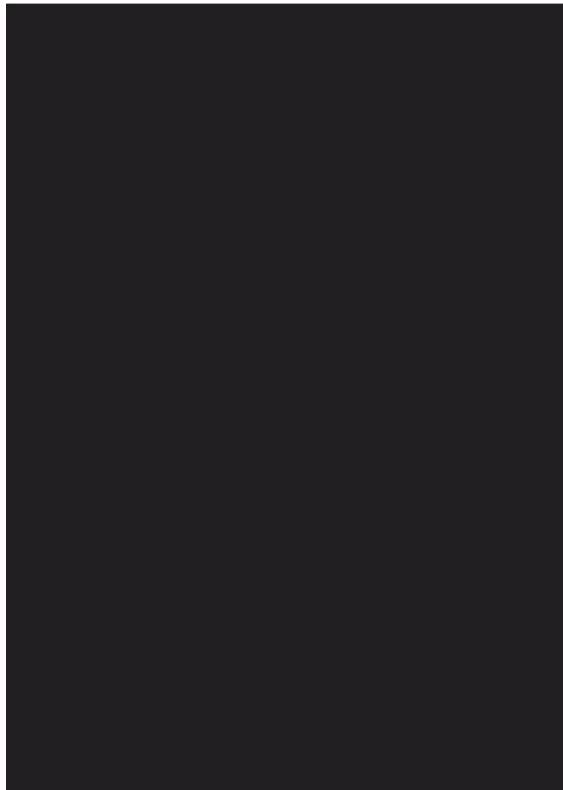
Another useful general preplanning input concerns trends, developments, and happenings in the marketplace. Information is available from a variety of sources,





**Exhibit 8-5** Advertising industry publications are excellent sources of information on market trends

**Exhibit 8-6** DDB Needham's Life Style Study provided valuable input in the development of this campaign for Westin



including local, state, and federal governments, secondary research suppliers, and various industry trade associations, as well as advertising and media organizations. For example, advertising industry groups like the American Association of Advertising Agencies and media organizations like the National Association of Broadcasters (NAB) and Magazine Publishers of America (MPA) publish research reports and newsletters that provide information on market trends and developments and how they might affect consumers. Those involved in developing creative strategy can also gather relevant and timely information by reading publications like *Adweek*, *Advertising Age*, *BrandWeek*, and *The Wall Street Journal* (Exhibit 8-5).

**Product/Service-Specific Research** In addition to getting general background research and preplanning input, creative people receive **product/service-specific preplanning input**. This information generally comes in the form of specific studies conducted on the product or service, the target audience, or a combination of the two. Quantitative and qualitative consumer research such as attitude studies, market structure and positioning studies such as perceptual mapping and lifestyle research, focus group interviews, and demographic and psychographic profiles of users of a particular product, service, or brand are examples of product-specific preplanning input.

Many product- or service-specific studies helpful to the creative team are conducted by the client or the agency. A number of years ago, the BBDO ad agency developed an approach called **problem detection**<sup>21</sup> for finding ideas around which creative strategies could be based. This research technique involves asking consumers familiar with a product (or service) to generate an exhaustive list of things that bother them or problems they encounter when using it. The consumers rate these problems in order of importance and evaluate various brands in terms of their association with each problem. A problem detection study can provide valuable input for product improvements, reformulations, or new products. It can also give the creative people ideas regarding attributes or features to emphasize and guidelines for positioning new or existing brands.

Some agencies conduct psychographic studies annually and construct detailed psychographic or lifestyle profiles of product or service users. DDB Needham conducts a large-scale psychographic study each year using a sample of 4,000 U.S. adults. The agency's Life Style Study provides its creative teams with a better understanding of the target audience for whom they are developing ads.

For example, information from its Life Style Study was used by DDB Needham's creative department in developing an advertising campaign for Westin a few years ago. The agency's Life Style Study showed that the younger business travelers the luxury hotel chain was targeting are highly confident, intelligent, assertive, and classy and considered themselves to be "winners." Rather than using the traditional images that feature buildings and golf courses, the creative team decided to "brand the users" by playing to their ego and reinforcing their strong self-image. The ad campaign used the tagline "Who is he/she sleeping with? Westin. Choose your travel partner wisely" (Exhibit 8-6).

Recently a number of advertising agencies have been conducting branding research to help better identify clients' customers and how they connect to their brands. Agencies use this research to determine how a brand is perceived among consumers, and these insights, in turn, are used to develop more effective advertising campaigns.<sup>22</sup> IMC Perspective 8-3 discusses how some of the

## IMC PERSPECTIVE 8-3

## Advertising Agencies Find Ways to Build Stronger Brands

Branding has become more important than ever to companies competing in today's marketplace. At a time when battered investors, customers, and even employees are questioning whom they can trust, the ability of a familiar brand to deliver proven value has become extremely important. A belief in the power of brands has spread beyond the traditional consumer-goods marketers, and branding has become a very important part of the marketing strategy for companies in almost every industry. Purveyors of products ranging from Gillette razors to BMW automobiles to Starbucks coffee have been able to use their strong brands to keep growing without succumbing to the pricing pressure of an intense promotional environment. However, many of the traditional big-brand companies are striving to reinvent themselves and to restore value to their venerable brands. And as they do so, many are looking to their advertising agencies to help them determine the best way to build strong brands and connect with their customers.

Advertising agencies often conduct research studies for their clients, using techniques such as surveys, focus groups, and ethnographic studies to help them better understand their customers and determine the best way to communicate with them. However, in recent years a number of agencies have been conducting branding research and developing proprietary models to help better identify clients' customers and determine how they connect to their brands.

