**Part 1**

**Principle: Back to Basics**

This is one of the most exciting times to take an advertising course because of all of the changes in the industry – new technology, new media, new types of consumers and media users, new ways of looking at brand communication, and new economic challenges. It is also a great time to study the basics of advertising and brand communication because this is the era of “back to basics.”

**Unchanging Truths in Times of Change**

Rather than redefine the field to accommodate changing times, Bill Weintraub, one of the book’s advisory board members and a marketing export who led teams at several CPG organizations, insists that the basic truths in marketing communication are immutable.

He continues, “Regardless of the economy, new media, changes in culture, etc., I don’t accept that these superficial changes in the marketing environment are relevant in terms of how intelligent business practices should be conducted.”

**The Basic Truth: Understand Your Brand**

Advisory board member Regina Lewis, a leader in the area of consumer insights says, “There is a need for brand authenticity. With social media’s power, brands are tasked with – among other things – achieving perfect transparency.”

Lewis also believes that the basics of successful branding lie with connecting with consumer values. She sees that ‘uniquely positioning your brand is essential.” But that’s just the foundation of successful branding; the structure of a successful brand is built on effective communication.

**The Enduring Principles**

As you will see in this book, effective advertising and marketing communication are founded on basic, enduring principles. These principles are central themes in this textbook:

1. ***Brand.*** Build and maintain distinctive brands that your customers love.
2. ***Position***. Identify your competitive advantage in the minds of consumers.
3. ***Consumer.*** Focus on consumers and match your brand’s strengths to consumer needs and wants.
4. ***Message.*** Identify your best prospects and engage them in a brand conversation.
5. ***Media.*** Know how to best reach and connect with your target audience.
6. ***Integrate.*** Know how to connect the dots and make everything in the marketing communication toolkit work together.
7. ***Evaluate.*** Track everything you do so you know what works.

That does not mean that brand communication is unchanging. In fact, the practices are dynamic and continually adapting to changing marketplace conditions. But the basic principles are unchanging even in times of change.

**Chapter 1**

**Advertising**

**◆*CHAPTER CONTENT***

**Chapter Key Points**

1. What is advertising, how has it evolved, and what does it do in modern times?
2. How have the key concepts of marketing communication developed over time?
3. How the industry is organized – key players, types of agencies, and jobs within agencies?
4. Why and how is the practice of advertising changing?

**Chapter Overview**

This chapter defines advertising, explains its basic functions and key components, defines the role it plays in our society, and identifies eight different ways in which it is practiced today. The industry’s evolution is explored, along with the role of the advertising agency, how they are organized and how they function. The chapter concludes with a discussion of how the practice of advertising is changing.

**Chapter Outline**

**What is Advertising?**

* The purpose of advertising has always been to sell a product, which can be goods, services or ideas. Although there have been major changes in recent years, the basics of advertising remained unchanged even in the face of economic downturns and media convulsions.
* We can summarize a modern view of advertising with the following definition:

*Advertising is a paid form of persuasive communication that uses mass and interactive media to reach broad audiences in order to connect an identified sponsor with buyers (a target audience), provide information about products (goods, services, and ideas), and interpret the product features in terms of the customer’s needs and wants.*

* This definition has a number of elements and the definition is changing because of new technology, media shifts, and cultural changes.
* Advertising is usually *paid* for by the advertiser who has a product to *sell,* although some forms of advertising, such as public service announcements (PSAs), use donated space and time.
* Not only is the message paid for, but the *sponsor* is identified.
* Although advertising began as *one-way communication*, digital media has introduced new forms of *two-way and multiple-way* brand-related communication.
* Advertising generally reaches a *broad audience* *of potential consumers*, either as a *mass audience* or smaller *targeted groups*. However, *direct response* advertising, especially those practices that involve digital communication, has the ability to address individual members of the audience. So some advertising can deliver one-to-one communication to a large group of people.
* In traditional advertising, the message is conveyed through many different kinds of *mass media,* which are largely *non-personal* messages. This non-personal characteristic, however, is changing with the introduction of more *interactive* types of media.
* A great deal of emphasis is now placed on *word-of-mouth*, which is now defined as personal communication through new media forms rather than “scripted messages in a paid format,” according to agency CEO Richard Edelman.
* Most advertising has a defined strategy and seeks to inform consumers and make them *aware* of a brand, company, or organization. In many cases, it also tries to *persuade* or influence consumers to do something. Persuasion may also involve *emotional* messages.
* A product can be a good, service, or an idea. Nonprofits, for example, use ads to sell memberships, inform about a cause, or advocate on behalf of its position or point-of-view.
* Advertising is not the only tool in a brand’s promotional toolkit, although it may be the biggest. It is a more than $500 billion industry worldwide and a $174 billion industry in the United States. It is often seen as the driving force in marketing communications because it commands the largest budget as well as the largest number of agencies and professionals.

**What Are Advertising’s Basic Functions?**

* ***Identification***. *Advertising identifies a product and/or the store where it’s sold.* This goes back as far as ancient times. Some of the earliest ads were simply signs with the name or graphic image of the type of store – cobbler, grocer, or blacksmith.
* ***Information***. *Advertising provides information about a product.* Advances in printing technology at the beginning of the Renaissance spurred literacy and brought an explosion of printed materials in the form of posters, handbills, and newspapers. The word advertisement first appeared around 1655 and by 1660, publishers were using the word as a heading in newspapers for commercial information.
* ***Persuasion.*** *Advertising persuades people to buy things.* The Industrial Revolution accelerated social change, as well as mass production. It brought the efficiency of machinery not only to the production of goods, but also to their distribution. For widespread marketing of products, it became important to have a recognizable brand name. Also, large groups of people needed to know about these goods. P.T. Barnum and patent medicine makers were among the advertising pioneers who moved promotion from identification and information to a flamboyant version of persuasion called “hype” - graphics and language characterized by exaggeration or hyperbole.

**What Are the Key Components of Advertising?**

* ***Strategy***: This is the logic behind the advertisement. It is stated through objectives that may focus on areas such as sales, news, psychological appeals, emotion, branding and brand reputation, as well as the position and differentiation of the product from competition, and segmentation and targeting of the best prospects.
* ***Message***: This is the concept behind a message and how that message is expressed based on research and consumer insights, with an emphasis on creativity and artistry.
* ***Media***:Various media have been used by advertisers over the centuries including print, broadcast, outdoor, and now digital media. Targeting ads to prospective buyers is done by matching their profiles to media audiences. Advertising agency compensation was originally based on the cost of buying time or space in the media.
* ***Evaluation***: Effectiveness means meeting objectives, and in order to determine if that has happened, there must be testing. Standards are set by professional organizations and companies that rate the size and makeup of media audiences, as well as advertising’s social responsibility.