DDB Worldwide provides clients with branding insights through its *Brand Capital Study*, which amasses information on more than 500 brands ranging from Wal-Mart to Yahoo and from Budweiser to Michelin. The proprietary branding research is based on a global marketing study consisting of quantitative surveys conducted among 14,000 consumers in 14 countries. The surveys consist of a battery of questions focusing on consumer attitudes, interests, desired self-image, values, and product use as well as various subjects and issues including family, religion, politics, advertising, and brands. The agency uses the information from the Brand Capital Study to compare the desired self-images and lifestyles of consumers who love a brand with those who have a less strong connection. The study also measures *brand magnetism*, which is the brand's ability to strengthen its connection with consumers and is based on four factors: high quality, leadership in the category, growth in popularity, and uniqueness in the category. According to the agency's worldwide brand planning director, the success of a product or brand is tied to how it is per-

ceived in popular culture: "In category after category, around the world, the evidence is clear. As a brand's breadth of connection with consumers increases, its depth of connection increases exponentially." DDB describes this phenomenon of each consumer's feelings about a brand being directly affected by other consumer's feelings as "brand contagion."

Young & Rubicam is another agency that has developed a proprietary tool for building and managing brands, a tool it refers to as the *Brand Asset Valuator*. The agency has invested over \$70 million and conducted over 120 studies in building a comprehensive global database of consumer perceptions of brands. This tool views brands as developing through a very specific progression of four consumer perceptions, including differentiation, relevance, esteem, and knowledge. Differentiation measures the strength of the brand's meaning, while relevance measures the personal appropriateness of the brand to consumers. These two measures together form *brand strength*, which is viewed as an important indicator of future performance and potential. Esteem is the extent to which consumers like a brand and hold it in high regard, while knowledge represents awareness of the brand and what it stands for and is the culmination of brand-building efforts. Esteem and knowledge form *brand stature*, which is a more traditional measure of the status of a brand and its current performance, which is a strong strategic indicator of the health of a brand. The Brand Asset Valuator uses measures of these four factors to identify core issues for the brand and to evaluate current brand performance and potential.

The Leo Burnett agency relies on its *Brand Belief System* to guide its global brand-building philosophy and practice. This system focuses on the development of the brand-believer bond, which is at the core of the relationship between a brand and its believers, and considers four fundamental questions. The first question involves the category and asks, Where does the brand truly belong? The second involves the content and asks, How will the brand inspire belief? The third question considers the culture and asks, What shapes belief in the brand? The final question involves the customer and asks, With whom and how will the brand belong? Leo Burnett uses a set of proprietary research tools to provide information that can be used as part of the Brand Belief System and provide the agency with a basis for brand analysis and planning.

Nearly all the major agencies are conducting branding research and/or developing models or systems

that they can use to gain better insight into consumers and develop more effective campaigns for their clients. The importance of building and maintaining strong brands is likely to become even greater in the future. This will put even more pressure on agencies to develop new and better tools and techniques

that can be used to guide their clients' advertising campaigns.

Sources: Kathryn Kranhold, "Agencies Beefing Up on Brand Research," *The Wall Street Journal*, Mar. 9, 2000, p. B14; Brand Asset Valuator White Paper, [www.yr.com](http://www.yr.com); "DDB Worldwide Explores What Makes Big Brands Big," [www.ddb.com](http://www.ddb.com), March 2000.

major agencies are conducting branding research and developing models to determine how consumers connect with their client's brands.

**Qualitative Research Input** Many agencies, particularly larger ones with strong research departments, have their own research programs and specific techniques they use to assist in the development of creative strategy and provide input to the creative process. In addition to the various quantitative research studies, qualitative research techniques such as in-depth interviews or focus groups can provide the creative team with valuable insight at the early stages of the creative process. **Focus groups** are a research method whereby consumers (usually 10 to 12 people) from the target market are led through a discussion regarding a particular topic. Focus groups give insight as to why and how consumers use a product or service, what is important to them in choosing a particular brand, what they like and don't like about various products or services, and any special needs they might have that aren't being satisfied. A focus group session might also include a discussion of types of ad appeals to use or evaluate the advertising of various companies.

Focus group interviews bring the creative people and others involved in creative strategy development into contact with the customers. Listening to a focus group gives copywriters, art directors, and other creative specialists a better sense of who the target audience is, what the audience is like, and who the creatives need to write, design, or direct to in creating an advertising message. Focus groups can also be used to evaluate the viability of different creative approaches under consideration and suggest the best direction to pursue.<sup>23</sup>

Another form of qualitative input that has become popular among advertising agencies is **ethnographic research**, which involves observing consumers in their natural environment.<sup>24</sup> Some agencies send anthropologists or trained researchers into the field to study and observe consumers in their homes, at work, or at play. For example, the Ogilvy & Mather agency has a research unit called the Discovery Group which moves into consumers' homes, follows consumers in their leisure pursuits, or trails them as they move through their daily lives.<sup>25</sup> For Ogilvy client Miller beer, Discovery staffers traveled around the country filming Miller drinkers, as well as those drinking competitive brands. They used the tapes to study group dynamics and how the dynamics changed while people were drinking. The agency used the insights gained from the study to help develop a new advertising campaign for Miller Lite beer, which will be discussed later in the chapter. Many marketing and agency researchers prefer ethnographic research over the use of focus groups, as the latter technique has a number of limitations. Strong personalities can often wield undue influence in focus groups, and participants often will not admit, or may not even recognize, their behavior patterns and motivations. However, ethnographic studies can cost more to conduct and are more difficult to administer.

Generally, creative people are open to any research or information that will help them understand the client's target market better and assist in generating creative ideas. The advertising industry is recognizing the importance of using research to guide the creative process. The Advertising Research Foundation recently initiated the David Ogilvy Awards, named after the advertising legend who founded Ogilvy & Mather. These awards are presented to teams of advertising agencies, client companies, and research companies in recognition of research that has been used successfully to determine the strategy and effectiveness of ad campaigns. For example, the California Milk Processor Board, which is a past winner of the David Ogilvy Award, has used both quantitative and qualitative research in developing the popular "Got

**Exhibit 8-7** Research helped in the development of the popular “got milk?” campaign

milk?” advertising campaign. Focus groups and survey research studies were conducted to help understand companion foods that are consumed with milk and how consumers react to the effect of “milk deprivation,” which is the key idea behind the humorous ads in the campaign.<sup>26</sup> (Exhibit 8-7)

### Inputs to the Creative Process: Verification, Revision

The verification and revision stage of the creative process evaluates ideas generated during the illumination stage, rejects inappropriate ones, refines and polishes those that remain, and gives them final expression. Techniques used at this stage include directed focus groups to evaluate creative concepts, ideas, or themes; message communication studies; portfolio tests; and evaluation measures such as viewer reaction profiles.

At this stage of the creative process, members of the target audience may be asked to evaluate rough creative layouts and to indicate what meaning they get from the ad, what they think of its execution, or how they react to a slogan or theme. The creative team can gain insight into how a TV commercial might communicate its message by having members of the target market evaluate the ad in storyboard form. A **storyboard** is a series of drawings used to present the visual plan or layout of a proposed commercial. It contains a series of sketches of key frames or scenes along with the copy or audio portion for each scene (Exhibit 8-8).

Testing a commercial in storyboard form can be difficult because storyboards are too abstract for many consumers to understand. To make the creative layout more realistic and easier to evaluate, the agency may produce an **animatic**, a videotape of the storyboard along with an audio soundtrack. Storyboards and animatics are useful for research purposes as well as for presenting the creative idea to other agency personnel or to the client for discussion and approval.

At this stage of the process, the creative team is attempting to find the best creative approach or execution style before moving ahead with the campaign themes and going into actual production of the ad. The verification/revision process may include more formal, extensive pretesting of the ad before a final decision is made. Pretesting and related procedures are examined in detail in Chapter 19.

### Advertising Campaigns

Most ads are part of a series of messages that make up an IMC or **advertising campaign**, which is a set of interrelated and coordinated marketing communication activities that center on a single theme or idea that appears in different media across a specified time period. Determining the unifying theme around which the campaign will be built is a critical part of the creative process, as it sets the tone for the individual ads and other forms of marketing communications that will be used. A **campaign theme** should be a strong idea, as it is the central message that will be communicated in all the advertising and other promotional activities.

### Creative Strategy Development



**Exhibit 8-8** Marketers can gain insight into consumers' reactions to a commercial by showing them a storyboard



Advertising campaign plans are short-term in nature and, like marketing and IMC plans, are done on an annual basis. However, the campaign themes are usually developed with the intention of being used for a longer time period. Unfortunately, many campaign themes last only a short time, usually because they are ineffective or market conditions and/or competitive developments in the marketplace change. IMC Perspective 8-4 discusses the problems the Miller Brewing Co. has had in trying to find an effective ad campaign for its Miller Lite brand.

While some marketers change their campaign themes often, a successful campaign theme may last for years. Philip Morris has been using the “Marlboro country” campaign for over 40 years, General Mills has positioned Wheaties cereal as the “Breakfast of Champions” for decades, and BMW has used the “ultimate driving machine” theme since 1974. Even though BMW has changed agencies several times over the past three decades, the classic tagline has been retained. Figure 8-3 lists the top 10 advertising slogans of the past century, as selected by *Advertising Age*.

**Figure 8-3** Top 10 advertising slogans of the century

Company or Brand	Campaign Theme
1. DeBeers	Diamonds are forever
2. Nike	Just do it
3. Coca-Cola	The pause that refreshes
4. Miller Lite	Tastes great, less filling
5. Avis	We try harder
6. Maxwell House	Good to the last drop
7. Wheaties	Breakfast of champions
8. Clairol	Does she . . . or doesn't she
9. Morton Salt	When it rains it pours
10. Wendy's	Where's the beef?



## IMC PERSPECTIVE 8-4

## Miller Lite Searches for the Right Campaign Theme

One of the most memorable and successful advertising campaigns of all times was the “Tastes Great, Less Filling” theme for Miller Lite beer, which began in 1974. The campaign used humorous commercials featuring famous (and not-so-famous) ex-athletes and other celebrities arguing over whether the brand’s main appeal was its great taste or the fact that it contained fewer calories than regular beer and was less filling. The campaign ran for 17 years and helped make Miller Lite the second-best-selling beer in the United States for many years, as well as making light beer a legitimate segment of the beer market.

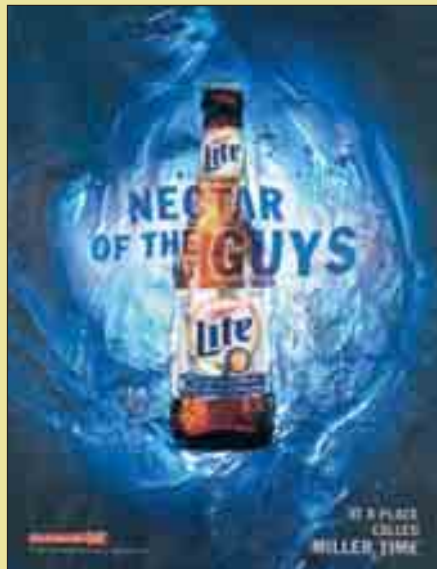
In the late 80s, Miller began taking the campaign in a new direction, and the ads began moving away from the use of ex-athletes. Although the tagline was still being used, the executions started using rock bands, old movie and party scenes, the Miller Lite girls, and other images in order to appeal to a broader and younger market. Miller Lite was also facing strong competition in the light-beer market from other brands such as Bud Light and Coors Light. Despite not entering the market until 1982, Anheuser-Busch had developed Bud Light into a strong brand and Coors Light had replaced the flagship brand as the company’s best-selling product. By the early 90s, Miller Lite was continuing to lose market share and the company decided to drop the “Tastes great, Less Filling” campaign. What followed was a six-year odyssey of advertising flip-flops that included adolescent humor and far-out wit to chase young male beer drinkers. Spots featuring cowboys singing good-bye to their beer on the way to the bathroom didn’t help sell a lot of Miller Lite.