**Common Types of Advertising**

* Different types of advertising play different roles. We can identify eight different types of advertising:

1. ***Brand advertising*,** the most visible type of advertising, is also referred to as national or consumer advertising, focuses on the development of a long-term brand identity and image.
2. ***Retail advertising or Local Advertising*:** This type of advertising focuses on retailers, distributors, or dealers who sell their merchandise in a certain geographical area. Retail advertising has information about products that are available in local stores. The objectives focus on stimulating store traffic and creating a distinctive image for the retailer. Local advertising can refer to a retailer, such as T.J. Maxx, or a manufacturer or distributor who offers products in a fairly restricted geographic area.
3. ***Direct-Response Advertising*** tries to stimulate an immediate response by the customer to the seller. It can use any advertising medium, particularly direct mail or the Internet. The consumer can respond by telephone or mail, and the product is delivered directly to the consumer by mail or some other carrier.
4. ***Business-to-Business Advertising*: Business-to-business (B2B) advertising,** also called *trade advertising*, is sent from one business to another. It includes messages directed at companies distributing products as well as industrial purchasers and professionals, such as lawyers and physicians. Advertisers place most business advertising in professional publications or journals.
5. ***Institutional Advertising*,** also called **corporate advertising**, focuses on establishing a corporate identity or winning the public over to the organization’s point of view. Tobacco companies, for example, run ads that focus on the positive things they are doing. Ads for a pharmaceutical company showcasing its leukemia treatment are another example of this type of advertising.
6. ***Nonprofit Advertising*:** Not-for-profit organizations, such as charities, foundations, associations, hospitals, orchestras, museums, and religious institutions use **nonprofit advertising** to reach customers, members, and volunteers. It is also used to solicit donations and other forms of program participation.
7. ***Public Service* *Advertising*** provides messages on behalf of some good causes, such as stopping drunk driving (as in messages from Mothers Against Drunk Driving) or preventing child abuse. Advertising professionals usually create these advertisements, also called **public-service announcements (PSAs), pro bono (**free of charge) and the media often donate the necessary space and time.
8. Specific advertising areas, such as health care, green marketing, agribusiness, and international address specific situations or issues and have developed specialized advertising techniques and agencies.

* Despite their differences, there are many commonalities among these seven categories. All types of advertising demand creative, original messages that are strategically sound and well executed, and all are delivered through some type of media.
* Advertisements can be developed as single ads largely unrelated to other ads by the same advertiser. Or they can be developed as a **campaign**, a term that refers to a set of related ads that are variations on the same theme.

**Is Advertising the Only Tool in the Promotional Toolkit?**

* Advertising’s original purpose was to sell something, but over the years, other promotional tools with different sets of strengths have developed to help meet that objective. They include *publicity or public relations, direct-response advertising, and sales promotion.*
* In other words, a variety of tools can be used to identify, inform, and persuade. The proper name for this bundle of tools is **marketing communication (marcom)**, an umbrella term that refers to various types of promotional tools and communication efforts about a brand that appear in a variety of media.

**What Roles Does Advertising Perform?**

* In addition to marketing communication, advertising also has a role in the functioning of the economy and society. This is illustrated in the ‘1984” commercial that launched the Apple Macintosh. As you read about this commercial in the *Matter of Practice* feature in this chapter, note how it demonstrated all four functions – marketing, communication, social and economic.

Marketing and Communication Roles

* In its marketing and communication roles, advertising transforms a product into a distinctive brand by creating an image and personality that goes beyond straightforward product features. As advertising showcases brands, it also creates consumer demand and makes statements that reflect social issues and trends.

Economic and Societal Roles

* Advertising flourishes in societies that enjoy economic abundance, in which supply exceeds demand. In such societies, advertising extends beyond a primarily informational role to create a demand for a particular brand. Creating **buzz -** getting people to talk about the brand – has become an important goal of marketing communication in this era of social media.
* Most economists presume that because it reaches large groups of potential consumers, advertising brings cost efficiencies to marketing, and thus, lowers prices to consumers. As demand grows, as well as competition, prices begin to drop.
* Two contrasting points of view explain how advertising creates economic impact. In the first, the rational view, advertising is seen as a vehicle for helping consumers assess value through price cues and other information, such as quality, location, and reputation. Advocates of the first viewpoint see the role of advertising as a means to objectively provide price/value information, thereby creating more *rational economic decisions.* The second approach appeals to consumers making a decision on *non-price, emotional appeals.* This type of advertising is believed to be so persuasive that that it decreases the likelihood a consumer will switch to an alternative, product, regardless of the price charged.
* Advertising mirrors fashion and design trends, thereby adding to our aesthetic sense. It also has an educational role in that it teaches us about new products. It may also expose social issues and help us shape an image of ourselves by setting up role models with which we can identify. It also presents images that capture the diversity of the world in which we live. These social roles have both negative and positive dimensions.

**How Did Current Practices And Concepts Develop?**

Figure 1.2 in the textbook provides a timeline reflecting how the principles and practices of this multibillion dollar industry have evolved. The timeline divides the evolution of advertising into five stages, which reflect historical eras and the changes that lead to different philosophies and styles of advertising.

The Early Age of Print:

* Industrialization and mechanized printing spurred literacy, which encouraged businesses to advertise beyond just their local places of business. Ads from these early years look like what we call *classified advertising* today. Their objective was to *identify products and* d*eliver information about them*, including where they were being sold*.* The primary medium of this age was *print*, particularly newspapers, although handbills, posters, and hand painted signs were also important.