In early 1999 Miller dusted off the 24-year-old formula of having people debate the merits of the brand. The new ad theme, “The Great Taste of a True Pilsner Beer,” pitted celebrities against one another in mock arguments over whether Miller Lite tastes great because its smooth or because of its choice hops. Miller marketing people felt the celebrity-bickering approach would work a second time because the new campaign was different from the original ads. In the new campaign there was no more talk about “less filling,” since this claim had lost its uniqueness as other light beers appeared. The ads focused on Miller Lite’s taste and ingredients, which is what the company felt really mattered to beer

drinkers. This campaign lasted less than a year: Miller switched agencies as well as ad themes and revived the 30-year-old “Miller Time” tagline that was used in the 1970s for the Miller High Life brand. The new ads, from the Ogilvy & Mather agency, modified the theme to “Grab a Miller Lite. It’s Miller Time” and featured guys bonding over beer, sexy women, and humorous vignettes. They showed friends doing things and enjoying their time together and focused on the ritual and camaraderie of having a beer. The agency’s creative director noted: “When we get down to the heart and soul of the brand, it’s always been about the occasion and the time guys spend together—the banter and the real talk.”

In 2002 the agency took the bonding concept in a slightly different direction with a new campaign for Miller Lite featuring ads that focus on real consumer insights and storytelling. The commercials open with a flashback to an embarrassing moment and end showing the embarrassed person telling the story. For example, one of the ads begins with a couple in a car, each with something he or she wants to discuss. The young man talks first, telling the woman he doesn’t want to marry her. She then tells him that she won millions in the lottery. The commercial ends with the man telling the story to friends while playing pool and, afterward, one of the friends sneaking off to phone the woman for a date. Each ad closes with the slogan “Life is best told over a great-tasting Miller Lite at a place called Miller Time.” Print executions also focus on the theme of friends getting together to enjoy a Miller Lite.

The new Miller Lite ads have been received very favorably by Miller beer distributors and by consumers. Some critics have argued that, with the storyteller ads, Miller has created one of its most popular campaigns since “Tastes Great, Less Filling.” A Miller executive notes: “This whole storytelling metaphor is very powerful. Consumers tell us, ‘This is how I drink beer with my friends.’” Of course, the company hopes that the new ads ensure that Miller Lite is the brand consumers are drinking when they get together with their friends.



Sources: Michael McCarthy, “Miller Turns to Classic Strategy,” *USA TODAY*, Aug. 5, 2002, p. 2B; Sally Beatty, “Philip Morris Taps Old Formula to Help Boost Miller Lite Brand,” *The Wall Street Journal*, Mar. 15, 1999, p. B5.

Like any other area of the marketing and promotional process, the creative aspect of advertising and the development of the campaign theme is guided by specific goals and objectives. A creative strategy that focuses on what must be communicated will guide the selection of the campaign theme and the development of all messages used in the ad campaign. The creative strategy is based on several factors, including identification of the target audience; the basic problem, issue, or opportunity the advertising must address; the major selling idea or key benefit the message needs to communicate; and any supportive information that needs to be included in the ad. Once these factors are determined, a creative strategy statement should describe the message appeal and execution style that will be used. Many ad agencies outline these elements in a document known as the copy or creative platform.

### Copy Platform

The written **copy platform** specifies the basic elements of the creative strategy. Different agencies may call this document a *creative platform* or *work plan*, *creative brief*, *creative blueprint*, or *creative contract*. The account representative or manager assigned to the account usually prepares the copy platform. In larger agencies, an individual from research or the strategic account planning department may write it. People from the agency team or group assigned to the account, including creative personnel as well as representatives from media and research, have input. The advertising manager and/or the marketing and brand managers from the client side ultimately approve the copy platform. Figure 8-4 shows a sample copy-platform outline that can be used to guide the creative process. Just as there are different names for the copy platform, there are variations in the outline and format used and in the level of detail included.

Several components of the copy platform were discussed in previous chapters. For example, Chapter 7 examined the DAGMAR model and showed how the setting of advertising objectives requires specifying a well-defined target audience and developing a communication task statement that spells out what message must be communicated to this audience. Determining what problem the product or service will solve or what issue must be addressed in the ad helps in establishing communication objectives for the campaign to accomplish. For example, in developing a campaign for Polaroid a few years ago, Goodby, Silverstein & Partners was faced with the challenge of redefining the relevancy of instant photography and bringing Polaroid cameras out of the closet and back into everyday use. Working with Polaroid's marketing personnel, the agency came up with the idea of focusing on an instant picture as a solution to a problem, an instant tool or "catalyst" to make something happen. The advertising message is designed to give people ideas about how to use their forgotten Polaroid cameras.

Two critical components of the copy platform are the development of the major selling idea and creative strategy development. These two steps are often the responsibility of the creative team or specialist and form the basis of the advertising campaign theme. For Polaroid, the major selling idea was "the picture is only the beginning," and the resulting campaign theme built around this idea was "See what develops." The creative strategy was to have each ad in the campaign tell a story in which a Polaroid camera sets off a chain reaction. For example, one of the TV commercials featured a harried architect in a meeting telling his wife on the phone that he can't possibly come

**Figure 8-4** Copy platform outline

1. Basic problem or issue the advertising must address.
2. Advertising and communications objectives.
3. Target audience.
4. Major selling idea or key benefits to communicate.
5. Creative strategy statement (campaign theme, appeal, and execution technique to be used).
6. Supporting information and requirements.



**Exhibit 8-9** The major selling idea behind this Polaroid commercial is that the picture is only the beginning of the story



home for lunch. But in a sultry voice she tells him to look in his briefcase, saying “I left you something this morning.” He pulls out a Polaroid photo, his eyes widen, and he says, “I’ll be there in 10 minutes.” Another humorous spot from the campaign shows a dog, wrongfully being scolded for upsetting the trash while an evil-looking cat sneers from the other side of the kitchen. The owner leaves, and the cat goes for the trash once again. However, this time the dog takes a Polaroid snapshot of the cat, astride the trash with a chicken bone in its mouth, and then patiently waits, incriminating photo in mouth, as the door opens and the owner returns. “Oh dear,” we hear as the picture fades (Exhibit 8-9).

Many copy platforms also include supporting information and requirements (brand identifications, disclaimers, and the like) that should appear in any advertising message. This information may be important in ensuring uniformity across various executions of the ads used in a campaign or in meeting any legal requirements. One of the major challenges for the creative team is determining the major selling idea that will be used as the basis of the campaign. We examine below some approaches often used for determining the major selling idea and campaign theme.

## The Search for the Major Selling Idea

An important part of creative strategy is determining the central theme that will become the **major selling idea** of the ad campaign. As A. Jerome Jeweler states in his book *Creative Strategy in Advertising*:

The major selling idea should emerge as the strongest singular thing you can say about your product or service. This should be the claim with the broadest and most meaningful appeal to your target audience. Once you determine this message, be certain you can live with it; be sure it stands strong enough to remain the central issue in every ad and commercial in the campaign.<sup>27</sup>

Some advertising experts argue that for an ad campaign to be effective it must contain a big idea that attracts the consumer’s attention, gets a reaction, and sets the advertiser’s product or service apart from the competition’s. Well-known adman John O’Toole describes the *big idea* as “that flash of insight that synthesizes the purpose of the strategy, joins the product benefit with consumer desire in a fresh, involving way, brings the subject to life, and makes the reader or audience stop, look, and listen.”<sup>28</sup>



**Exhibit 8-10** United Technologies “punks” ad is an excellent example of a big idea in business-to-business advertising

Of course, the real challenge to the creative team is coming up with the big idea to use in the ad. Many products and services offer virtually nothing unique, and it can be difficult to find something interesting to say about them. The late David Ogilvy, generally considered one of the most creative advertising copywriters ever to work in the business, has stated:

I doubt if more than one campaign in a hundred contains a big idea. I am supposed to be one of the more fertile inventors of big ideas, but in my long career as a copywriter I have not had more than 20, if that.<sup>29</sup>

While really great ideas in advertising are difficult to come by, there are many big ideas that became the basis of very creative, successful advertising campaigns. Classic examples include “We try harder,” which positioned Avis as the underdog car-rental company that provided better service than Hertz; the “Pepsi generation” theme and subsequent variations like “the taste of a new generation” and “GenerationNext”; the “Be all you can be” theme used in recruitment ads for the U.S. Army; and Wendy’s “Where’s the beef?” which featured the late, gravelly voiced Clara Peller delivering the classic line that helped make the fast-food chain a household name. More recent big ideas that have resulted in effective advertising campaigns include the “Intel inside” campaign for Intel microprocessors that go in personal computers; Nike’s “Just do it”; the “It keeps going and going” theme for Energizer batteries, featuring the pink bunny; and the “Like a rock” theme for Chevrolet trucks.

Big ideas are important in business-to-business advertising as well. For example, United Technologies Corp., a company that provides high-technology products to aerospace and building-systems industries throughout the world, recently began a major advertising campaign to increase awareness of the firm and its various subsidiaries. One of the first advertisements in the campaign was the eye-catching ad shown in Exhibit 8-10, which uses the headline “the punks who killed heavy metal,” with the headline atop of what vaguely looks like a movie blood splotch. The copy explains that the punks are actually scientists (notice the white pocket protectors) from the company’s research center and touts their role in developing metal foams—materials much lighter than traditional metals—that will help make a variety of UTC products, from helicopters to jet engines to elevators, lighter and more economical to operate. The ad was very effective in cutting through the clutter of corporate advertising in publications such as the *Wall Street Journal*, *Barron’s* and *BusinessWeek*.

It is difficult to pinpoint the inspiration for a big idea or to teach advertising people how to find one. However, several approaches can guide the creative team’s search for a major selling idea and offer solutions for developing effective advertising. Some of the best-known approaches follow:

- Using a unique selling proposition.
- Creating a brand image.
- Finding the inherent drama.
- Positioning.

**Unique Selling Proposition** The concept of the **unique selling proposition (USP)** was developed by Rosser Reeves, former chair of the Ted Bates agency, and is described in his influential book *Reality in Advertising*. Reeves noted three characteristics of unique selling propositions:

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 will get this benefit.”
2. The proposition must be one that the competition either cannot or does not offer. It must be unique either in the brand or in the claim.
3. The proposition must be strong enough to move the mass millions, that is, pull over new customers to your brand.<sup>30</sup>



Reeves said the attribute claim or benefit that forms the basis of the USP should dominate the ad and be emphasized through repetitive advertising. An example of advertising based on a USP is the campaign for Colgate's new Total toothpaste (Exhibit 8-11). The brand's unique ingredients make it the only toothpaste that provides long-lasting protection and has been proved effective in fighting cavities between brushings.

For Reeves's approach to work, there must be a truly unique product or service attribute, benefit, or inherent advantage that can be used in the claim. The approach may require considerable research on the product and consumers, not only to determine the USP but also to document the claim. As we shall see in Chapter 21, the Federal Trade Commission objects to advertisers' making claims of superiority or uniqueness without providing supporting data. Also, some companies have sued their competitors for making unsubstantiated uniqueness claims.<sup>31</sup>

Advertisers must also consider whether the unique selling proposition affords them a *sustainable competitive advantage* that competitors cannot easily copy. In the packaged-goods field in particular, companies quickly match a brand feature for feature, so advertising based on USPs becomes obsolete. For example, a few years ago Procter & Gamble invented a combination shampoo and conditioner to rejuvenate its struggling Pert brand. The reformulated brand was called Pert Plus and its market share rose from 2 to 12 percent, making it the leading shampoo. But competing brands like Revlon and Suave quickly launched their own two-in-one formula products.<sup>32</sup>

**Creating a Brand Image** In many product and service categories, competing brands are so similar that it is very difficult to find or create a unique attribute or benefit to use as the major selling idea. Many of the packaged-goods products that account for most of the advertising dollars spent in the United States are difficult to differentiate on a functional or performance basis. The creative strategy used to sell these products is based on the development of a strong, memorable identity for the brand through **image advertising**.