The Early Age of Agencies

* The 19th century introduced the beginning of what we now recognize as the advertising industry. During this era, the first ad agency was opened in 1848 in Philadelphia and P.T. Barnum embarked one of the first *campaigns*. The *commission system* for placing ads was begun and *the account executive position* was created.
* As advertisers and marketers became more concerned about ads that worked, professionalism in advertising began to take shape. This is also when it became important to have a definition or a theory of advertising.
* On the retail side, department store owner John Wanamaker hired a full-time **copywriter.** Also, the newly founded McCann agency developed a philosophy that emphasized the agency’s role in crafting the ad message, and the industry’s first trade publication appeared in 1888.
* By the end of the 19th century advertisers began to give their goods **brand names**. The purpose of advertising during this period was to create demand, as well as a visual identity for these new brands. Inexpensive brand name products, known as *packed goods*, began to fill the shelves of grocers and drug stores. The questionable ethics of hype and *puffery* came to a head in 1892.
* In Europe, the visual quality of advertising improved dramatically as artists who also were *illustrators* brought their craftsmanship to posters and print ads, as well as magazine illustrations. Because of the artistry, this period is known as *The Golden Age*. The artist role moved beyond illustration to become the art director in 20th century advertising.

The Scientific Era

* In the early 1900s, professionalism in advertising was reflected by the beginnings of a professional organization, which was officially named the American Association of Advertising Agencies in 1917.
* In the early 20th century, modern professional advertising adopted scientific *research* techniques. Advertisers believed they could improve advertising by blending science and art. During the 1930s and 1940s, Daniel Starch, A.C. Nielsen, and George Gallup founded research organizations that are still a part of today’s advertising industry.
* *Targeting*, the idea that messages should be directed at particular groups of prospective buyers, evolved as media become more complex. In 1914, the Audit Bureau of Circulation (ABC) was formed to standardize the definition of paid circulation for magazines and newspapers. Media changes saw print being challenged by radio advertising in 1922. Radio surpassed print in ad revenue in 1938.
* The world of advertising agencies developed rapidly after World War II, led by the J. Walter Thompson agency. The agency’s success was due largely to its creative copy and the management style of the husband and wife team of Stanley and Helen Resor, who introduced quite a few of the advertising concepts and practices still with us today.
* Television commercials came on the scene in the early 1950s and brought a huge new revenue stream to the advertising industry. In 1952 the Nielsen rating system for TV advertising became the primary way to measure the reach of TV commercials. This period also saw marketing practices, such as **product differentiation**and **market****segmentation** incorporated into advertising. The idea of **positioning** was developed in 1969.

The Creative Revolution

* The creative power of agencies exploded in the 1960s and 1970s, a period marked by the resurgence of art, inspiration, and intuition. Largely in response to the previous emphasis on research and science, this revolution was inspired by three creative geniuses: Leo Burnett, David Ogilvy, and William Bernbach.

The Era of Accountability and Integration

* Starting in the 1970s, the industry-wide focus was on **effectiveness***.* Clients wanted ads that produced sales, so the emphasis was on research, testing, and measurement. To be accountable, agencies and other marketing communication agencies recognized that their work had to prove its value. The economic downtown and dotcom crash toward the end of the 20th century reinforced this imperative. Advertisers now demanded proof that their advertisements accomplished its *objectives* as stated in the strategy*.*
* *Social responsibility* is also another aspect of accountability. In 1971 the National Advertising Review Board was created to monitor questions of *taste and social responsibility.* As the *digital era* brought nearly instantaneous means of communication spreading word-of-mouth among a social network of consumers, companies became even more concerned about their practices and brand or corporate reputation. At the same time,consumers became even more concerned about *business ethics*.
* This is also the era when integrated marketing communication became important. **Integrated marketing communication** (IMC) is another technique that managers began to adopt in the 1980s as a way to better coordinate their brand communication. Integration and consistency makes marketing communication more efficient and thus more financially accountable.

The Social Media Era

* Advertising and marketing communication practices have been turned upside down in the years since 2008. Digital and online communication became important earlier in the new century with brands and companies setting up websites and experimenting with online advertising worldwide. With the launch of Facebook, Twitter, YouTube and other vehicles for sharing thoughts, photos, and videos, the structure of consumer communication has been radically altered.

**THE ADVERTISING WORLD**

**Who Are the Key Players?**

* As we discuss the organization of the industry, consider that all of the key players also represent job opportunities they may wish to consider. The players include the advertiser or client, the agency, the media, and suppliers who provide expertise.
* The *A Matter of Practice* feature about ‘1984’ the greatest commercial ever made, introduced a number of these key payers and illustrated how they all make different contributions to the final advertising. Another way to get a peek into the field is through the lens of television, such as the *Mad Men* show. The *A Matter of Principle* feature in this chapter explains how Bruce Vanden Bergh analyzed the cultural relevance of this popular award-winning drama.

The Advertiser

* Advertising begins with the organization behind the promotion message, or the **advertiser.** The advertiser is the number one key player. Management of advertising function usually lies with the organization’s marketing or advertising department.
* The list of top advertisers in the United States usually begins with Procter and Gamble (P&G). Other leaders that appear on that list vary from year to year.
* Most advertisers have an executive or a department that initiates the advertising effort by identifying a marketing problem that advertising can solve. The marketing executive hires the advertising agency and other marketing communication agencies as needed. In professional jargon, the advertiser becomes the agency’s *client.* As the client, the advertiser is responsible for monitoring the work and paying the agency for its work on the account.
* The marketing team, sometimes including the agency account people, makes the final decisions about strategy, including the target audience and the size of the advertising budget. The client team approves the advertising or marketing communication plan, which contains details outlining the message and media strategies.
* Although big companies may have hundreds of agencies working for them, they normally have an *agency-of-record* that does most of their business and may even manage or coordinate the work of other agencies.

The Agency

* The second player is the **advertising** agency (or other types of marketing communication agencies)that creates, produces and distributes the messages. The working arrangement is known as the *agency-client partnership.* An advertiser uses an outside agency because it believes the agency will be more efficient in creating advertising messages than the advertiser would be on its own.
* Not all advertising professionals work in agencies. Large advertisers, either companies or organizations, manage the advertising process either by setting up an **advertising department** (sometimes called *marketing services*) that oversees the work of agencies or by setting up their own in-house agency, as we see in Figure 1.3.