David Ogilvy popularized the idea of brand image in his famous book *Confessions of an Advertising Man*. Ogilvy said that with image advertising, "every advertisement should be thought of as a contribution to the complex symbol which is the brand image." He argued that the image or personality of the brand is particularly important when brands are similar:

The greater the similarity between brands, the less part reason plays in brand selection. There isn't any significant difference between the various brands of whiskey, or cigarettes, or beer. They are all about the same. And so are the cake mixes and the detergents and the margarines. The manufacturer who dedicates his advertising to building the most sharply defined personality for his brand will get the largest share of the market at the highest profit. By the same token, the manufacturers who will find themselves up the creek are those shortsighted opportunists who siphon off their advertising funds for promotions.<sup>33</sup>

Image advertising has become increasingly popular and is used as the main selling idea for a variety of products and services, including soft drinks, liquor, cigarettes, cars, airlines, financial services, perfume/colognes, and clothing. Many consumers wear designer jeans or Ralph Lauren polo shirts or drink certain brands of beer or soft drinks because of the image of these brands. The key to successful image advertising is developing an image that will appeal to product users. For example, the sports apparel company No Fear uses this type of advertising to create a unique image for the brand as representing the outer limits of human performance. Ads like the one in Exhibit 8-12 have helped create this image for No Fear.



**Exhibit 8-11** This Colgate Total ad uses a unique selling proposition



**Exhibit 8-12** Advertising for No Fear creates a unique image for the brand as representing the outer limits of human performance



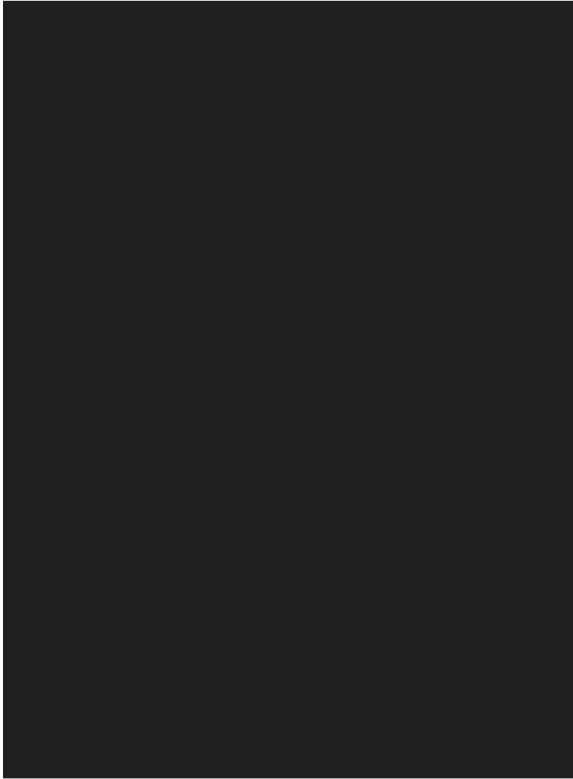
**Exhibit 8-13** This Hallmark commercial uses an inherent-drama approach



**Finding the Inherent Drama** Another approach to determining the major selling idea is finding the **inherent drama** or characteristic of the product that makes the consumer purchase it. The inherent drama approach expresses the advertising philosophy of Leo Burnett, founder of the Leo Burnett agency in Chicago. Burnett said inherent-drama “is often hard to find but it is always there, and once found it is the most interesting and believable of all advertising appeals.”<sup>34</sup> He believed advertising should be based on a foundation of consumer benefits with an emphasis on the dramatic element in expressing those benefits.

Burnett advocated a down-home type of advertising that presents the message in a warm and realistic way. Some of the more famous ads developed by his agency using the inherent-drama approach are for McDonald’s, Maytag appliances, Kellogg cereals, and Hallmark cards. Notice how the Hallmark commercial shown in Exhibit 8-13 uses this approach to deliver a poignant message.

**Positioning** The concept of *positioning* as a basis for advertising strategy was introduced by Jack Trout and Al Ries in the early 1970s and has become a popular basis of creative development.<sup>35</sup> The basic idea is that advertising is used to establish or “position” the product or service in a particular place in the consumer’s mind. Positioning is done for companies as well as for brands. For example, the ad shown in Exhibit 8-14 is part of a campaign designed to reinforce 3M’s image and position as an innovative company.



**Exhibit 8-14** This ad positions 3M as an innovative company

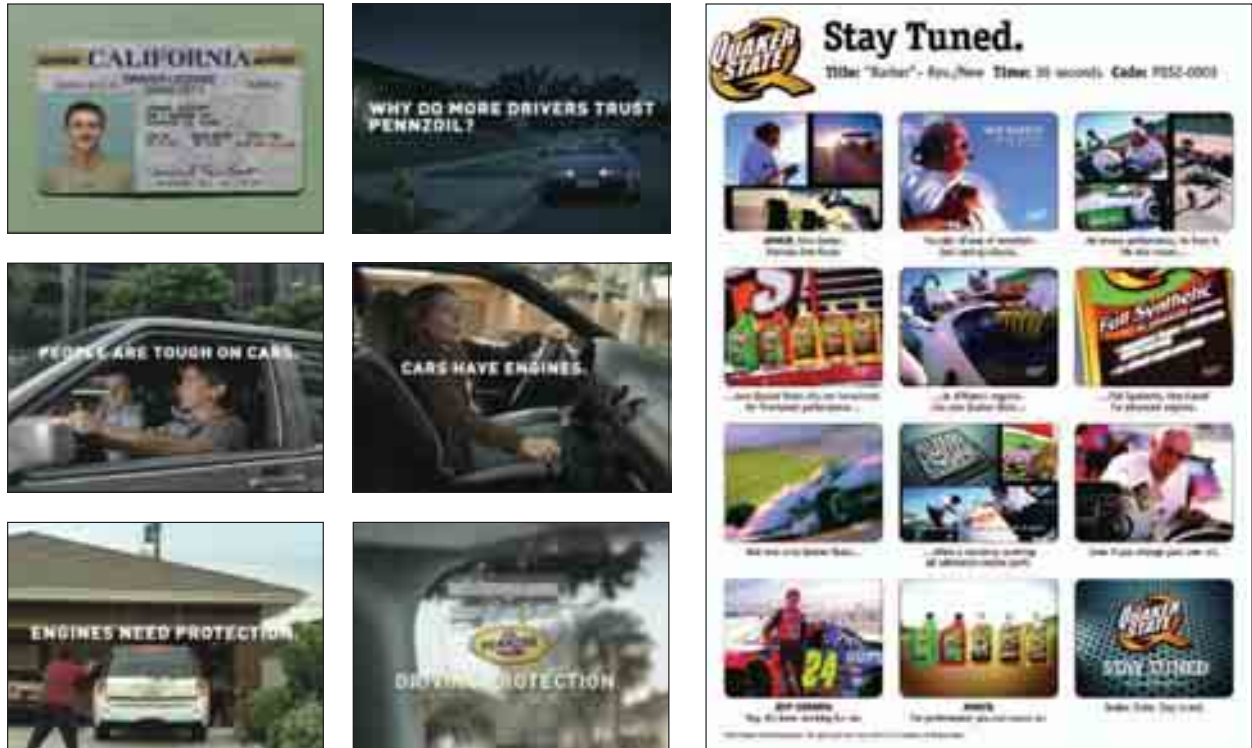
Trout and Ries originally described positioning as the image consumers had of the brand in relation to competing brands in the product or service category, but the concept has been expanded beyond direct competitive positioning. As discussed in Chapter 2, products can be positioned on the basis of product attributes, price/quality, usage or application, product users, or product class. Any of these can spark a major selling idea that becomes the basis of the creative strategy and results in the brand's occupying a particular place in the minds of the target audience. Since positioning can be done on the basis of a distinctive attribute, the positioning and unique selling proposition approaches can overlap. Positioning approaches have been used as the foundation for a number of successful creative strategies.

Positioning is often the basis of a firm's creative strategy when it has multiple brands competing in the same market. For example, the two top-selling brands of motor oil, Pennzoil and Quaker State, were merged into the same company when the two companies merged a few years ago. The Pennzoil–Quaker State Co. creates separate identities for the two brands by positioning them differently.<sup>36</sup> Pennzoil is positioned as a brand that stands for protection, while Quaker State uses a performance positioning. Advertising for Pennzoil uses the “we’re driving protection” tagline, while Quaker State ads use the “stay tuned” theme. (Exhibit 8-15)

The USP, brand image, inherent-drama, and positioning approaches are often used as the basis of the creative strategy for ad campaigns. These creative styles have become associated with some of the most successful creative minds in advertising and their agencies.<sup>37</sup> However, many other creative approaches are available.

Some of the more contemporary advertising visionaries who have had a major influence on modern-day advertising include Hal Riney of Hal Riney & Partners, Lee Clow and Jay Chiat of TBWA/Chiat/Day, Dan Wieden of Wieden & Kennedy, and Jeff Goodby and Rich Silverstein of Goodby, Silverstein & Partners. In describing today's creative leaders, Anthony Vagnoni of *Advertising Age* writes: “The modern creative kings don’t write books, rarely give interviews or lay out their theories on advertising. They’ve endorsed no set of rules, professed no simple maxims like Mr. Ogilvy’s

**Exhibit 8-15** Advertising for Pennzoil and Quaker State positions the brands differently



famous ‘When you don’t have anything to say, sing it.’ If pronouncements and books are out the window, what’s replaced them is a conscious desire to lift the intelligence level of advertising. Today’s leaders see advertising as an uplifting social force, as a way to inspire and entertain.”<sup>38</sup>

Goodby and Silverstein note: “Advertising works best when it sneaks into people’s lives, when it doesn’t look or feel like advertising. It’s about treating people at their best, as opposed to dealing with them at their lowest common denominator.” They describe their creative formula as doing intelligent work that the public likes to see and that, at the same time, has a sales pitch.<sup>39</sup> Lee Clow says: “No rule book will tell you how to target the masses anymore. The best of us understand the sociocultural realities of people and how they interact with the media. If we didn’t, we couldn’t make the kinds of messages that people would be able to connect with.”<sup>40</sup>

Specific agencies are by no means limited to any one creative approach. For example, the famous “Marlboro country” campaign, a classic example of image advertising, was developed by Leo Burnett Co. Many different agencies have followed the unique selling proposition approach advocated by Rosser Reeves at Ted Bates. The challenge to the creative specialist or team is to find a major selling idea—whether it is based on a unique selling proposition, brand image, inherent drama, position in the market, or some other approach—and use it as a guide in developing an effective creative strategy.

## Summary

The creative development and execution of the advertising message are a crucial part of a firm's integrated marketing communications program and are often the key to the success of a marketing campaign. Marketers generally turn to ad agencies to develop, prepare, and implement their creative strategy since these agencies are specialists in the creative function of advertising. The creative specialist or team is responsible for developing an effective way to communicate the marketer's message to the customer. Other individuals on both the client and the agency sides work with the creative specialists to develop the creative

strategy, implement it, and evaluate its effectiveness.

The challenge facing the writers, artists, and others who develop ads is to be creative and come up with fresh, unique, and appropriate ideas that can be used as solutions to communications problems. Creativity in advertising is a process of several stages, including preparation, incubation, illumination, verification, and revision. Various sources of information are available to help the creative specialists determine the best campaign theme, appeal, or execution style.