The Media

* The third player in the advertising world is the media. The emergence of mass media has been a central factor in the development of advertising because mass media offers a way to reach a widespread audience. In traditional advertising, the term **media** refers to all ofthe channels of communication that carry the message from the advertiser to the audience and from consumers back to the company.
* We refer to these media as **channels** because they deliver messages, but they are also companies, such as your local newspaper or radio station. Some of those media conglomerates are huge, such as Time Warner and Viacom. **Media vehicles** are the specific programs, such as *60 Minutes* or *The Simpsons*, or magazines such as *Advertising Age* or *Woman’s Day*.
* Also, note that *media* is plural when it refers to various channels, but singular—*medium*—when it refers to only one form, such as a newspaper.
* Each medium has a department that is responsible for selling ad space or time. These departments specialize in assisting advertisers in comparing the effectiveness of various media as they try to select the best mix of media to use.
* The primary advantage of advertising’s use of **mass media** is that the costs to buy time in broadcast media, space in print media, and time and space in digital media are spread over the tremendous number of people that these media reach. One of the biggest advantages of mass-media advertising is that it can reach a lot of people with a single message in a very cost-efficient form.

Professional Suppliers and Consultants

* The fourth player in the world of advertising includes artists, writers, photographers, directors, producers, and printers as well as self-employed freelancers and consultants. In addition, there are freelance copywriters and graphic artists, songwriters, printers, market researchers, direct-mail production houses, telemarketers, and public relations consultants. *The Inside Story* feature in this chapter highlights the career of a freelance creative director.
* This array of suppliers mirrors the variety of tasks required to put together an ad. Why would the other advertising players hire an outside supplier? There are many reasons. The advertiser or the agency may not have expertise in specialized areas, their people may be overloaded with work, or they may want a fresh perspective.
* In the new world of digital media, another type of supplier has emerged, and this consumers who supply **user-generated content**.

**Types of Agencies**

* We are primarily concerned with advertising agencies in this chapter, but other areas such as public relations, direct marketing, sales promotion, and the Internet have agencies that provide specialized promotional help, as well.
* The A-List awards by *Advertising Age* recognize cutting-edge agencies that rank high in three areas – they are creative, fast growing, and their work is effective. A brief description of the top ten agencies on the A-List can be found in the textbook.
* In addition to agencies that specialize in advertising and other areas of marketing communication, there are also consulting firms in marketing research and branding that offer specialized services to other agencies, as well as advertisers.

Full Service Agencies

* Afull-service agency includes four major staff functions — account management, creative services, media planning, and account planning, which includes research. A full-service advertising agency also has its own finance and accounting department, a **traffic department** to handle internal tracking on completion of projects, a department for broadcast and print production, and a human resources department.

In-House Agencies

* An in-house agency produces ads and places them in the media, also. The difference is that the agency is a part of the advertiser’s organization, rather than an outside company. Companies that need closer control over their advertising have their own internal agencies.

Specialized Agencies

* Many agencies do not follow the traditional full agency approach. Instead they specialize in certain functions, audiences, industries, or markets. In addition, some agencies specialize in other marketing communication areas, such as branding, direct marketing, sales promotion, public relations, events and sports marketing, packaging, and point-of-sale promotions.
* ***Creative boutiques.*** Theseare ad agencies, usually small, that concentrate entirely on preparing the creative execution of idea, or the creative product. A creative boutique has one or more writers or artists on staff, but generally no staff for media, research, or strategic planning. They usually serve companies directly, but are sometimes retained by full service agencies that are overloaded with work.
* ***Media-buying services.*** These agencies specialize in the purchase of media for clients. They are in high demand for many reasons, but three stand out. First, media has become more complex as the number of choices has grown. Second, the cost of maintaining a competent media department has escalated. Third, media-buying services often buy media at a low cost because they can group several clients’ purchases together to get discounts based on volume.

Agency Networks and Holding Companies

* **Agency networks** are large conglomerations of agencies under central ownership that operate under one agency name. Examples include DDB Worldwide and BBDO Worldwide.  **Holding companies** include one or more advertising agency network, as well as other types of marketing communication agencies and marketing services consulting firms.

**How Are Agency Jobs Organized?**

Agency jobs are broken down into five functional areas:

Account Management

* The **account management** function acts as a liaison between the client and the agency. The account team summarizes the client’s communication needs and develops the basic “charge to the agency.” Once the agency and client together establish the general guidelines for the campaign, the account management team supervises the day-to-day development of the strategy.
* Account management in a major agency typically has three levels: the *management supervisor*, who provides leadership on strategic issues and looks for new business opportunities; the *account supervisor*, who is the key executive working on a client’s business and the primary liaison between the client and the agency; and the *account executive*, who is responsible for day-to-day activities and operates like a project manager. A smaller agency will combine some of these levels. The *A Day in the Life* feature in this chapter highlights the day-to-day job activities of a management supervisor at an A-list ad agency.

Account Planning and Research

* Full service agencies usually have a separate department specifically devoted to planning and sometimes to research as well. Today, the emphasis in agency research is on gaining insights into consumer thinking and behaviors in order to develop messages that focus on the consumer’s perspective and relationship with the brand.
* The **account planning group** gathers all available intelligence on the market and consumers and acts as the voice of the consumer. Account planners are strategic specialists who prepare comprehensive information about consumer’s wants, needs, and relationship to the client’s brand.

Creative Development and Production

* A creative group include people who write (*copywriters*), people who design ideas for print ads or television commercials (*art directors*), and people who convert these ideas into television or radio commercials (*producers*).

Media Research, Planning and Buying

* Agencies that don’t rely on outside media specialists have a media department that recommends to the client the most efficient means of delivering the message to the target audience. That department has three functions: research, planning and buying. Because the media world is so complex, it is not unusual for some individuals to become experts in certain markets or types of media.

Internal Operations

* The departments that serve the operations within the agency include the traffic department, print production, as well as financial services and human resources. The traffic department is the lifeblood of the agency, and its personnel keep track of everything that happens.

**How Are Agencies Paid?**

* Advertising agencies are big business. Agencies derive their revenues and profits from three main sources: commissions, fees, retainers, and performance incentives. For years, a 15 percent **commission** was the traditional form of compensation. For those few accounts still using a commission approach, the rate is rarely 15%. It is more likely lower and subject to negotiation between agency and client.
* Many advertisers now use a **fee system** either as the primary compensation tool or in combination with a commission system. The **fee system** is comparable to the way advertisers pay their lawyers or accountants. An agency may also be put on a monthly or yearly **retainer.** The amount billed per month is based on the projected amount of work and the hourly rate charged. This system is most commonly used by public relations agencies.
* A more recent trend in agency compensation is for advertisers to pay agencies on the basis of performance. One approach to this performance incentive is to pay the agency either a percentage of the client’s sales or a percentage of the client’s marketing budget. Another approach is that agencies share in the profits of their client when they create a successfully campaign, but that also means a greater financial risk if the advertising does not create the intended impact.
* Another innovation in agency compensation is called **value billing,** which means that the agency is paid for its creative and strategic ideas, rather than for executions and media placements.

**HOW IS THE PRACTICE OF ADVERTISING CHANGING?**

Because of the great recession, things will never quite be the same again within the industry, according to an industry commentator. But there are still some exciting changes that open up opportunities for new professionals entering the field.

**Consumer in Charge**

* “The days of pounding people with images and shoving those images down their eyeballs are over,” according to Procter and Gamble’s former global marketing officer Jim Stengel. This change is causing some shifts in the way the advertising business operates.
* User generated content got started as a trend in 2009 when CareerBuilder dismissed its agency and took its advertising in-house because they wanted ordinary consumers to create its ads. This move saved the company an estimated 15%-20% of its annual marketing costs and brought more opportunities for **consumer-generated advertising**.

**Blurring Lines and Converging Media**

* One of the biggest changes impacting the advertising industry is the changing media environment. The big bomb that has fragmented the media world is digital media, which appear in so many different forms that it’s impossible to keep up with them. The newspaper industry has been particularly wounded. The new personal media, such as iPhones, iPods, iPads, BlackBerries, and Kindles are real game-changers. The line is also blurring between traditional marketing communication functions and tools.

**Accountability and Effectiveness**

* Efficiency is an advantage in this new marketing communication world. Agencies that are creative in finding new ways to deliver cost efficiencies have a real advantage in their client dealings.
* There is also a concern about effectiveness. Effective ads are ads that work. That is, they deliver the message the advertiser intended and consumers respond as the advertiser had hoped.
* The Effie award, named for a shortened form of the word *effective,* is given by the New York Chapter of the American Marketing Association to advertising and other forms of communication that have proven to be not only creative but, more importantly, effective. That means the campaigns were guided by measurable objectives and the evaluation after the campaign determined that the effort did, in fact, meet or exceed the objectives.
* Other award shows may focus on other aspects of advertising, such as creative ideas. Not all award shows focus on effectiveness. The Clios and the Cannes Lions Award focus on creativity. Awards are also given for media plans, art direction, and other professional areas such as clever promotional ideas and outstanding public relations efforts.

**Integrated Marketing Communication**

* Integration is a concept that is discussed throughout this text book. The search for effective communication has led many companies to focus on the consistency of their brand communication in order to more efficiently establish a coherent brand. We call this practice i*ntegrated marketing communication (IMC)* - the primary tool of brand communication.

**End-of-Chapter Support**

**REVIEW QUESTIONS**

**1-4. Analyze the Old Spice campaign discussed in this chapter and compare its key aspects to the modern definition of advertising.**

The Old Spice campaign illustrates how advertising has evolved in complexity over the past four decades. When the current campaign is contrasted to its original from 1953, changes can be easily observed. The revived campaign did an excellent job of sparking word-of-mouth communication among its target audience by using a former NFL athlete to deliver the brand’s message. The hilarious and over-the-top tone of the ad brought life to the brand and moved it into a contemporary realm.

Along with television commercials, Procter and Gamble used YouTube, Facebook, Twitter, and the brand’s website to get people talking about the brand. In addition, word-of-mouth buzz was generated by letting the audience ask questions of their brand spokesperson, who was dubbed as “the man your man could smell like.” This two way interaction between the brand and its consumers was key in convincing younger consumers that the brand was cool.

The modern definition of advertising embraces interactivity between brand and consumer, the importance of word-of-mouth, and the effective use of digital and social media. The Old Spice campaign illustrates how each of these can be used to effectively strengthen brand communication to create a winning brand.

**1-5. Advertising plays four general roles in society. Define and explain each one in the context of the “1984” commercial featured in the chapter.**

Advertising plays a marketing, communications, economic and social role in our society. The 1984 commercial transformed a product into a brand by creating an image and personality for the Macintosh, as well as meaning for the brand. This is an example of advertising’s marketing role. That brand image was effectively communicated to consumers through a television ad that was run during the Super Bowl and Internet web sites, an example of advertising’s communication role. Its success in generating strong demand for the product among large groups of people, resulting in a high level of sales, is indicative of its economic role. It also evoked social commentary by presenting an image of Big Brother and subtly implying the need for resistance to such notions of conformity, an example of its social role.

**1-6. What are the four components of advertising and what key concepts and practices do they represent?**

The four key components of advertising are:

*Strategy****:*** This is the logic and planning behind the advertisement. It is stated through objectives that may focus on sales, differentiation of the product from competition, segmentation and targeting, branding, or other business priorities.

*Message*: The concept behind a message and how it is expressed based on research and consumer insights with an emphasis on creativity and artistry.

*Media*:Various media have been used by advertisers over the centuries including print, broadcast, outdoor, and now digital media. Targeting ads to prospective buyers is done by matching their profiles to media audiences. Advertising agency compensation was originally based on media.

*Evaluation*: Effectiveness means meeting objectives. In order to determine if objectives have been met, there must be testing. Standards are set by professional organizations and companies that rate the size and makeup of media audiences, as well as the advertising’s social responsibility.

**1-7. Trace the evolution of advertising and the current developments that shape the practice of advertising. What are the most important periods in the development of advertising and what changes did they bring?**

The evolution of advertising is divided into five stages. They are:

*The Early Age of Print:*Mechanized printing spurred literacy levels, which encouraged businesses to broaden the reach of their advertising. Ads from these early years look like what we call *classified advertising* today. Their objective was to deliver information. The primary medium of this age was print, particularly newspapers, although handbills, posters, and hand-painted signs were also important.

*The Early Age of Agencies:* The 19th century introduced the beginning of what we now recognize as the advertising industry. During this era, some of the largest American ad agencies were founded, and many of the roles that still exist within agencies, such as account executives, copywriters, and art directors emerged. Also, it was during this era that advertisers first began to give their goods brand names.