Creative strategy development is guided by specific goals and objectives and is based on a num-

ber of factors, including the target audience, the basic problem the advertising must address, the objectives the message seeks to accomplish, and the major selling idea or key benefit the advertiser wants to communicate. These factors are generally stated in a copy platform, which is a work plan used to guide development of the ad campaign. An important part of creative strategy is determining the major selling idea that will become the central theme of the campaign. There are several approaches to doing this, including using a unique selling proposition, creating a brand image, looking for inherent drama in the brand, and positioning.

## Key Terms

creative strategy, 237  
creative tactics, 237  
advertising creativity, 241  
account planning, 246  
general preplanning input, 247

product/service-specific preplanning input, 248  
problem detection, 248  
focus groups, 250  
ethnographic research, 250

storyboard, 251  
animatic, 251  
advertising campaign, 251  
campaign theme, 251  
copy platform, 254

major selling idea, 255  
unique selling proposition (USP), 256  
image advertising, 257  
inherent drama, 258

## Discussion Questions

1. The opening vignette discusses Nike's strategic initiative to improve the way the company does business with women which includes finding new ways to reach and communicate with them. Evaluate the efforts of Nike to reach women from an integrated marketing communications perspective. Do you feel Nike will be successful in its efforts to communicate with women?

2. Explain what is meant by creative strategy and creative tactics in advertising. Find an example of an advertising campaign and evaluate the creative strategy and tactics used in the ads.

3. Figure 8-1 lists the various advertising campaign themes used by Burger King over the past 15 years. Why do you think the company has had such a difficult time finding an effective advertising theme and changed campaigns and agencies so many times? Find an example of a current Burger King ad and evaluate the advertising theme being used.

4. What is your opinion of advertising awards, such as the Cannes Lions, that are based solely on creativity? If you were a marketer, would you take these creative awards into consideration in your agency evaluation process? Why or why not?

5. Find an example of an advertising campaign for a company or brand that you feel is very good and evaluate it using the universal advertising standards of the D'Arcy Benton & Bowles agency that are shown in Figure 8-2. Discuss how the advertising reflects these standards.

6. IMC Perspective 8-2 discusses the debate over creative versus hard-sell advertising. Discuss the arguments for and against each perspective. Which do you support? Who should be responsible for judging the creativity of an ad—clients or agency creative personnel?

7. What are the various stages of the creative process? Do you agree with the notion that advertising creativity can or should follow a definitive process?

8. Assume that you have been hired as an account planner by an advertising agency and assigned to work on the advertising campaign for a new brand of bottled water. Describe the various types of general and product-specific pre-planning input you might provide to the creative team.

9. What are the differences between focus group research and ethnographic research? Discuss how each research method could be used to provide qualitative research input that could be used in the creative process.

10. IMC Perspective 8-4 discusses the problems Miller Lite has had in developing a successful advertising campaign. Evaluate the various campaign themes that have been used for Miller Lite in recent years

and discuss why they have not been effective. Evaluate the current campaign being used for the brand.

11. Find an example of an ad or campaign that you think reflects one of the approaches used to develop a major selling idea such as unique selling proposition, brand image, inherent drama, or positioning. Discuss how the major selling idea is reflected in this ad or campaign.



# Creative Strategy: Implementation and Evaluation

## 9

### Chapter Objectives

1. To analyze various types of appeals that can be used in the development and implementation of an advertising message.
2. To analyze the various creative execution styles that advertisers can use and the advertising situations where they are most appropriate.
3. To analyze various tactical issues involved in the creation of print advertising and TV commercials.
4. To consider how clients evaluate the creative work of their agencies and discuss guidelines for the evaluation and approval process.

## Reaching for the Skyy

The last five years have been heady times for vodka as the product category has experienced strong growth and one wave of chic new brands has been followed by another. Consumption of vodka has increased steadily since 1998, and the vodka category is double the size of the next



distilled-spirits segment, rum. Ironically, a bland-tasting product that was best known for helping Russians make it through a cold, bleak winter has become a status symbol for many trendy 20- and 30-somethings in America. Marketers have been trying to capitalize on the growing popularity of vodka, and the growth of the "cocktail culture" that has brought more young adults to the spirits market, by creating a distinct image for their brands and getting consumers to think of them as cutting edge, edgy, and hip. While a myriad of new vodka brands have been introduced in recent years, none has been as successful at attracting the attention of consumers as Skyy. The brand has overtaken Stolichnaya as the number-two super-premium vodka in the United States, trailing only Absolut.

Skyy was founded in 1992 by Maurice Kanbar, who developed it as a premium brand for older connoisseurs, like himself, desirous of the perfect martini. Kanbar developed a four-stage distillations process that extracts many of the congeners, which are natural impurities that remain in alcohol after distillations and may contribute to headaches, and created what he believed to be the purest of vodkas. The Skyy name came to him one day when he was looking out the window of his San Francisco apartment and viewing a brilliant blue sky. The additional "y" in the brand name was simply an addition to make the name less common and develop a trademark, while the cobalt-blue bottle was selected to connote a distinctive, daring product.

Much of Skyy's initial growth was driven by word of mouth. The company was successful in getting its eye-catching blue bottle into swanky Hollywood parties and nightclubs known for attracting a hip crowd. Skyy quickly generated a buzz on the nightclub circuit, where word spread that its quadruple-distilled formula reduced the likelihood of hangovers. The company also spent much of its limited marketing budget on sponsoring independent film festivals and producing artsy short films that were shown at these events. Skyy commissioned these short films by well-known independent film directors as part of its commitment to the independent film industry, which is one of Kanbar's passions. The directors are not asked to create an advertisement for Skyy, although each film does include "a cocktail moment." The Oscar-winning director of the film *Europa* has directed one of the films, and supermodel Claudia Schiffer has costarred with Skyy in another cocktail moment. The company uses the Internet to feature these films as a way of expanding its presence on the Web and also shows them as part of the festivals and movie premieres that it sponsors.

Advertising has also become an important part of Skyy's brand-building efforts. When the