*The Scientific Era:*In the early 20th century, modern professional advertising adopted scientific research techniques. Advertisers believed they could improve advertising by blending science and art. During the 1930s and 1940s, Daniel Starch, A.C. Nielsen, and George Gallup founded research organizations that are still part of today’s advertising industry. The practice *of target marketing* evolved as media became more complex. And when television commercials came on the scene in the early 1950s, a huge new revenue stream was introduced to the industry.

*The Creative Revolution:*The creative power of agencies exploded in the 1960s and 1970s, a period marked by the resurgence of art, inspiration, and intuition. Largely in response to the previous emphasis on research and science, this revolution was inspired by three creative geniuses: Leo Burnett, David Ogilvy, and William Bernbach.

*The Era of Accountability and Integration:*  Starting in the 1970s, the industry-wide focus was on effectiveness. Clients wanted ads that produced sales, so the emphasis was on research and measurement. Agencies recognized that their work had to prove its value. The economic downtown and dotcom crash toward the end of the 20th century reinforced this imperative. Advertisers now demanded proof that their advertisements accomplished their strategic objectives.

*The Social Media Era:*  Advertising and marketing communication practices have been turned upside down with the emergence of digital and social media. Digital and online communication became important in the early part of the new century when brands and companies began setting up websites and experimenting with online advertising. A few years later with the launch of Facebook, Twitter, Youtube and other vehicles for sharing thoughts, photos, and videos, the structure of consumer communication was radically altered.

**1-8. Who are the four key players in the world of advertising, and what are the responsibilities of each?**

*The Advertiser:* Advertising begins with the **advertiser**, the company or organization that uses advertising to send out a message about its products. The advertiser initiates the advertising effort by identifying a marketing problem that advertising can solve. The advertiser also makes the final decisions about the target audience and the size of the advertising budget. This person or organization approves the advertising plan, which contains details outlining the message and media strategies.

*The Advertising Agency:* Advertising agencies create, produce and distribute the messages. Advertisers hire independent agencies to plan and implement part or all of their advertising efforts. This working arrangement is known as the *agency-client partnership.* An advertiser uses an outside agency because it believes the agency will be more efficient in creating an advertisement or a complete campaign than the advertiser would be on its own. Not all advertising professionals work in agencies. Large organizations often manage the advertising process by setting up either an advertising department (sometimes called *marketing services*) or by setting up their own *in-house agency*.

*The Media:* The mediais composed of the channels of communication that carry the message from the advertiser to the audience. We refer to these media as *vehicles* because they deliver messages, but they are also companies, such as your local newspaper or radio station. Also, note that *media* is plural when it refers to various channels, but singular—*medium*—when it refers to only one form, such as a newspaper.

*Professional Suppliers and Consultants:* The fourth player in the world of advertising includes artists, writers, photographers, directors, producers, and printers as well as self-employed freelancers and consultants.

**1-9. We discuss five categories of agency jobs. Explain each one and identify where your own personal skills might fit in.**

Account Management

The account management department acts as a liaison between the client and the agency. It ensures the agency focuses its resources on the client’s needs. The account team summarizes the client’s communication needs and develops the basic “charge to the agency.” Once the general guidelines for the campaign have been established, the account management team supervises the day-to-day development of the campaign or ad. Account management in a major agency typically has three levels: *management supervisor*, who provides leadership on strategic issues and looks for new business opportunities; *account supervisor*, who is the key executive working on a client’s business and the primary liaison between the client and the agency; and the *account executive*, who is responsible for day-to-day activities and operates like a project manager. Sometimes a fourth level may exist—the *account director*, who is above the account supervisor. Because account management is often responsible for providing the entire agency team with vision and direction, persons who possess strong leadership and communication skills and are good at motivating others tend to be highly effective in these positions.

Account Planning and Research

The account planning groupgathers all available intelligence on the market and consumers and acts as the voice of the consumer, making recommendations based on the consumer’s wants, needs, and relationship to the client’s brand. Jobs in this area may be preferred by persons who enjoy the detail-oriented, scientific approach toward problem solving that market research requires.

Creative Development and Production

A creative group includes people who write (*copywriters*), people who design ideas for print ads or television commercials (*art directors*), and people who convert these ideas into television or radio commercials (*producers*). Persons who are artistic, creative, and possess strong visual-spatial skills are often drawn to this area.

Media Planning and Buying

Agencies that don’t rely on outside media specialists have a media department that recommends to the client the most efficient means of delivering the message to the target audience. That department has three functions: research, planning and buying. This is such a complex task that it is not unusual for some individuals to become experts in certain markets or types of media. Logical thinkers who enjoy mathematical operations would fit well in this arena.

Internal Operations

The departments that serve the operations within the agency include the traffic department, print production, as well as financial services and human resources. The traffic department is the lifeblood of the agency, and its personnel keep track of everything that happens. Persons working in this area of the agency must have strong organizational skills and enjoy multitasking.

**1-10. What are the three major challenges affecting the current practice of advertising? How does each contribute to the changing landscape of the industry?**

One of the biggest changes impacting the advertising industry is the changing media environment. The big bomb that has fragmented the media world is digital media, which appear in so many different forms that it’s impossible to keep up with them. The newspaper industry has been particularly wounded. The new personal media, such as iPhones, iPods, iPads, BlackBerries, and Kindles are real game-changers. This has caused the lines to blur between traditional marketing communication functions and tools and their newer technology-driven counterparts.

Another major change is the emergence of user generated content, which got started as a trend in 2009 when CareerBuilder dismissed its agency and took its advertising in-house because they wanted ordinary consumers to create its ads. This move not only engaged consumers, but also saved the company an estimated 15%-20% of its annual marketing costs. As a result, the popularity of consumer-generated content as a brand communication tool continues to grow within the industry.

The concern about effectiveness continues. Effective ads are ads that work, that is, they deliver the message the advertiser intended and consumers respond as the advertiser had hoped. Advertising works only if it has achieved its intended objectives. Often, the marketing managers who hire agencies are under pressure from their superiors to defend their advertising expenditures by proving its anticipated effectiveness amongst consumers and positive impact on the company’s bottom line. Efficiency is an advantage in this ever evolving marketing communication world. Agencies that are creative in finding new ways to deliver cost efficiencies have a real advantage in their client dealings.

**Discussion Questions**

**1-11.** Many industry experts feel that Apple’s “1984” commercial is the best television commercial ever made. Watch it online on Youtube.com and analyze how it works. How many of the basic advertising practices and concepts that we introduced in the historical timeline of Figure 1.1 does it demonstrate? Why do you think the experts are so impressed with this ad?

*This ad is an excellent example of the principles that accompanied the Creative Revolution, a period marked by the resurgence of art, inspiration, and intuition. The ad used a creative blend of inherent drama, cultural archetypes, and symbols to build an enduring brand. Each of these elements is an indicator of advertising history’s Creative Era.*

*Steve Jobs, Apple’s CEO at that time, wanted to launch the Macintosh with an inspiring commercial that was as revolutionary as the product itself. Unlike most advertising, it was neither the most heartwarming spot nor a big laugh getter. However it fulfilled Mr. Jobs’ demand while also setting a new commercial standard for production values and cinematic style in the advertising industry. The ad was clearly effective, since it turned a little known product into a major brand that continues to thrive. This is why experts were so impressed.*

1. **</inst><question id="ch01ps02q01"><para>Look through the ads in thix t**

**<general-problem id="ch01ps02gen02" label="2" maxpoints="1"><inst></inst><question id="ch01ps02q02"><para><general-problem id="ch01ps02gen03" label="3" maxpoints="1"><inst></inst><question id="ch01ps02q03"><title> </title><para>1-12.** In class, Mark tells the instructor that all this “history of advertising” stuff is irrelevant. The instructor asks the class to consider why it is important to understand the historical review of advertising definitions and practices. What would you say either in support of Mark’s view or to change his mind?

*One side****:*** *History can teach us some important lessons in advertising. For thousands of years, advertising has been about creating a message and sending it to someone in the hope that he or she will react in a certain way. If the consumers react as the advertiser intended, then the ad is presumed to be effective. This principle still applies in the 21st century. Also, the mercantile definition of advertising, with its emphasis on basic commercial communication, shows us how advertising began centuries ago. A review of the “Identification,” “Information,” “Promotion,” and “Sales” definitions of advertising in this chapter provide additional support for historical significance.   
  
The other side****:*** *Although history is always relevant, society and technology have changed so much that we live in a different advertising world today. The components of modern advertising found in this chapter (advertising strategy, creative idea, creative execution, media planning and buying), tell us much more about business and demographic realities of the 21st century. They recognize that advertising is a complex, sophisticated profession requiring creative strategies and executions based on unique consumer insights. Finally, effective advertising today is increasingly channeled through interactive media that did not exist even a decade ago.*

<problemset id="ch01ps03"><supertitle id="ch01ps03.supertitle">**Take-Home Projects**

</supertitle>

* 1. Leo Burnett, a giant of the advertising industry, always kept a file he called “Ads Worth Saving,” ads that struck him as effective for some reason. This was his portfolio of ideas. He explained that he would go through that file, not looking for ideas to copy, but because these great ads would trigger thoughts about how to solve some problem. So throughout this book, we will invite you to start your own portfolio. In some cases the assignments will ask you to find good (or bad) work and explain why you evaluate them as you do. In other cases, we’ll ask you to actually do something—write, design, propose—or create something that you could take to an interview that demonstrates your understanding of the principles we talk about in this book.

*Students should be encouraged to begin their own portfolio, based upon their individual understanding of what makes an advertisement effective, as opposed to ineffective. Because students must employ their own judgment in selecting ads, portfolios will vary widely.*

***A Facebook Profile***: For this first assignment, choose one of the people from the historical discussions in this chapter, someone you believe influenced the development of modern marketing communication. Research this person on the Internet and build a personal profile including samples of work if you can find some. Present your report as if it were a Facebook page. Make sure your presentation explains why you believe this person was important.

*Historical personalities that could be profiled by students include John E. Kennedy, Albert Lasker, Claude Hopkins, John Caples, Daniel Starch, A.C. Neilson, George Gallup, Raymond Rubicam, Stanley and Helen Resor, Leo Burnett, David Ogilvy, and William Bernbach.*

* 1. ***Mini-Case Analysis:***: Every chapter in this textbook opens with an award-winning case. For this assignment you will be asked to analyze why it was effective and, in many cases, come up with ideas for how that campaign could be extended to another year or another market.

Reread the Old Spice campaign that was introduced at the beginning of this chapter and wrapped up at the end of the chapter. Go online and see if you can find any other information about this campaign. What are the strong points of this campaign? Its weak points? Why has it won awards and why was it deemed effective? If you were on the Old Spice team, would you recommend that this campaign be continued or is it time to change it? In other words, what happens next? Is there a spin-off? Develop a one-page analysis and proposal for the next year.

*There are numerous articles about this ad campaign on the Internet. In addition to a Grand Effie, it has amassed many awards and heaps of critical acclaim. P&G has run three series of commercials around the “The Man Your Man Could Smell Like” theme. Also, elements of these ads were used as part a co-branding advertising strategy with other P& G products.*

*For insight into the strengths of this campaign from the perspective of some of its agency’s executives, suggest that students visit* <http://www.dandad.org/learning/case-studies/old-spice-response-campaign>.  *While there have been a few contrarians who bashed aspects of “The Man Your Man Could Smell Like” campaign by labeling them as nothing more than a series of clever social media stunts, it is hard to argue with the tremendous growth in sales the campaign produced*. *Opinions regarding potential benefits of continuing of this ad will vary among students*. *However, it appears than in early 2012, the Old Spice brand moved on to a new campaign entitled ‘Believe in Your Smell”.*

**TRACE North America Case**

Read the TRACE case in the Appendix before coming to class.

* 1. In class discuss the following:

1. In what ways does the TRACE case reflect the expanded definition of what advertising is?
2. How does the case illustrate the various roles that advertising campaigns can perform, as well as the role of advertising in the broader area of marketing communication?
   1. Write a one page explanation of the campaign.

**◆*Additional Material***

**WEB Review Questions**

1. **Is advertising a simple or a complex endeavor? Why?**It can be viewed both ways. From one standpoint, advertising is a complex form of communication that operates with objectives and strategies leading to various types of impact on consumer thoughts, feelings, and actions. Viewed the other way, advertising is really quite simple. It’s about creating a message and sending it to someone in the hope that he or she will react in a certain way.
2. **Do you believe that advertising is ancient or a modern practice? How so?**Although the advertising industry as we know it was spawned in the early 20th century, its roots are ancient. Advertising in the form of a sign dates back thousands of years. The invention of moveable type in 1455 made it possible for advertisers to create handbills, posters, and newspapers. The word “advertisement” first appeared in newspapers around 1660 and, by the late 1700s, the Industrial Revolution made manufactured goods available to consumers on a wide basis. However, the concept of a “brand” did not emerge until the mid-19th century.
3. **Define modern advertising according to your textbook authors.**

This definition of advertising includes the following basic elements:

* Advertising is usually paid for by the advertiser, although some forms of advertising, such as public service announcements (PSAs), use donated space and time.
* Not only is the message paid for, but the *sponsor* is identified.
* Although advertising began as *one-way communication*, digital media has introduced new forms of *two-way and multiple-way communication.*
* Advertising generally reaches a *broad audience* of potential consumers, either as a *mass audience* or smaller *targeted* groups. However, *direct response* advertising, especially those practices that involve digital communication, can deliver *one-to-one* communication with a large group of people.
* Traditionally, the message is conveyed through many different kinds of *mass media,* which are largely *non-personal* messages. This, however, is changing with the introduction of more interactive types of media. A great deal of emphasis is now placed on *word-of-mouth*, which is now defined as personal communication through new media forms rather than “scripted messages in a paid format,” according to agency CEO Richard Edelman.

1. **Define and discuss one major role of advertising.**

Here is a brief definition for each one:

*Marketing Role:* In its marketing role, advertising transforms a product into a distinctive brand by creating an image and personality that goes beyond straightforward product features.

*Communication Role:*  Advertising communicates to the consumer information about brands to consumers through the media in formats that are imaginative, informative, and persuasive.

*Economic Role:* Advertising extends beyond a primarily informational role to create a demand for a particular brand. Because it reaches large groups of potential consumers, advertising brings cost efficiencies to marketing and thus lowers prices to consumers.

*Social Role:* Advertising also mirrors fashion and design trends, thereby adding to our aesthetic sense. It may also expose social issues, help us shape an image of ourselves by setting up role models with which we can identify, and capture the diversity of the world in which we live. These social roles have both negative and positive dimensions.

1. **What is public service advertising? Who produces it? Provide at least one example of this type of advertising.**

Public service advertisingcommunicates a message on behalf of some good cause, such as stopping drunk driving (as in messages from Mothers Against Drunk Driving) or preventing child abuse. Advertising professionals usually create these advertisements, also called **public-service announcements (PSAs),** free of charge and the media often donate the necessary space and time.

1. **Describe the different types of agencies that exist within the advertising industry.**

*Full Service Agencies:*Afull-service agency includes four major staff functions — account management, creative services, media planning, and account planning, which includes research. A full-service advertising agency also has its own accounting department, a **traffic department** to handle internal tracking on completion of projects, a department for broadcast and print production, and a human resources department.

*In-House Agencies*:An in-house agency produces ads and also places them in the media. The difference is that the agency is a part of the advertiser’s organization, rather than an outside company. Companies that need closer control over their advertising have their own internal agencies.

*Specialized Agencies:*Many agencies do not follow the traditional full agency approach. Instead they specialize in certain functions, audiences, industries, markets, or marketing communication areas, such as branding, sales promotion, packaging, etc.

*Creative boutiques****:*** Theseare ad agencies, usually small, that concentrate entirely on preparing the creative execution of client marketing communications. They usually serve companies directly, but are sometimes retained by full-service agencies that are overloaded with work.

*Media-buying services****:*** These agencies specialize in the purchase of media for clients. They are in high demand because media has become more complex as the number of choices has grown, and the cost of maintaining a competent media department has escalated. Media buying services often buy media at a low cost because they can group several clients’ purchases together to develop substantial buying power.

*Agency Networks and Holding Companies*:*Agency networks* are large conglomerations of agencies under central ownership that operate under one agency name. Examples include DDB Worldwide and BBDO Worldwide. *Holding companies* include one or more advertising agency network, as well as other types of marketing communication agencies and marketing services consulting firms.

1. **Discuss the emergence of consumer society in the late 19th century, and how it influenced the rise of the modern advertising era.**

By the end of the 19th century, advertisers began to give their goods brand names, such as Baker’s chocolate and Ivory soap. The purpose of advertising during this period was to create demand for these new brands, and to distinguish them from competitors. This period marked the beginning of what we now recognize as the advertising industry. This movement was led by Lord & Thomas, an early agency whose principal Albert Lasker positioned advertising as “salesmanship in print.” This mantra became the guiding principle for the industry, and gave rise to scientific research techniques which the advertising began to use in the early 20th century.

**Assignments**

**Individual Assignments**

1. Search magazines and newspapers to find examples of ads that fill each of the four primary roles of advertising. Create a portfolio of these ads and caption each ad with a description of how it fulfills each role.
2. Research the Web to locate information about recent winners of various award shows, such as the Effie Awards, the Clios, and the Cannes Lion Award. Upon what was receipt of each award based and what are qualities within each ad you think led to its being selected as winner? Use your findings to prepare a 500-word paper that could be presented to your class.

**Think-Pair-Share**

1. In pairs, research and discuss the concept of Integrated Marketing Communication and its significance to the advertising industry. In particular, what does it mean to achieve “synergy” in an advertising campaign? Have the students discuss their findings with the class.

**Outside Examples**

1. Go online and view “[Emergence of Advertising in America: 1850-1920](http://scriptorium.lib.duke.edu/eaa/index.html),**”** a presentation by Duke University. The website can be found at:   
   <http://scriptorium.lib.duke.edu/eaa/index.html>   
     
   Explore the entire website and concentrate on areas that are most interesting to you.   
   Then, assemble a brief PowerPoint presentation contrasting your findings with the Development of Advertising” section in Chapter 1. You should focus your attention on the Early Age of Agencies, The Scientific Era, and The Creative Revolution.   
   Finally, present your findings to the class, either individually or in groups.
2. Locate and interview an advertising or marketing professional who specializes in Integrated Marketing Communication (IMC). If possible, do the interview in person and “shadow” him or her for part of a day on the job. Find out what, specifically, is different about IMC, and the role that advertising plays within it. Ask for specific samples (print or online) that illustrate the use of IMC in a given campaign.   
     
   Then, write a 1,000-word report addressing the concept of IMC and how it is used in this professional’s work setting. Make sure that you draw upon specific examples that you obtained in your interview.